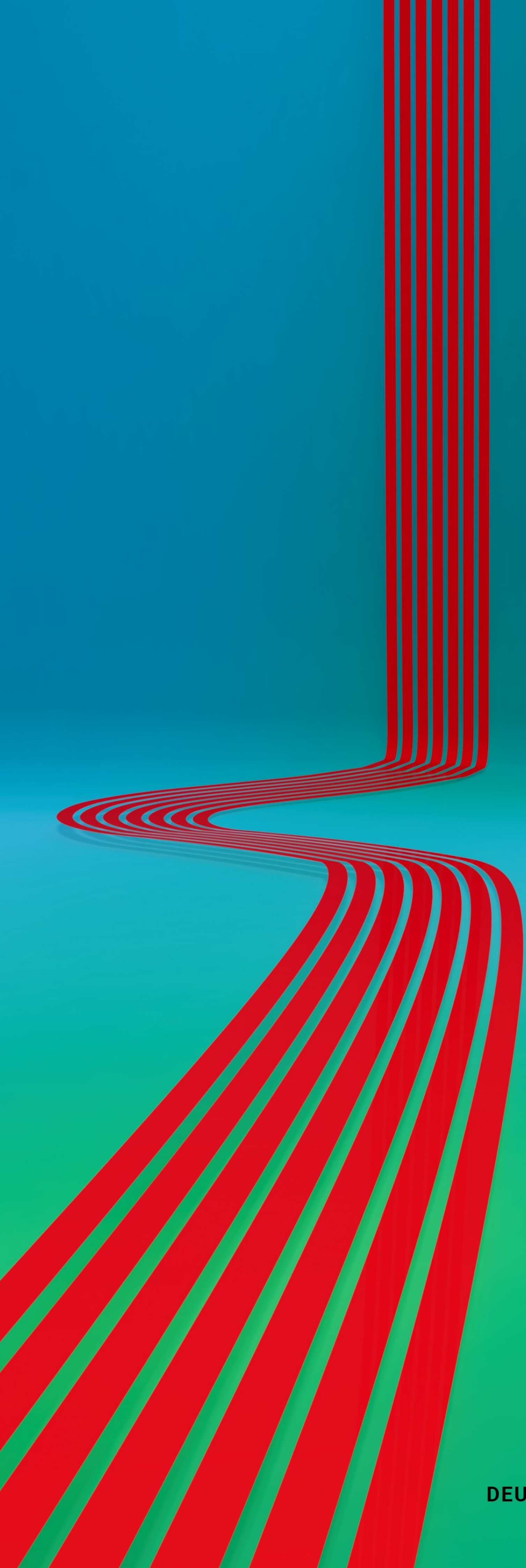


WE KEEP THE WORLD **MOVING**

DEUTZ 2023

DEUTZ

DEUTZ GROUP: OVERVIEW (continued operations)[1]

€ million

	2023	2022[2]	Change
New orders	1,749.9	1,980.8	-11.7%
Unit sales (units)	187,116	181,268	3.2%
Revenue	2,063.2	1,892.1	9.0%
EBITDA	232.2	186.6	24.4%
EBITDA (before exceptional items)	252.3	192.5	31.1%
EBIT	123.5	97.6	26.5%
thereof exceptional items	-20.1	-5.9	-240.7%
EBIT margin (%)	6.0	5.2	+0.8 pp
Adjusted EBIT margin (before exceptional items)	143.6	103.5	38.7%
EBIT margin (before exceptional items, %)	7.0	5.5	+1.5 pp
Net income	106.9	95.4	12.1%
Earnings per share (€)	0.86	0.79	8.9%
Earnings per share (before exceptional items, €)	14.4	11.0	+3.4 pp
Free cash flow[3]	41.8	6.4	553.1%
Net financial position[4]	-163.4	-155.9	-4.8%
Working capital[5]	379.8	313.8	21.0%
Working capital ratio (average, %)[6]	17.7	15.6	+2.1 pp
Capital expenditure (after deducting grants)[7]	114.5	99.6	15.0%
R&D ratio[8]	4.7	4.5	+0.2 pp
R&D expenditure (after deducting grants)	97.9	84.7	15.6%
Employees (number as at December 31)[9]	5,084	4,773	6.5%

DEUTZ GROUP: OVERVIEW (continued operations)

Revenue	2,104.8	1,953.4	7.8%
Adjusted EBIT margin (before exceptional items)	120.4	89.4	34.7%
EBIT margin (before exceptional items, %)	5.7	4.6	+1.1 pp
Net income	81.9	80.2	2.1%
Earnings per share (€)	0.66	0.66	0.0%
Equity	743.2	668.8	11.1%
Equity ratio (%)	46.7	45.3	+1.4 pp
ROCE (before exceptional items)	11.1	9.0	+2.1 pp
Free cash flow	24.8	-16.6	-
Working capital	405.7	346.3	17.2%
Working capital ratio (average, %)	18.7	16.7	+2 pp
R&D ratio	4.9	4.6	+0.3 pp
Employees (number as at December 31)	5,284	4,975	6.2%

DEUTZ Classic (continued operations)

	2023	2022	Change
New orders (€ million)	1,743.2	1,981.1	-12.0%
Unit sales (units)	186,718	181,249	3.0%
Revenue (€ milltion)	2,058.2	1,889.4	8.9%
Adjusted EBIT (€ million)	180.1	128.1	40.6%
Adjusted EBIT margin (%)	8.8	6.8	+2pp

DEUTZ Green (continued operations)

	2023	2022	Change
New orders (€ million)	6.7	-0.3	-
Unit sales (units)	398	19	1994.7%
Revenue (€ milltion)	5.0	2.7	85.2%
Adjusted EBIT (€ million)	-37.1	-25.1	-47.8%
Adjusted EBIT margin (%)	-742.0	-929.6	+187,6 pp

1 In accordance with IFRS 5, continuing operations exclude the Torqeedo Group.
2 The previous year's figures were adjusted in accordance with the provisions of IFRS 5. In addition, the previous year's figures for key figures relating to balance sheet values were adjusted for comparison purposes.
3 Cash flow from operating and investing activities less interest expense.
4 Cash and cash equivalents less current and non-current interest-bearing financial debt.
5 Inventories plus trade receivable less trade payables.
6 Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.
7 Capital expenditure on property, plant and equipment (including right-of-use assets in connection with lease) and intangible assets, excluding capitalization of R&D.
8 Research and development expenditure (after subsidies) in relation to sales revenue.
9 Number of employees in FTE (Full Time Equivalent).

WE KEEP THE WORLD MOVING

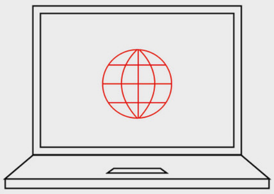
DEUTZ supplies drives that power vehicles and machinery on construction sites, on highways, and in agriculture around the world. That is our core business and our passion.

We are working with our customers to make our product ecosystem climate-neutral by supplying sustainable drive systems, providing intelligent maintenance, and developing innovative solutions.

Our technology-neutral approach ensures the world keeps moving.

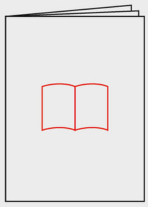
DEUTZ ANNUAL REPORT 2023

As of the end of 2020, for environmental reasons, we will no longer be printing annual reports, half-year reports, or quarterly statements for distribution. The online version of the annual report contains the complete report, further information about the overarching corporate strategy, and strategic highlights. This information is additionally summarized in a separate magazine that is also available on our website.



THE 2023 ONLINE ANNUAL REPORT
INCLUDING A KPI TOOL AND INTERACTIVE FEATURES
AT

annualreport.deutz.com/2023



DEUTZ 2023 – THE MAGAZINE
PRINTED OR AS A PDF
AT

www.deutz.com/magazin2023/en

Follow us on:

About this report

This annual report takes an in-depth look at the business performance of the DEUTZ Group and DEUTZ AG. It covers both financial and non-financial aspects. See Separate combined non-financial report, p. 110 onward.

REPORTING STRUCTURE

The reporting period covers the 2022 financial year, which began on January 1 and ended on December 31, 2023. To ensure that it is as up to date as possible, this report also contains any relevant information that was available by the time that the responsibility statement was issued on February 26, 2023. The consolidated financial statements and group management report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements pursuant to the German Commercial Code (HGB). The separate combined non-financial report has been prepared in accordance with section 315c in conjunction with sections 289c to 289e HGB. However, the reporting is in parts based on the aspects covered by particular criteria of the **German Sustainability Code**.

INDEPENDENT AUDIT

The consolidated financial statements prepared by DEUTZ AG – comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to the consolidated financial statements – and the group management report were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). See Independent auditor's report, p. 238 onward.

The combined non-financial statement for DEUTZ AG and the Group was subject to a separate review with limited assurance by PwC that was conducted in accordance with the International Standard on Assurance Engagements, ISAE 3000 (Revised). See Independent practitioner's report, p. 157 onward.

The remit of PwC's audit engagement did not include auditing the online version of the report or references to external sources, such as the Company's website.

FORWARD-LOOKING STATEMENTS

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

FURTHER INFORMATION

In this report, references to further information are highlighted in the text and the relevant page number is given. A gray font is used to highlight glossary terms, explanations of which can be found on p. 245 onward in this report.

MISCELLANEOUS

This annual report is available in German and English. To improve readability, we do not indicate rounding differences in this report.

CONTENTS

MESSAGE FROM THE CEO

Dear friends of the company,

We keep the world moving – on construction sites, on roads, and in agriculture. This is what DEUTZ has been all about for 160 years. To ensure that this continues, we also kept ourselves moving forward in 2023 with the introduction of our new Dual+ strategy. This focuses on internal combustion engines, green technologies that meet the needs of the market, and the global expansion of our service business. We are thus laying solid foundations for the future of DEUTZ, and the figures for 2023 clearly show that we are on the right path. We achieved record figures despite challenging macroeconomic conditions, while once again proving our reliability by meeting our guidance – which we raised twice during the year – for the third year in a row.

Unit sales for our continuing operations rose by 3 percent, while revenue climbed by 9 percent to just under €2.1 billion. Profitability also improved significantly, with adjusted EBIT up almost 40 percent and our margin rising by 1.5 percentage points to 7 percent. Of course, we would like you, our shareholders, to also reap the benefit of last year's positive business performance. The Supervisory Board and the Board of Management will propose to the Annual General Meeting on May 8, 2024 that the dividend be increased by around 13 percent to €0.17 per share. This would equate to a dividend ratio of around 26 percent.

We enjoyed further organic growth in our business with conventional internal combustion engines, selling more than 187,000 units. Not only did we sell more engines than the year before, we also did so much more profitably, as the margin of 8.8 percent in our Classic segment clearly shows. The groundwork has been laid for expanding the business in the future. The alliance with Daimler Truck, combined with the planned takeover of the sales and service activities for selected mtu engines, puts us in a strong position to achieve our goal of being among the top three independent drive manufacturers by 2030.

»We laid the foundations for becoming one of the top three independent drive manufacturers by 2030.«

DR.SEBASTIANC.SCHULTE

We are also working with our customers to make our product ecosystem climate-neutral, and our first major order for hydrogen engines shows that the internal combustion engine is far from obsolete, particularly in the off-highway segment. We find ourselves very well positioned in this respect. The ongoing reorganization of the Green segment and the sale of Torqeedo will enable us to develop alternative drives much more rapidly and with a stronger focus on the market and customers.

In the service business, we were able to further increase our revenue to €483 million and expand our regional presence with two acquisitions on two continents. Our service offering is not only broader now, it is also smarter thanks to intelligent maintenance and innovative solutions that go beyond our physical products. This opens up further opportunities for growth beyond the powertrain.

We stabilized and improved our business over the course of last year, and we also focused on our culture and the way we work together. In a number of workshops attended by more than 2,000 employees, we jointly developed clear guiding principles – trust, transparency, truth, team, and tenacity – that provide a solid basis for effective and successful collaboration. This has already had a noticeable impact in many areas across the business.

In 2023, we became faster, more diverse, and more international, and we adapted our regional structures. These changes put us in a good position to maintain our upward trajectory in the year ahead. A year in which we will be holding various events to commemorate 160 years of DEUTZ with both pride and gratitude. We will also continue to do our utmost to add another chapter to the Company's success story.

Cologne, March 2024

Dr. Sebastian C. Schulte

CHIEF EXECUTIVE OFFICER

Board of Management

TIMO KRUTOFF

Member of the Board of Management
Finance, Human Resources and Information Services

Member of the Board of Management since December 1, 2022, appointed until November 30, 2025

DR. SEBASTIAN C. SCHULTE

Chairman of the Board of Management
Technical and Head-office Functions, Sustainability

Member of the Board of Management since January 1, 2021, appointed until December 31, 2028

DR.-ING. PETRA MAYER

Member of the Board of Management
Production and Procurement

Member of the Board of Management since November 1, 2022, appointed until October 31, 2025

DR.-ING. MARKUS MÜLLER

Member of the Board of Management
Research & Development, Sales & Service

Member of the Board of Management since March 15, 2021, appointed until March 14, 2029

Report of the Supervisory Board

Dr. Dietmar Voggenreiter
Chairman of the Supervisory Board

Dear Shareholders,

The 2023 financial year was a good one for your company, DEUTZ AG.

The reorganization of the Board of Management in 2022 laid the foundation for further developing the corporate strategy and responding to changing market and customer needs. The result is the Dual+ strategy presented at the beginning of 2023, which the Board of Management team developed and defined in greater detail in consultation with the Supervisory Board. The first steps to implement the strategy and key milestones were achieved even before the year was out.

The Board of Management drove forward the market consolidation in the Classic segment through the two strategic projects with Daimler Truck AG and Rolls-Royce Power Systems AG and further improved the Classic segment's profitability. A similar approach was taken for the expansion of the service business. Initial progress was made with this too thanks to acquisitions in Chile and Scandinavia. Strengthening the Classic segment and the service business provides the foundations for establishing and expanding the Green segment. Strategically important steps were taken to drive forward this repositioning during the reporting year. Examples include the start of volume production of the hydrogen-fueled internal combustion engine TCG 7.8 H2, the approval of the E-DEUTZ toolbox for volume production, and the definition of a roadmap for the sale of Torqeedo.

In short, DEUTZ AG is well positioned for the future. The Company's adjusted EBIT from continuing operations was up by almost 40 percent to €143.5 million. However, even taking into account discontinued operations as well as all exceptional items, DEUTZ achieved EBIT of over €100 million for the first time in many years.

Thanks to its Dual+ strategy and robust earnings performance, your DEUTZ AG is on a very promising path for the upcoming period of transformation.

Progress with this transformation and the implementation of the Dual+ strategy are discussed and reported on regularly in the meetings of the Supervisory Board and its committees.

OPERATING PROCEDURES OF THE SUPERVISORY BOARD

In 2023, the Supervisory Board of DEUTZ AG continued its ongoing monitoring of the management of the business in accordance with the requirements of the German Stock Corporation Act (AktG) and the **German Corporate Governance Code** and provided advice to the Board of Management on key decisions. The Supervisory Board was involved in all material decisions made by the Board of Management. In particular, the Board of Management coordinated closely with the Supervisory Board on the Company's corporate strategy.

A total of four ordinary and six extraordinary meetings of the Supervisory Board were held in 2023.

Apologies for absence were received from Ms. Sophie Albrecht for the meetings on January 18 and 30, 2023. All members of the Supervisory Board participated in all the other meetings in 2023. At four meetings, everyone attended in person, while two meetings were held entirely as a telephone/video conference. The other four meetings were hybrid events, with some attendees taking part in person and others joining virtually using telephone/video conferencing technology.

The attendance rates of the individual Supervisory Board members were as follows:

Supervisory Board member	Number of meetings of the Supervisory Board	Number of meetings attended	Attendance rate
Dr. Dietmar Voggenreiter Chairman of the Supervisory Board	20	20	100%
Sabine Beutert Deputy Chairwoman of the Supervisory Board	18	18	100%
Sophie Albrecht	3	1	33%
Dr.-Ing. Bernd Bohr	3	3	100%
Yavuz Büyükdag	4	4	100%
Dr. Fabian Dietrich	12	12	100%
Helmut Ernst	7	7	100%
Hans-Peter Finken	4	4	100%
Melanie Freytag	7	7	100%
Patricia Geibel-Conrad	14	14	100%
Ismail-Hilmi Kocer	6	6	100%
Gottfried Laengert	6	6	100%
Alois Ludwig	6	6	100%
Dr.-Ing. Rudolf Maier	13	13	100%
Bernd Maierhofer	7	7	100%
Katja Olligschläger	4	4	100%
Hans-Jörg Schaller	6	6	100%
Corinna Töpfer-Hartung	6	6	100%
Ali Yener	4	4	100%

At each of the ordinary meetings of the Supervisory Board, the Board of Management reported on the general economic, market, and competitive environment for the DEUTZ Group, presented a business update and sales report that included detailed information on the actual performance of the business over the immediately preceding period, submitted an up-to-date risk report, provided information on key operational issues, and offered an overview of the results forecast for the year as a whole. These reports were made on the basis of the key performance indicators that were already familiar to the Supervisory Board members from the Company's written monthly reports. These key performance indicators included new orders, orders on hand, revenue, unit sales, EBIT, research and development expenditure, capital expenditure, working capital, quality data, and headcount data, in each case compared against the prior-year figures and budget. Reports from the Human Resources and Audit Committees presented by their respective chairpersons were also a regular item on the agenda of the Supervisory Board meetings.

FOCUS OF SUPERVISORY BOARD DELIBERATIONS

The deliberations and discussions of the Supervisory Board in the year under review focused on the current business position and risk situation of the DEUTZ Group as well as on the operational and strategic development of the business. The latter was the subject of an extraordinary Supervisory Board meeting. In addition to the wider macroeconomic conditions, the Company's revenue, earnings, liquidity, supply of parts, and staffing levels were particularly affected by the war in Ukraine. Important activities in the reporting year included the transaction with Daimler Truck AG, the roadmap for the sale of Torqeedo, the further expansion of the service business through mergers and acquisitions in Scandinavia and South America, the development of new customer business, and measures to bring about lasting quality improvements. Other key decisions concerned the 2024 budget, the medium-term planning up to 2028, and the approval of capital expenditure and development projects. The Supervisory Board also adopted resolutions concerning the achievement of targets by the Board of Management – and consequently its variable remuneration for the previous year – as well as the setting of its targets and medium-term targets for the current year.

The Board of Management ensured that it provided the Supervisory Board with comprehensive, regular, and timely information at all times during the period under review. Between meetings, the Board of Management informed the members of the Supervisory Board in writing about all important events. In addition, the chairman of the Supervisory Board and the chairman of the Board of Management remained in regular contact to discuss all important transactions, imminent decisions, and optimization measures. All the decisions that the Supervisory Board was required to make in accordance with the law and Statutes were made on the basis of the reports and draft resolutions submitted by the Board of Management and, where necessary, following preparation by the relevant committees of the Supervisory Board.

COMPOSITION OF THE BOARD OF MANAGEMENT

The Company's Board of Management consists of four people: Dr. Sebastian C. Schulte (Chairman, responsible for technical and head-office functions and for sustainability), Dr. Ing. Petra Mayer (responsible for production and purchasing), Dr. Ing. Markus Müller (responsible for research and development, sales, and service), and Mr. Timo Krutoff (responsible for finance, human resources, and information services).

At the Supervisory Board meeting on January 18, 2023, following preparatory work by the Human Resources Committee, the Supervisory Board extended Dr. Ing. Sebastian C. Schulte's term of appointment by five years, i.e. for the period from January 1, 2024 to December 31, 2028.

At the Supervisory Board meeting on March 15, 2023, following preparatory work by the Human Resources Committee, the Supervisory Board also extended Dr. Ing. Markus Müller's appointment by five years, i.e. for the period from March 15, 2024 to March 14, 2029.

CORPORATE GOVERNANCE: DECLARATION OF CONFORMITY NO DEVIATIONS

At its meeting on December 12, 2023, the Supervisory Board held in-depth discussions on the **German Corporate Governance Code** (DCGK, version dated April 28, 2022) and, together with the Board of Management, issued a declaration of conformity pursuant to section 161 AktG. This declaration does not include any deviations from the Code. Since December 13, 2023, it has been available in the **Corporate Governance** section of the DEUTZ AG website at www.deutz.com, where it can be downloaded. See also Corporate governance declaration and corporate governance report, p. 20 onward.

MATTERS HANDLED EFFICIENTLY BY FOUR COMMITTEES

The Supervisory Board has created four committees to enable it to perform its duties effectively. These committees prepare various topics and resolutions for the full Supervisory Board. Details of all members of the Supervisory Board and its committees, as well as other directorships held by its members, are shown separately from page 17 of this annual report. See also Report of the Supervisory Board, p. 10 onward.

At the time this annual report was published, the members of the Human Resources Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sabine Beutert, and Dr. Ing. Rudolf Maier. The Human Resources Committee makes preparations for all Supervisory Board decisions concerning the appointment of members of the Board of Management and their contracts of employment, including the remuneration specified therein, and all issues arising in this connection. It particularly focuses on long-term succession planning, which involves identifying suitable candidates at an early stage. In this task, it is supported by external consultants. The Human Resources Committee held four meetings in 2023, all of which were attended in person by all members of the committee. Among the main matters addressed were a revision of the remuneration system for the Board of Management, the achievement of the Board of Management's targets for 2022, and the setting of the Board of Management's targets for 2023.

At the time this annual report was published, the members of the Audit Committee were Ms. Patricia Geibel-Conrad (chairwoman), Ms. Sabine Beutert (deputy chairwoman), Dr. Dietmar Voggenreiter, and Dr. Fabian Dietrich. Due to her professional background as an auditor and tax consultant, Ms. Geibel-Conrad has expertise in the areas of accounting and auditing within the meaning of Section D.3 of the German Corporate Governance Code in the version dated April 28, 2022. Ms. Beutert has a degree in economics and as a long-standing secretary of the German Metalworkers' Union has relevant expertise in the field of accounting. Dr. Voggenreiter also has relevant expertise in the field of accounting due to his professional background as Head of Corporate Controlling at Audi AG, Ingolstadt, and as a former Member of the Board of Management (with responsibility for marketing and sales) of Audi AG, Ingolstadt.

The Audit Committee held four scheduled meetings in 2023, all of which were attended in person by all members of the committee and the Board of Management. The auditor also attended all but one of the meetings. Guests were able to participate virtually, with some of them making use of this option. Where necessary, the committee meetings were held entirely or in part without the Board of Management and/or without the auditor.

The committee's work primarily focused on the preparatory review of the annual and consolidated financial statements, including the combined management report and separate combined non-financial report of DEUTZ AG and the DEUTZ Group. The auditor's report on its review of the condensed consolidated financial statements and the interim management report for the first half of the year was discussed at length together with the Board of Management and in the presence of the auditor. The interim management statements for the first and third quarters were discussed in detail with the Board of Management. In between meetings, the chairwoman of the Audit Committee kept in close contact with the Chief Financial Officer in order to share information and ideas.

The committee examined the monitoring of the accounting process, the appropriateness, effectiveness, and further development of the internal control system, the effectiveness of the risk management system, the compliance management system, and Corporate Audit. In the committee's meetings, the heads of relevant head-office functions were available to answer questions and give reports on specific topics. The annual activity report presented by the Head of Corporate Audit and the report's findings were discussed, and Corporate Audit's audit plan for the reporting year was adopted. Moreover, the committee examined the Compliance Officer's report and addressed the wider subject of compliance within the Company. Further topics that were discussed regularly included IT matters and the reporting on important legal disputes.

The Board of Management also reported regularly to the Audit Committee on the course of business in the segments, relevant key performance indicators for the Group, the liquidity and funding situation, and – on an ad hoc basis – on matters relating to Corporate Audit, compliance, data security, and data integrity.

Other key areas addressed over the course of the year included the Group's performance and activities in China, the working capital, current and future regulatory requirements in the field of sustainability reporting, and various issues relating to accounting and sustainability, such as the implementation of reporting requirements arising from the EU taxonomy, and the implementation of the German Supply Chain Due Diligence Act (LkSG). The Board of Management reported on potential transactions with related parties on at least a quarterly basis. As in previous years, no transactions requiring approval or disclosure were identified in 2023. With regard to the collaboration with the auditor, the committee reviewed the non-audit services performed in the reporting year and received reports on projects planned for the following year. No issues were identified. Finally, the Audit Committee resolved on the planning for 2024.

For the 2023 reporting year and extending into 2024, the Audit Committee has determined a »review of the implementation and delivery of regulatory requirements for sustainability reporting« as a focal point of the audit assignment.

The chairwoman of the Audit Committee routinely provided detailed updates on the committee's work at each subsequent meeting of the full Supervisory Board.

For the final time, the Audit Committee recommended that the Supervisory Board propose to the Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Cologne, be appointed as auditor of the financial statements for the 2023 financial year. The auditor declared to the Audit Committee that there were no circumstances providing grounds to suspect that its opinion was prejudiced. The Audit Committee obtained the necessary declaration of independence from the auditor and verified that it was qualified for the role. In addition, the committee discussed the auditor's fee, appointed the auditor, determined additional areas of focus of the audit, and monitored the quality of the auditing. The chairwoman of the committee and the auditor also shared information on a variety of topics between the meetings.

One of the Audit Committee's key priorities in the reporting year was the mandatory scheduled external rotation of the audit firm at the end of the 2023 financial year and the tender procedure for the 2024 audit in accordance with Regulation (EU) No. 537/2014. Fulfilling its duties, the committee issued a public invitation to tender, evaluated the responses to the tender offer in detail, and finally validated the tender report prepared by the Board of Management. No issues were raised as part of this process. The committee also recommended that the Supervisory Board propose to the 2024 Annual General Meeting that BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Düsseldorf branch, or as an alternative, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Cologne branch, be appointed as auditor of the annual and consolidated annual financial statements of DEUTZ AG, as auditor for the review of the interim consolidated financial statements and interim group management report for the first six months of 2024, and as auditor of the 2024 financial statements of certain consolidated subsidiaries. The Audit Committee stated that it preferred BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Düsseldorf branch, and gave reasons for this.

At its meeting on March 7, 2024, which was attended by the auditor and the Board of Management, the Audit Committee held an in-depth discussion about the aforementioned financial statements and the proposal for the appropriation of profit on the basis of the presented annual and consolidated financial statements and the combined management report of DEUTZ AG, in each case for the year ended December 31, 2023, along with the Board of Management report and the corresponding auditor's reports. During the meeting, the auditor gave a detailed report on the process and key findings of the audits of the financial statements at the parent company and at the German and non-German subsidiaries. No issues were raised in the audit findings. The internal control system relating to the accounting system, the early-warning system for risk, the key audit matters, and the focus of the audit were discussed in detail. The auditor provided in-depth answers to all further questions. No material weaknesses in the internal control system were identified. The auditor also established that the Board of Management had set up an appropriate information and monitoring system that is capable, at an early stage, of identifying any risks to the Company's continued existence as a going concern.

The committee's preparatory review also encompassed the separate combined non-financial report of DEUTZ AG and the DEUTZ Group and the remuneration report. The Supervisory Board had engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to also conduct a review with limited assurance of the non-financial report, to audit the content of the remuneration report, and to produce related assurance reports. The auditor reported on this audit and review at the meeting as well. This was followed by an intensive discussion of the main results. In both cases, an audit opinion without qualification was issued.

At the meeting of the full Supervisory Board on March 14, 2024, the chairwoman of the committee reported in detail on the aforementioned audit and review and their findings. The recommendations prepared for the Supervisory Board for resolutions concerning the financial statements were approved and adopted by the Supervisory Board without change in each case.

The committee kept up to date with the changes to the regulatory environment and discussed the measures that would need to be taken by DEUTZ AG to meet additional requirements arising from the further development of rules on sustainability reporting, such as the European Sustainability Reporting Standards (ESRS), the **Corporate Social Responsibility Directive** (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD).

At the time this annual report was published, the members of the Arbitration Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sabine Beutert, Ms. Melanie Freytag, and Mr. Gottfried Laengert. The Arbitration Committee set up pursuant to section 27 (3) of the German Codetermination Act (MitbestG) is responsible for the activities described in section 31 (3) MitbestG. It did not need to be convened during the year under review.

At the time this annual report was published, the members of the Nominations Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Patricia Geibel-Conrad, and Dr. Ing. Rudolf Maier. The Nominations Committee is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. It held two meetings in 2023, both of which were attended in person by all members of the committee.

The main matters addressed at the meetings were the preparations for the Supervisory Board elections that were held in 2023, and the identification and careful selection of suitable candidates, taking account of the Supervisory Board's profile of skills and expertise and its diversity plan.

The Supervisory Board approved the recommendations for board resolutions submitted by the committees.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AUDITED IN DETAIL AND APPROVED

The annual financial statements of DEUTZ AG prepared by the Board of Management in accordance with the German Commercial Code (HGB), the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) – as adopted by the European Union (EU) – and the additional German statutory requirements pursuant to section 315 (1) HGB, and the combined management report for DEUTZ AG and the DEUTZ Group, in each case for the year ended December 31, 2023, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Cologne (Germany), the auditor appointed by the Annual General Meeting on April 27, 2023. The auditor issued unqualified opinions. The auditor also established that the Board of Management had set up an appropriate information and monitoring system that is capable, at an early stage, of identifying any risks to the Company's continued existence as a going concern. PwC GmbH Wirtschaftsprüfungsgesellschaft, Cologne, has been the auditor for DEUTZ AG and the DEUTZ Group since the 2014 financial year. The designated German public auditors [Wirtschaftsprüfer] are Harald Wimmer (the German public auditor responsible for the audit since the 2021 financial year) and Clivia Döll (since the 2021 financial year).

The annual financial statements of DEUTZ AG, the consolidated financial statements, the combined management report, the Board of Management's proposal for the appropriation of profit, and the auditor's reports were made available to all members of the Supervisory Board and were examined by the Supervisory Board. The auditor explained its audit findings in detail to the Audit Committee meeting held on March 7, 2024 and to the Supervisory Board meeting held on March 14, 2024 and answered any supplementary questions raised. The Supervisory Board approved the findings of the auditor's reports on DEUTZ AG and the DEUTZ Group. The concluding findings of the Supervisory Board's own review have not led to any reservations about either the annual financial statements or the consolidated financial statements, and the Supervisory Board has therefore approved them. The annual financial statements have thus been adopted. Finally, the Supervisory Board reviewed the separate combined non-financial report in accordance with its obligation pursuant to section 171 (1) sentence 4 AktG. It did not identify any issues.

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

In the reporting year, the composition of the Supervisory Board changed as follows:

In the elections for the six shareholder representatives on the Supervisory Board at the Annual General Meeting on April 27, 2023, Ms. Melanie Freytag, Mr. Helmut Ernst, and Mr. Bernd Maierhofer were elected as members of the Supervisory Board for the first time. Ms. Patricia Geibel-Conrad, Dr. Dietmar Voggenreiter, and Dr. Ing. Rudolf Maier were re-elected as members of the Supervisory Board. The terms of appointment of Ms. Sophie Albrecht, Dr. Ing. Bernd Bohr, and Mr. Alois Ludwig came to their scheduled end at the close of the Annual General Meeting. The Supervisory Board would like to express its gratitude to Ms. Albrecht, Dr. Ing. Bohr, and Mr. Ludwig for their hard work and unfaltering commitment to the success of the Company.

At the constitutive meeting of the Supervisory Board after the Annual General Meeting, Dr. Dietmar Voggenreiter was re-elected as chairman of the Supervisory Board. In addition, the Supervisory Board re-elected Ms. Sabine Beutert as its deputy chairwoman.

Elections for the employee representatives on the Supervisory Board also took place in 2023. As a result of these elections on June 13, 2023, Mr. Ismail-Hilmi Kocer, Mr. Gottfried Laengert, and Mr. Hans-Jörg Schaller were newly elected as members of the Supervisory Board, while Ms. Sabine Beutert and Dr. Fabian Dietrich were re-elected as employee representatives on the Supervisory Board.

The courts appointed Ms. Katja Olligschläger to the Supervisory Board as an employee representative with effect from July 24, 2023. This judicial appointment had been requested by the Board of Management in accordance with a resolution passed by the General Works Council. It was required because the outcome of the election of employee representatives did not fulfill the statutory gender quota requirements stipulated in section 96 (2) AktG in conjunction with section 18a MitbestG.

Following the reconstitution of the individual committees of the Supervisory Board after the Supervisory Board elections in the reporting year, the composition of these committees changed as set out below.

At the Supervisory Board meeting on July 1, 2023, Dr. Fabian Dietrich was elected as a member of the Audit Committee with effect from July 1, 2023. Dr. Dietrich succeeded Ms. Töpfer-Hartung, who left the Supervisory Board. On the same day, the Supervisory Board also elected Mr. Gottfried Laengert as a member of the Arbitration Committee, where he succeeded Mr. Ali Yener, who had vacated his position.

In the reporting year, the Supervisory Board conducted a self-assessment (article D.12 DCGK, as amended on April 28, 2022) with support from an external consultancy. The evaluation of this self-assessment started in 2023 and the findings will be used to derive pertinent measures in 2024.

DEUTZ AG supports members when they first join the Supervisory Board and subsequently offers them training and continuing professional development (CPD), covering the associated costs. In the reporting year, all Supervisory Board members received training from external experts on the rights and duties of the Supervisory Board, on alternative fuels for use in internal combustion engines, and on sustainability reporting (especially in accordance with the **CSRD**). Suitable training and CPD measures are regularly discussed by the Supervisory Board members among themselves and also with the Board of Management and the chairman of the Supervisory Board. New members are also provided with comprehensive information on the Company's **corporate governance**. As is customary at DEUTZ AG, Supervisory Board members are given the chance to get to know the Company and the individual departments for themselves. This option was once again taken up in 2023.

CONFLICTS OF INTEREST / INDEPENDENCE OF SUPERVISORY BOARD MEMBERS / THANKS

No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review. The current members of the Supervisory Board of DEUTZ AG are all considered independent within the meaning of article C.6 sentence 2 of the **German Corporate Governance Code** in the version dated April 28, 2022.

The Supervisory Board would like to express its thanks and appreciation to all employees of the DEUTZ Group in Germany and abroad, to the elected employee representatives, and to the Board of Management for their valuable efforts and the considerable dedication they showed in 2023. Special thanks are due for the hard work and flexibility shown by all employees again this year as they dedicated themselves to the Company's cause in what remained a challenging environment.

Cologne, March 2024

Dr. Dietmar Voggenreiter
The Supervisory Board

Members of the Supervisory Board and Board of Management

Members of the Supervisory Board of DEUTZ AG and their membership of other supervisory and advisory bodies

Member	Initial appointment	Appointed until	Committee activities	Principal occupation	Further membership in other bodies
Dr. Dietmar Voggenreiter (Independent member)	Apr. 30, 2019	Annual General Meeting 2028	Human Resources Committee (Chairman)	Management consultant, Horváth & Partner GmbH, Munich, Germany	(a) none
Chairman	Feb. 12, 2022		Audit Committee		(b) none
			Arbitration Committee (Chairman)		
			Nominations Committee (Chairman)		
Sabine Beutert (Independent member)[10]	Apr. 30, 2013	Annual General Meeting 2028	Human Resources Committee (Deputy Chairwoman)	Trade Union Secretary IG Metall – Cologne-Leverkusen branch, Cologne, Germany	(a) none
Deputy Chairwoman	Sept. 21, 2022		Audit Committee (Deputy Chairwoman)		(b) none
			Arbitration Committee		
Sophie Albrecht (Independent member)	Apr. 26, 2018	Apr 27, 2023	Arbitration Committee (until Apr. 27, 2023)	Businesswoman	(a) none
			Nominations Committee (until Apr. 27, 2023)		(b) Mariso Bulle S.A., Bulle, Switzerland
					(b) Liebherr-Intertrading S.A., Bulle, Switzerland
					(b) Eglesia AG, Bulle, Switzerland
					(b) Liebherr-International AG, Bulle, Switzerland
Dr.-Ing. Bernd Bohr (Independent member)	Apr. 26, 2018	Apr 27, 2023		Freelance management consultant	(a) Ottobock SE & Co. KGaA, Duderstadt, Germany
					(a) Brose International SE, Bamberg, Germany (since Dec. 2023)
					(b) Brose Fahrzeugteile SE & Co. KG, Coburg, Germany (until Dec. 2023)
Yavuz Büyükdag (Independent member)[11]	Apr. 26, 2018	Jun. 14, 2023		Chairman of the General Works Council of DEUTZ AG, Cologne, Germany	(a) none
				Deputy Chairman of the Works Council of the Cologne joint operation of DEUTZ AG, Cologne	(b) none
Dr. Fabian Dietrich (Independent member)[12]	Apr. 26, 2018	Annual General Meeting 2028	Audit Committee	Senior managers' representative, DEUTZ AG, Cologne, Germany	(a) none
				Legal at DEUTZ AG, Cologne, Germany	(b) none
Helmut Ernst (Independent member)	Apr. 27, 2023	Annual General Meeting 2028		Freelance management consultant	(a) kfzteile24 AcquiCo GmbH, Berlin, Germany (member of the Advisory Board, since Sep. 1, 2023)
					(b) none

[10] Employee representatives on the Supervisory Board.
[11] Employee representatives on the Supervisory Board.
[12] Employee representatives on the Supervisory Board.

Hans-Peter Finken (Independent member)[13]	Apr. 27, 2023	May 31, 2023		Member of the Works Council of DEUTZ AG, Cologne, Germany (until May 31,2023)	(a) none (b) none
Melanie Freytag (Independent member)	Apr. 27, 2023	Annual General Meeting 2028	Arbitration Committee	Chief Financial Officer Interzerro Gruppe, Berlin	(a) none (b) none
Patricia Geibel-Conrad (Independent member)	Apr. 26, 2018	Annual General Meeting 2028	Audit Committee (Chairwoman) Nominations Committee	Director of her own audit business / Freelance management consultant Freelance management consultant	(a) CEWE Stiftung & Co. KGaA, Oldenburg, Germany (until Jun. 7, 2023) (a) NEMETSCHEK SE, Munich, Germany (until May 23, 2023) (b) none
Ismail-Hilmi Kocer (Independent member)	Jun. 14, 2023	Annual General Meeting 2028		Chairman of the Works Council of DEUTZ AG, Ulm plant, Germany	(a) none (b) none
Gottfried Laengert (Independent member)[14]	Jun. 14, 2023	Annual General Meeting 2028	Arbitration Committee	Member of the Works Council of DEUTZ AG, Cologne, Germany	(a) none (b) none
Alois Ludwig (Independent member)	Apr. 29, 2015	Apr. 27, 2023	Human Resources Committee (until Apr. 27, 2023) Nominations Committee (until Apr. 27, 2023)	Freelance management consultant	(a) none (b) none
Dr.-Ing. Rudolf Maier (Independent member)	Oct. 7, 2020	Annual General Meeting 2028	Human Resources Committee Nominations Committee	Freelance management consultant	(a) Bosch Engineering GmbH, Abstatt, Germany (Chairman, until Dec. 31, 2023) (a) ITK Engineering GmbH, Rülzheim, Germany (Chairman, until Dec. 31, 2023) (b) none
Bernd Maierhofer (Independent member)	Apr. 27, 2023	Annual General Meeting 2028		Self-employed management consultant	(a) none (b) VOSS Automotive GmbH, Wipperfürth, Germany
Katja Olligschläger (Independent member)[15]	Jul. 24, 2023	Annual General Meeting 2028		Member of the Works Council of DEUTZ AG, Cologne, Germany	(a) none (b) none
Hans-Jörg Schaller (Independent member)	Jun. 14, 2023	Annual General Meeting 2028		Member of the Works Council of DEUTZ AG, Cologne, Germany	(a) none (b) none
Corinna Töpfer-Hartung (Independent member)[16]	Apr. 26, 2018	Jun. 14, 2023	Audit Committee (until Jun. 14, 2023)	Sustainability/ Climate Management, DEUTZ AG, Cologne, Germany	(a) none (b) none
Ali Yener (Independent member)[17]	Apr. 26, 2018	Jun. 14, 2023	Arbitration Committee (until Jun. 14, 2023)	Chief Representative and Managing Director of IG Metall Koblenz, Germany	(a) ZF Active Safety GmbH, Koblenz, Germany (Deputy Chairman) (b) none

(a) Membership of statutory German supervisory boards within the meaning of section 125 AktG.
(b) Membership of comparable German or international supervisory bodies within the meaning of section 125 AktG.

[13] Employee representatives on the Supervisory Board.
[14] Employee representatives on the Supervisory Board.
[15] Employee representatives on the Supervisory Board.
[16] Employee representatives on the Supervisory Board.
[17] Employee representatives on the Supervisory Board.

Board of Management

Member (age)	Appointed on	Appointed until	Areas of responsibility	Since	Further membership in other bodies
Dr. Sebastian C. Schulte (45)	Jan. 1, 2021	Dec. 31, 2028	Technical and Head-office Functions, Sustainability	Feb. 12, 2022	(a) none
Chairman	Feb. 13, 2022				(b) none
Timo Krutoff (45)	Dec. 1, 2022	Nov. 30, 2025	Finance, Human Resources and Information Services	Dec. 1, 2022	(a) none
					(b) none
Dr.-Ing. Petra Mayer (57)	Nov. 1, 2022	Oct. 31, 2025	Production and Procurement	Nov. 1, 2022	(a) none
					(b) none
Dr.-Ing. Markus Müller (44)	Mar. 15, 2021	Mar. 14, 2029	Research and Development	Mar. 15, 2021	(a) none
			Sales and Service	Sep. 6, 2022	(b) none

(a) Membership of statutory German supervisory boards within the meaning of section 125 AktG.
(b) Membership of comparable German or international supervisory bodies within the meaning of section 125 AktG.

Corporate governance declaration and corporate governance report

For DEUTZ, a responsible approach to management that meets the standards of good **corporate governance** forms the basis for enhancing shareholder value over the long term. This is one of the main reasons why we attach great importance to the implementation of the **German Corporate Governance Code** (DCGK) and ensure quality and transparency in all key decisions and processes in our Company.

CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 289f AND SECTION 315d HGB

Declaration of conformity with no exceptions

In 2023, the Board of Management and the Supervisory Board once again carefully considered to what extent it was proper and consistent with the Company's objectives for DEUTZ to apply all principles, recommendations, and suggestions of the **DCGK**. As a result, DEUTZ AG has complied with all the recommendations of the Code, as amended on December 16, 2019, since submitting its declaration of conformity dated December 9, 2020. The declaration of conformity pursuant to section 161 AktG, issued by the Board of Management and the Supervisory Board on December 13, 2022, confirmed that DEUTZ AG also complied with the recommendations of the Code, as amended on April 28, 2022, without exception and would continue to do so in the future.

The latest version of the declaration of conformity, dated December 12, 2023, can be found in the »Investor Relations / Corporate Governance« section of the Company's website at www.deutz.com. The previous declarations of conformity can also be viewed and downloaded there.

Composition of the Board of Management and Supervisory Board; composition and operating procedures of Supervisory Board committees

At the time this annual report was published, the Company's Board of Management consisted of four people: Dr. Sebastian C. Schulte (Chairman, responsible for technical and head-office functions and for sustainability), Dr. Ing. Petra Mayer (responsible for production and purchasing), Dr. Ing. Markus Müller (responsible for research and development, sales, and service), and Mr. Timo Krutoff (responsible for finance, human resources, and information services).

At the Supervisory Board meeting on January 18, 2023, following preparatory work by the Human Resources Committee, the Supervisory Board extended Dr. Ing. Sebastian C. Schulte's term of appointment by five years, i.e. for the period from January 1, 2024 to December 31, 2028.

At the Supervisory Board meeting on March 15, 2023, following preparatory work by the Human Resources Committee, the Supervisory Board also extended Dr. Ing. Markus Müller's appointment by five years, i.e. for the period from March 15, 2024 to March 14, 2029.

In accordance with the provisions of the German Codetermination Act (MitbestG), the Supervisory Board of DEUTZ AG comprises twelve members, six members being the representatives of the shareholders and six members being the representatives of the employees. The shareholder representatives are elected by the Annual General Meeting of DEUTZ AG in individual elections. The employee representatives are elected by the workforce in accordance with the provisions of the German Codetermination Act.

In the reporting year, the composition of the Supervisory Board changed as follows:

In the elections for the six shareholder representatives on the Supervisory Board at the Annual General Meeting on April 27, 2023, Ms. Melanie Freytag, Mr. Helmut Ernst, and Mr. Bernd Maierhofer were elected as members of the Supervisory Board for the first time. Ms. Patricia Geibel-Conrad, Dr. Dietmar Voggenreiter, and Dr. Ing. Rudolf Maier were re-elected as members of the Supervisory Board. The terms of appointment of Ms. Sophie Albrecht, Dr. Ing. Bernd Bohr, and Mr. Alois Ludwig came to their scheduled end at the close of the Annual General Meeting. The Supervisory Board would like to express its gratitude to Ms. Albrecht, Dr. Ing. Bohr, and Mr. Ludwig for their hard work and unfaltering commitment to the success of the Company.

At the constitutive meeting of the Supervisory Board after the Annual General Meeting, Dr. Dietmar Voggenreiter was re-elected as chairman of the Supervisory Board. In addition, the Supervisory Board re-elected Ms. Sabine Beutert as its deputy chairwoman.

Elections for the employee representatives on the Supervisory Board also took place in 2023. As a result of these elections on June 13, 2023, Mr. Ismail-Hilmi Kocer, Mr. Gottfried Laengert, and Mr. Hans-Jörg Schaller were newly elected as members of the Supervisory Board, while Ms. Sabine Beutert and Dr. Fabian Dietrich were re-elected as employee representatives on the Supervisory Board.

The courts appointed Ms. Katja Olligschläger to the Supervisory Board as an employee representative with effect from July 24, 2023. This judicial appointment had been requested by the Board of Management in accordance with a resolution passed by the General Works Council. It was required because the outcome of the election of employee representatives did not fulfill the statutory gender quota requirements stipulated in section 96 (2) AktG in conjunction with section 18a MitbestG.

Following the reconstitution of the individual committees of the Supervisory Board after the Supervisory Board elections in the reporting year, the composition of these committees changed as set out below.

At the Supervisory Board meeting on July 1, 2023, Dr. Fabian Dietrich was elected as a member of the Audit Committee with effect from July 1, 2023. Dr. Dietrich succeeded Ms. Töpfer-Hartung, who left the Supervisory Board. On the same day, the Supervisory Board also elected Mr. Gottfried Laengert as a member of the Arbitration Committee, where he succeeded Mr. Ali Yener, who had vacated his position.

The Supervisory Board has created four committees to enable it to perform its duties effectively. These committees prepare various topics and resolutions for the full Supervisory Board. Details of all members of the Supervisory Board and its committees, as well as other directorships held by its members, are shown separately on pages 17 onward of this annual report.

Human Resources Committee At the time this annual report was published, the members of the Human Resources Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sabine Beutert, and Dr. Ing. Rudolf Maier. The Human Resources Committee makes preparations for all Supervisory Board decisions concerning the appointment of members of the Board of Management and their contracts of employment, including the remuneration specified therein, and all issues arising in this connection. It particularly focuses on long-term succession planning, which involves identifying suitable candidates at an early stage. In this task, it is supported by external consultants. The Human Resources Committee held four meetings in 2023, all of which were attended in person by all members of the committee. Among the main matters addressed were the revision of the remuneration system for the Board of Management, the achievement of the Board of Management's targets for 2022, and the setting of the Board of Management's targets for 2023.

Audit Committee At the time this annual report was published, the members of the Audit Committee were Ms. Patricia Geibel-Conrad (chairwoman), Ms. Sabine Beutert (deputy chairwoman), Dr. Dietmar Voggenreiter, and Dr. Fabian Dietrich. Due to her professional background as an auditor and tax consultant, Ms. Geibel-Conrad has expertise in the areas of accounting and auditing within the meaning of Section D.3 of the German Corporate Governance Code in the version dated April 28, 2022. Ms. Beutert has a degree in economics and as a long-standing secretary of the German Metalworkers' Union has relevant expertise in the field of accounting. Dr. Voggenreiter also has relevant expertise in the field of accounting due to his professional background as Head of Corporate Controlling at Audi AG, Ingolstadt and as a former Member of the Board of Management (with responsibility for marketing and sales) of Audi AG, Ingolstadt.

The Audit Committee held four scheduled meetings in 2023, all of which were attended in person by all members of the committee and the Board of Management. The auditor also attended all but one of the meetings. Guests were able to participate virtually, with some of them making use of this option. Where necessary, the committee meetings were held entirely or in part without the Board of Management and/or without the auditor.

The committee's work primarily focused on the preparatory review of the annual and consolidated financial statements, including the combined management report and separate combined non-financial report of DEUTZ AG and the DEUTZ Group. The auditor's report on its review of the condensed consolidated financial statements and the interim management report for the first half of the year was discussed at length together with the Board of Management and in the presence of the auditor. The interim management statements for the first and third quarters were discussed in detail with the Board of Management. In between meetings, the chairwoman of the Audit Committee kept in close contact with the Chief Financial Officer in order to share information and ideas.

The committee examined the monitoring of the accounting process, the appropriateness, effectiveness, and further development of the internal control system, the effectiveness of the risk management system, the compliance management system, and Corporate Audit. In the committee's meetings, the heads of relevant head-office functions were available to answer questions and give reports on specific topics. The annual activity report presented by the Head of Corporate Audit and the report's findings were discussed, and Corporate Audit's audit plan for the reporting year was adopted. Moreover, the committee examined the Compliance Officer's report and addressed the wider subject of compliance within the Company. Further topics that were discussed regularly included IT matters and the reporting on important legal disputes.

The Board of Management also reported regularly to the Audit Committee on the course of business in the segments, relevant key performance indicators for the Group, the liquidity and funding situation, and – on an ad hoc basis – on matters relating to Corporate Audit, compliance, data security, and data integrity.

Other key areas addressed over the course of the year included the Group's performance and activities in China, the working capital, current and future regulatory requirements in the field of sustainability reporting, and various issues relating to accounting and sustainability, such as the implementation of reporting requirements arising from the EU taxonomy, and the implementation of the German Supply Chain Due Diligence Act (LkSG). The Board of Management reported on potential transactions with related parties on at least a quarterly basis. As in previous years, no transactions requiring approval or disclosure were identified in 2023. With regard to the collaboration with the auditor, the committee reviewed the non-audit services performed in the reporting year and received reports on projects planned for the following year. No issues were identified. Finally, the Audit Committee resolved on the planning for 2024.

For the 2023 reporting year and extending into 2024, the Audit Committee has determined a »review of the implementation and delivery of regulatory requirements for sustainability reporting« as a focal point of the audit assignment.

The chairwoman of the Audit Committee routinely provided detailed updates on the committee's work at each subsequent meeting of the full Supervisory Board.

For the final time, the Audit Committee recommended that the Supervisory Board propose to the Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Cologne, be appointed as auditor of the financial statements for the 2023 financial year. The auditor declared to the Audit Committee that there were no circumstances providing grounds to suspect that its opinion was prejudiced. The Audit Committee obtained the necessary declaration of independence from the auditor and verified that it was qualified for the role. In addition, the committee discussed the auditor's fee, appointed the auditor, determined additional areas of focus of the audit, and monitored the quality of the auditing. The chairwoman of the committee and the auditor also shared information on a variety of topics between the meetings.

One of the Audit Committee's key priorities in the reporting year was the mandatory scheduled external rotation of the audit firm at the end of the 2023 financial year and the tender procedure for the 2024 audit in accordance with Regulation (EU) No. 537/2014. Fulfilling its duties, the committee issued a public invitation to tender, evaluated the responses to the tender offer in detail, and finally validated the tender report prepared by the Board of Management. No issues were raised as part of this process. The committee also recommended that the Supervisory Board propose to the 2024 Annual General Meeting that BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Düsseldorf branch, or as an alternative KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Cologne branch, be appointed as auditor of the annual and consolidated annual financial statements of DEUTZ AG, as auditor for the review of the interim consolidated financial statements and interim group management report for the first six months of 2024, and as auditor of the 2024 financial statements of certain consolidated subsidiaries. The Audit Committee stated that it preferred BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Düsseldorf branch, and gave reasons for this.

At its meeting on March 7, 2024, which was attended by the auditor and the Board of Management, the Audit Committee held an in-depth discussion about the aforementioned financial statements and the proposal for the appropriation of profit on the basis of the presented annual and consolidated financial statements and the combined management report of DEUTZ AG, in each case for the year ended December 31, 2023, along with the Board of Management report and the corresponding auditor's reports. During the meeting, the auditor gave a detailed report on the process and key findings of the audits of the financial statements at the parent company and at the German and non-German subsidiaries. No issues were raised in the audit findings. The internal control system relating to the accounting system, the early-warning system for risk, the key audit matters, and the focus of the audit were discussed in detail. The auditor provided in-depth answers to all further questions. No material weaknesses in the internal control system were identified. The auditor also established that the Board of Management had set up an appropriate information and monitoring system that is capable, at an early stage, of identifying any risks to the Company's continued existence as a going concern.

The committee's preparatory review also encompassed the separate combined non-financial report of DEUTZ AG and the DEUTZ Group and the remuneration report. The Supervisory Board had engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to also conduct a review with limited assurance of the non-financial report, to audit the content of the remuneration report, and to produce related assurance reports. The auditor reported on this audit and review at the meeting as well. This was followed by an intensive discussion of the main results. In both cases, an audit opinion without qualification was issued.

At the meeting of the full Supervisory Board on March 14, 2024, the chairwoman of the committee reported in detail on the aforementioned audit and review and their findings. The recommendations prepared for the Supervisory Board for resolutions concerning the financial statements were approved and adopted by the Supervisory Board without change in each case.

The committee kept up to date with the changes to the regulatory environment and discussed the measures that would need to be taken by DEUTZ AG to meet additional requirements arising from the further development of rules on sustainability reporting, such as the **European Sustainability Reporting Standards** (ESRS), the **Corporate Sustainability Reporting Directive** (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD).

Arbitration Committee At the time this annual report was published, the members of the Arbitration Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sabine Beutert, Ms. Melanie Freytag, and Mr. Gottfried Laengert. The Arbitration Committee set up pursuant to section 27 (3) of the German Codetermination Act (MitbestG) is responsible for the activities described in section 31 (3) MitbestG. It did not need to be convened during the year under review.

Nominations Committee At the time this annual report was published, the members of the Nominations Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Patricia Geibel-Conrad, and Dr. Ing. Rudolf Maier. The Nominations Committee is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. It held two meetings in 2023, both of which were attended in person by all members of the committee. The main matters addressed at the meetings were the preparations for the Supervisory Board election held in 2023 and the identification and selection of suitable candidates.

The Supervisory Board approved the recommendations for board resolutions submitted by the committees.

Following the reconstitution of the individual committees of the Supervisory Board after the Supervisory Board elections in the reporting year, the composition of these committees changed as set out below.

At the Supervisory Board meeting on July 1, 2023, Dr. Fabian Dietrich was elected as a member of the Audit Committee with effect from July 1, 2023. Dr. Dietrich succeeded Ms. Töpfer-Hartung, who left the Supervisory Board. On the same day, the Supervisory Board also elected Mr. Gottfried Laengert as a member of the Arbitration Committee, where he succeeded Mr. Ali Yener, who had vacated his position.

The current members of the Supervisory Board are all considered independent within the meaning of article C.6 sentence 2 DCGK, as amended on April 28, 2022. The names of the independent members are Dr. Dietmar Voggenreiter, Ms. Sabine Beutert, Dr. Fabian Dietrich, Mr. Helmut Ernst, Ms. Melanie Freytag, Ms. Patricia Geibel-Conrad, Mr. Ismail-Hilmi Kocer, Mr. Gottfried Laengert, Dr. Ing. Rudolf Maier, Mr. Bernd Maierhofer, Ms. Katja Olligschläger, and Mr. Hans-Jörg Schaller. See also p. 17 onward for further information on the composition of the Supervisory Board and its committees, and on the further mandates held by its members.

In the reporting year, the Supervisory Board conducted a self-assessment (article D.12 DCGK, as amended on April 28, 2022) with support from an external consultancy. The evaluation of this self-assessment started in 2023 and the findings will be used to derive pertinent measures in 2024. The shareholder representatives and the employee representatives each regularly meet for separate preparatory talks ahead of the meetings of the Supervisory Board.

Targets and timeframes in accordance with sections 76 (4), 111 (5) AktG

On December 19, 2022, the Board of Management of DEUTZ AG set certain targets and timeframes in accordance with section 76 (4) AktG. The proportion of women employed by DEUTZ AG at the top level of senior management below the Board of Management is to be increased to 20 percent by June 30, 2027. The proportion of women at the second level of senior management below the Board of Management is to be increased to 12 percent over the same period. The top level of senior management below the Board of Management encompasses all managers in Germany who report directly to a member of the Board of Management. The second level of senior management below the Board of Management comprises all managers in Germany who report directly to a manager in the top level of senior management.

To ensure that women are taken into consideration for vacant managerial positions, DEUTZ AG has adopted a staff development program. When positions in the top and second levels of senior management below the Board of Management become available, the Board of Management and the HR department strive to ensure that at least one woman is always shortlisted for the post (article A.2. DCGK, version dated April 28, 2022). This means that external recruitment must focus on female managers.

As at the end of the reporting year, the proportion of women was 32 percent in the top level of senior management below the Board of Management and 11 percent in the second level of senior management below the Board of Management. DEUTZ AG thus attained the target set for the top level of senior management.

At its meeting on June 9, 2022, the Supervisory Board of DEUTZ AG set the following target in accordance with section 111 (5) AktG: On December 31, 2023, the Board of Management of DEUTZ AG should have at least one female member. This target was also attained.

Disclosures regarding compliance with the statutory quotas for women and men on the Supervisory Board

In accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FührposGleichberG), the Supervisory Board of DEUTZ AG had to have at least four female members and four male members following the election of the Supervisory Board at the Annual General Meeting on April 26, 2018, if not before.

The Supervisory Board of DEUTZ AG has been in compliance with these statutory quotas since the Supervisory Board election held in 2018.

Description of the diversity plan for the composition of the Board of Management

The Supervisory Board, with the support of the Human Resources Committee and the involvement of the Board of Management, carries out long-term planning for appointments to the Board of Management. At its meeting on September 27, 2018, the Supervisory Board agreed the following diversity plan for the composition of the Board of Management, incorporating the recommendations of the German Corporate Governance Code, as amended on dated February 7, 2017, and also complying with the German Corporate Governance Code as amended on December 16, 2019, and April 28, 2022:

1. Description of the diversity plan

The Supervisory Board has developed the following **diversity** plan for the composition of the Board of Management in accordance with section 289f (2) no. 6 HGB: In addition to basic suitability criteria such as good character, integrity, outstanding leadership qualities, professional expertise needed for the member's specific remit, proven track record, knowledge of the Company, and the ability to adapt business models and processes to the needs of a changing world, the Supervisory Board also considers diversity when selecting candidates for a position on the Board of Management. The Supervisory Board primarily regards diversity as

- appropriate gender representation;
- an adequate mix of ages among the members of the Board of Management;
- a range of educational backgrounds and occupations.

2. Objectives of the diversity plan

The objective of the diversity plan for the Board of Management is to consciously harness diversity as a means of driving the Company forward. After all, taking account of different perspectives, skills, backgrounds, and experience will be key to maintaining our competitiveness and success over the long term. Diversity within the Board of Management will, in particular, help us to better understand new business models and the wide-ranging expectations of our customers from around the world.

3. Manner of implementation

The Supervisory Board takes particular account of the following aspects with regard to the composition of the Board of Management:

- Members of the Board of Management should have several years of managerial experience.
- Members of the Board of Management should bring experience from a wide range of occupations and professional backgrounds.
- The Board of Management collectively should have technical expertise, particularly knowledge and experience of manufacturing and sales of all types of engines and of other technical products.
- The Board of Management collectively should have many years' experience in the areas of research and development, production, sales, finance, and human resources.
- The Board of Management collectively should have international experience.
- The Supervisory Board has formally agreed a target quota in accordance with FührposGleichberG. The resolution stipulates that there should be at least one woman on the Board of Management of DEUTZ AG on June 30, 2022.
- An age limit of 65 (standard retirement age) applies in principle to the members of the Board of Management.

The Supervisory Board determines which candidate should be offered a specific position on the Board of Management. Its decision is based on the best interests of the Company, taking all the circumstances of the individual case into account.

4. Current composition

As well as many years of experience within the Group, the members of the Board of Management also have extensive knowledge and experience – some international – from various activities outside DEUTZ AG. In its current composition, the four-person Board of Management meets all the specified targets. The current age range on the Board of Management is 44 to 57 years. The average age of the Board of Management members is 48.

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD, PROFILE OF THE SKILLS AND EXPERTISE REQUIRED OF ITS MEMBERS, AND DESCRIPTION OF THE DIVERSITY PLAN

The diversity plan for the Supervisory Board was adopted by the Supervisory Board at its meeting on September 27, 2018 together with the objectives for the Supervisory Board's composition and profile of skills and expertise, and was last updated as follows at the meeting on December 13, 2022:

The Supervisory Board of DEUTZ AG has defined specific targets for its composition and has drawn up a profile of skills and expertise for the Supervisory Board as a whole in accordance with article C.1 DCGK.

The composition of the Supervisory Board has to ensure that its members have the knowledge, skills, and professional experience required to properly perform all duties within an international group of companies. This does not mean that each individual member of the Supervisory Board must have all the knowledge and experience required, but that for each key area of the Supervisory Board's activities, at least one member has competence in that area so that collectively – including the employee representatives and taking account of the special features of the right of codetermination – the Supervisory Board covers the required knowledge and experience.

1. Description of the areas of expertise required for the Supervisory Board

The Supervisory Board of DEUTZ AG should be composed of individuals who collectively provide a range of skills and expertise that ensures the Supervisory Board can comprehensively and effectively advise and supervise the Board of Management on every aspect of DEUTZ's business activity. The Supervisory Board regards the following as key elements of this skill set:

- Experience in managing and supervising international companies
- Familiarity of the members collectively with the Company's key areas of activity and of the associated markets and value chains
- Understanding of the Company's strategy and its future strategic development, including against the background of any changing market requirements
- Knowledge of codetermination law
- Adequate knowledge of finance, financial reporting, accounting, **compliance**, and risk management
- In-depth experience in the area of technological research and development, industrial manufacturing, or service
- In-depth experience in the area of sales, service, or marketing in the industrial sector for engines, drive systems, or associated machinery
- Expertise in **corporate social responsibility** (CSR)
- Expertise in sustainability matters of relevance to the Company
- Expertise in digital strategy and **Industry 4.0**
- Expertise in corporate and capital market communication

Fundamental knowledge of stock market law, stock corporation law, and the financial markets

In addition, in accordance with the requirements of section 100 (5) AktG, at least one member of the Supervisory Board and the Audit Committee must have expertise in the area of accounting and at least one member of the Supervisory Board and the Audit Committee must have expertise in the area of auditing (financial experts). Expertise in the area of accounting should primarily comprise knowledge of, and experience with, the application of accounting principles and internal control and risk management systems, while expertise in the area of auditing should primarily comprise knowledge of, and experience with, audits of financial statements. Accounting and auditing also encompasses sustainability reporting and associated audits. The chairperson of the Audit Committee must have appropriate expertise in at least one of these areas. Collectively, the members of the Supervisory Board must be familiar with the engine manufacturing, drive systems, and associated machinery sector.

2. Minimum requirements for professional expertise and personal capabilities

The individual members of the Supervisory Board should have certain minimum competencies that are necessary for the proper performance of their role:

- The ability to understand and critically scrutinize the business model
- Fundamental knowledge of the relevant legal provisions
- Fundamental knowledge of **compliance**
- Fundamental financial expertise, particularly in accounting, risk management, and annual financial statements
- The ability to examine the annual financial statements, if necessary with the assistance of the independent auditor
- The ability to understand, critically scrutinize, and draw conclusions from the reports of the Board of Management and of the Supervisory Board committees

- The ability to assess the propriety, commercial viability, appropriateness, and legality of business decisions and to check their plausibility
- The willingness and ability to devote the time and effort required
- The willingness to undertake ongoing professional development in the form of both inhouse and external training activities
- Personal independence and integrity

3. Objectives for the composition of the Supervisory Board as a whole

3.1 Diversity

In terms of the diversity of its composition, the Supervisory Board strives to ensure the appropriate participation of both genders, a range of professional and international experience, and the inclusion of members with many years of relevant experience. As DEUTZ AG is a publicly listed company that is subject to the German Codetermination Act, the Supervisory Board must include at least 30 percent women and at least 30 percent men in accordance with the principles laid down in section 96 (2) AktG.

3.2 International expertise

As DEUTZ is an international group of companies, care must be taken to ensure that the Supervisory Board has a sufficient number of members with many years of international experience. Supervisory Board members can satisfy this requirement in a variety of ways, e.g. by currently or previously holding a senior management role in an international company or by currently or previously living and working in another country.

3.3 Independence and potential conflicts of interest

More than half of the shareholder representatives on the Supervisory Board should be independent within the meaning of articles C.6 (2) and C.7 DCGK. Shareholder representatives on the Supervisory Board must not hold directorships or similar positions or advisory functions for, or have a personal relationship with, major competitors of the DEUTZ Group, and must generally – or at least in the majority – be deemed independent of the Company, the Board of Management, and/or a controlling shareholder. Conflicts of interest that are substantial and not merely temporary relating to the personal circumstances of a Supervisory Board member shall result in the termination of the mandate.

3.4 Time required to perform Supervisory Board duties

The Supervisory Board believes it is important that both its current members and future candidates for Supervisory Board seats are able to devote sufficient time to preparing for and following up the regular Supervisory Board meetings, taking part in such meetings, and reading the regular reports. Additional time is required if members are elected to committees, particularly if they chair such committees. Based on these criteria, the time demanded of Supervisory Board members and candidates in respect of seats on other supervisory or advisory bodies, their active professional activity, or other duties must be taken into account.

3.5 Regular review/evaluation

(1) In the process for selecting shareholder representatives, the Nominations Committee proposes candidates to the Supervisory Board, taking account of the above criteria, and the Supervisory Board then proposes these candidates for election by the Annual General Meeting. The representatives to be elected to the Supervisory Board by the employees must also fulfill the key criteria of this profile of skills and expertise.

(2) In addition, evaluations must be carried out at regular intervals to establish the extent to which the members of the Supervisory Board and the composition of the Supervisory Board remain compliant with the objectives specified in point (1), and the extent to which the Supervisory Board and its committees in their existing composition are able to carry out their duties effectively.

4. Diversity plan

a) Description of the diversity plan

The Supervisory Board has also resolved to strive for a diverse composition, particularly with regard to age, gender, educational background, and occupation.

b) Objective of the diversity plan

The objective of the diversity plan for the Supervisory Board is to ensure that it has a broad understanding of the social and business requirements placed upon DEUTZ AG. In particular, diversity should help the Supervisory Board to judge the business decisions made by the Board of Management from different perspectives and on the basis of a wide range of experience.

c) Manner in which the diversity plan is to be implemented

The Supervisory Board must be able to draw on as wide a range of expertise, capabilities, and experience as possible. It is therefore important to take due account of diversity in its composition and, when preparing election nominations, to make sure that the profiles of the candidates complement those of the existing members.

In accordance with statutory provisions, the Supervisory Board includes at least 30 percent women and at least 30 percent men.

A further target for the composition of the Supervisory Board is that members do not remain in post beyond the end of the Annual General Meeting following the member's 75th birthday (standard retirement age), unless special circumstances apply. Nor should members of the Supervisory Board serve any more than three full terms, unless special circumstances apply.

d) Results of the diversity plan achieved in the past year

The current composition of the Supervisory Board reflects the stated objectives and matches the agreed profile of skills and expertise.

The following qualification matrix in accordance with article C.1 DCGK, as amended on April 28, 2022, illustrates the implementation status:

Qualification matrix for the composition of the Supervisory Board of DEUTZ AG	Experience in managing and supervising international companies	Familiarity with the Company's activities/ markets/value chain	Understanding of the Company's strategic development, technologies, and markets	Knowledge of codetermination law	Adequate knowledge of finance, financial reporting, accounting, compliance, and risk management	In-depth experience in R&D, industrial manufacturing, and service	In-depth experience in sales, service, or marketing in the industrial sector for engines, drive systems, machinery	Expertise in CSR	Expertise in sustainability matters of relevance to the Company	Expertise in digital strategy/ Industry 4.0	Expertise in corporate and capital market communication	Fundamental knowledge of stock market law, stock corporation law, and the financial markets
	1	2	3	4	5	6	7	8	9	10	11	12
Dr. Dietmar Voggenreiter	X	X	X	X	X		X	X	X		X	X
Sabine Beutert	X	X	X	X	X					X		
Dr. Fabian Dietrich		X	X	X	X			X			X	X
Helmut Ernst	X	X	X	X	X	X	X	X	X	X		X
Melanie Freytag	X	X		X	X			X	X	X	X	
Patricia Geibel-Conrad	X	X	X	X	X			X	X			X
Ismail-Hilmi Kocer			X	X	X			X		X		
Gottfried Laengert	X	X		X		X	X			X		
Dr. Ing. Rudolf Maier	X	X	X	X		X	X	X	X	X		
Bernd Maierhofer	X	X	X	X	X	X		X	X	X		X
Katja Olligschläger				X	X		X	X		X		
Hans-Jörg Schaller		X		X		X						

Disclosures pursuant to section 289f (2) no. 5a HGB

Pursuant to section 76 (3a) AktG, DEUTZ AG is required to appoint at least one woman and at least one man as members of its Board of Management, provided that the Board of Management comprises more than three members. Any appointment of a member of the Board of Management that is made in breach of this minimum quota requirement is void.

DEUTZ AG complied with this requirement in the reporting period.

Disclosures pursuant to section 289f (2) no. 1a HGB

The remuneration report for the last financial year, the auditor's report pursuant to section 162 AktG, the applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 AktG, and the most recent resolution on remuneration pursuant to section 113 (3) AktG can be accessed online at www.deutz.com under Corporate Governance.

Disclosures relevant to corporate management practices: compliance management system, environmental, quality, and energy management

DEUTZ AG has a **compliance** management system that is firmly anchored in the Company's organizational structure. The system is continually enhanced in order to meet changing requirements. At the time this annual report was published, the Chairman of the Board of Management, Dr. Sebastian C. Schulte, was the member of the Board of Management responsible for compliance.

The prime objective of the compliance management system is to prevent violations of applicable laws, rules, regulations, and internal policies. To this end, employees are given help in familiarizing themselves with the relevant laws, regulations, and policies as well as guidance on how to apply them correctly. This is primarily achieved through a structured policy management system in which existing policies are reviewed on an ongoing basis to see if they need updating and new policies are published. The policy management system is based on the code of conduct, which provides a framework for ensuring that behavior toward business partners and employees is fair and in compliance with the law.

In 2023, the code of conduct was made accessible to all employees via internal communications platforms. Third parties can view the code of conduct on the Company's website. The guidelines set out in the code of conduct are supplemented by and formalized in specific policies, including a compliance policy, a policy on gifts and entertainment, a business partner compliance policy, an information security policy, a policy on engaging external sales service providers, an anti-money laundering policy, a policy on export controls, a privacy policy, and an insider trading policy. These policies help to ensure that employees are aware of the relevant laws and regulations and are able to apply them correctly.

The Board of Management supports and promotes ethical conduct. It is unreservedly committed to corporate compliance and declines to be involved in any transactions that are inconsistent with these values. The Board of Management does not tolerate any form of corruption and is fully committed to compliance with competition law and to incorporating sustainability aspects into the Company's activities. In addition, DEUTZ has adopted a human rights code that documents the human rights principles that are most relevant to the Company. It is based on national and internal laws, on conventions and declarations such as the **UN Guiding Principles on Business and Human Rights**, on the fundamental conventions of the International Labour Organization, and on the **United Nations Global Compact**. DEUTZ believes that professional and business relationships absolutely have to be grounded in compliance with the human rights code and that this will secure the long-term success of the Company. More detailed information on this is provided in the LkSG declaration of principles, which was published in 2023. This ambition is also reflected in the name of the new groupwide sustainability strategy, Taking Responsibility.

Training is intended to ensure that employees are aware of the relevant laws and corporate policies, and that they comply with them at all times in their day-to-day work. For all administrative employees who work in the central sales, purchasing, research & development, production, and administrative functions, or in subsidiaries, and work at a PC, training courses were conducted via a web-based e-learning program. In addition to the fixed modules (basic principles of compliance, anti-corruption, antitrust law, export controls and embargoes, health and safety in the office, prevention of money laundering/financing of terrorism, and information security), the training program includes further modules that change on an annual basis. These cover subjects such as data protection for employees, the German **General Equal Treatment Act** (AGG) and non-discrimination, and how to handle trade secrets and prevent insider trading. In 2023, a new module entitled »Dealing with conflicts of interest« was rolled out. During the reporting year, a total of 3,733 administrative employees successfully completed all modules of the e-learning program that had been assigned to them. This equates to a compliance training completion ratio of 97.75 percent. In the production plants, compliance training takes place in conjunction with the regular safety training in a manner that is tailored to the particular area of work.

A Chief Compliance Officer appointed by the Board of Management coordinates compliance activities at DEUTZ. The individual business units and subsidiaries have their own compliance coordinators, who are responsible for compliance in their organizations and submit regular structured reports in writing to the Chief Compliance Officer, who in turn reports to the Board of Management and Audit Committee. The basic principles of the compliance organization are described in the compliance organizational policy. The duties of the relevant employees are set out in job descriptions.

Employees can supply information or direct questions to line managers, compliance coordinators, the Chief Compliance Officer, or the managers responsible for the legal affairs or internal audit units. Furthermore, the Company's website incorporates a whistleblowing system that can also be accessed by non-employees. Notices can also be submitted anonymously and any information supplied is rigorously followed up. Any necessary investigations are carried out by the Chief Compliance Officer, with external support if required.

Regular meetings are held to develop, discuss, and coordinate compliance initiatives. The compliance activities focus on preventing corruption, tackling money laundering, and complying with export regulations (including export controls). They also ensure safety in the workplace, IT and data security, corporate security, and product safety. A further aim is to prevent breaches of environmental, antitrust, and insider trading laws.

As and when needed, the Board of Management and the Chief Compliance Officer take legal advice on establishing and continuously improving the compliance management system. The internal audit department reviews the activities, and the Audit Committee monitors them on behalf of the Supervisory Board.

Another essential element of corporate management is rigorous environmental, quality, energy, and workplace safety management. In the year under review, DEUTZ AG continued to satisfy the quality management requirements in accordance with ISO 9001, the environmental management requirements in accordance with ISO 14001, and the energy management requirements in accordance with ISO 50001, and applied a system ensuring health and safety in the workplace in accordance with ISO 45001. The relevant certificates from TÜV Rheinland can be found on the DEUTZ AG website.

All standards set by the Deutsches Institut für Normung e.V., Berlin (DIN) can be inspected free of charge at DIN standards repositories.

CORPORATE GOVERNANCE REPORT

Basic principles and objectives of the composition of the Supervisory Board; particularly, conflicts of interest/ independence of Supervisory Board members and the consideration of women

At its meeting held on December 13, 2022, the Supervisory Board adopted the profile of skills and expertise required for its members together with the objectives regarding its composition in accordance with article C.1 **DCGK** as amended on April 28, 2022. See also p. 25 onward.

The Supervisory Board has met the applicable objectives, such as the international experience available on the Supervisory Board and the number of independent members. The current members of the Supervisory Board are all considered independent within the meaning of article C.6 sentence 2 DCGK, as amended on April 28, 2022. No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review.

Consideration of women when making appointments to the Board of Management

At the time this annual report was published, the Board of Management of DEUTZ AG consisted of four members, one of whom was female. This equates to a ratio of 25 percent.

Responsible risk management

A forward-looking, prudent, and responsible approach to corporate risk is a core aspect of good **corporate governance** and forms the basis for the risk management system at DEUTZ. The Board of Management regularly notifies the Supervisory Board of any existing or anticipated risks. See also Risk report, p. 74 onward, for further information on risk management.

Comprehensive transparency and active investor relations

The transparent presentation of developments and decisions in a company forms the core of any model system of corporate governance. Regular, open, and proactive dialogue with all stakeholders ensures trust in a company and its value creation process. It is therefore of utmost importance to DEUTZ to ensure that all stakeholder groups receive the same information simultaneously and in a timely manner. We achieve this objective by using various communication formats and media. DEUTZ AG reports on the performance and development of its business and on significant changes and events four times a year, in its annual report, its half-year report, and its quarterly statements. The quarterly statements and half-year reports are published within 45 days of the end of a reporting period; the annual report is published within 90 days of the end of the financial year. At the annual analysts' meeting held when the Company's consolidated financial statements are published, and at conference calls on the publication dates of half-year reports and quarterly statements, senior management is available to answer questions from investors and analysts. See also DEUTZ in the capital markets, p. 31 onward, and Corporate governance and compliance | Stakeholder engagement and dialogue, p. 120

No further direct talks between the chairman of the Supervisory Board and DEUTZ investors took place in the reporting period. However, the chairman of the Supervisory Board did discuss the further development of the remuneration system for the Board of Management with relevant proxy advisory firms in 2023.

The Annual General Meeting, at which our shareholders have the opportunity to exercise their voting rights, is usually held in the first five months of each year; shareholders who do not attend the AGM in person can instruct proxies to vote on their behalf.

The website also offers comprehensive information on DEUTZ: Annual reports, half-year reports, quarterly statements, press releases, ad hoc announcements, voting right notifications, analyst recommendations, presentations, the Company's Statutes, and the remuneration systems for the Supervisory Board and Board of Management can all be found at www.deutz.com. In addition, the financial calendar provides information on upcoming events in the Company's financial year.

Website content is generally published in both German and English to ensure that important company news and information is as accessible as possible, including to an international audience.

Apart from the regularly published information, DEUTZ also issues ad hoc announcements regarding circumstances that are not in the public domain but that could have a significant impact on DEUTZ's share price were they to become known. The Company's reporting policy therefore complies both with legal requirements and the guidelines in the DCGK, as amended on April 28, 2022.

Accounting and auditing

DEUTZ AG's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements are prepared by the Board of Management and audited by the auditor.

The auditor has agreed to inform the chairperson of the Supervisory Board or the chairperson of the Audit Committee of any findings or incidents relevant to their role of which it becomes aware during the audit.

The auditor has also agreed to inform the Supervisory Board or the Audit Committee if it identifies any facts while performing the audit that show that the declaration of conformity with the DCGK submitted by the Board of Management and Supervisory Board contains misrepresentations. The auditor will also note this in the audit report.

The Audit Committee discussed the assessment of audit risk, the audit strategy, the audit plan, and the findings of the audit with the auditor. The chairperson of the Audit Committee regularly discussed the progress of the audit with the auditor and reported on the discussion to the committee. The Audit Committee also regularly met the auditor without the Board of Management.

The auditor informs the chairperson of the Supervisory Board without delay of any findings or incidents relevant to the role of the Supervisory Board that arise during the audit of the financial statements.

Conflicts of interest and consultancy agreements

Information about conflicts of interests in relation to Supervisory Board members can be found under »Basic principles and objectives of the composition of the Supervisory Board« at the start of this corporate governance report.

The Company does not have any consultancy agreements with members of the Supervisory Board.

The members of the Board of Management must disclose any conflicts of interest to the Supervisory Board. The Supervisory Board then reports these cases, along with any conflicts of interest relating to its own members, to the Annual General Meeting.

Remuneration report

The remuneration of the Board of Management complies with the German Act on the Appropriateness of Management Board Remuneration (VorstAG) and the recommendations in the DCGK. From 2021, the remuneration also complies with the German Act Implementing the Second Shareholder Rights' Directive (ARUG II).

See also Remuneration report, p. 88 onward, for further information on the remuneration systems for the Board of Management and Supervisory Board and the remuneration granted to individual board members.

Dealings subject to reporting requirements

Article 19 of the Market Abuse Regulation (MAR) states that persons with executive functions or persons with whom they are closely associated must notify both the company and the German Federal Financial Supervisory Authority (BaFin) of their own dealings in shares of the company or in financial instruments of the company based on such shares.

In 2023 and up to the time that this annual report was published, Dr. Schulte and Mr. Krutoff disclosed the purchase of DEUTZ shares in accordance with article 19 MAR. The disclosed transactions are published in the Investor Relations section of the DEUTZ AG website.

DEUTZ in the capital markets

Key data on stock market listing

ISIN	DE0006305006
WKN	630500
Reuters	DEZG.DE
Bloomberg	DEZ:GR
Market segment	Regulated Market / Prime Standard
Index	SDAX
Trading platforms	Xetra, Frankfurt/Main and all other German stock exchanges
Designated Sponsor	HSBC Trinkaus & Burkhardt

All in all, 2023 was a very encouraging year for the stock markets. After reaching an initial record high of 16,469 points at the end of July, Germany's key DAX index had consolidated at a level of 14,687 points by the end of October, but then climbed to a new all-time high of 16,794 points following a year-end rally in early December. It closed at 16,751 points on December 29, 2023, a gain of 20.3 percent compared with the figure for the end of 2022. The SDAX, to which DEUTZ shares belong, rose by 17.1 percent over the same period and closed at 13,960 points at the end of 2023. The DAXsector Industrial, which comprises German industrial companies, also increased year on year, advancing by 23.7 percent to 9,769 points.

The upward spiraling of prices trigged by the war in Ukraine in 2022 eased significantly over the course of 2023. Inflation rates fell steadily as a result, from 8.6 percent to 2.4 percent in the eurozone and from 6.4 percent to 3.1 percent in the US. The decrease in energy prices was the main reason why inflation fell in these regions, though it was also dampened by the restrictive monetary policy of the US central bank (Fed) and European Central Bank (ECB). The Fed increased its target range for key interest rates in four increments during 2023, raising it from 4.25–4.50 percent to 5.25–5.50 percent, while the ECB implemented six hikes to bring its main refinancing rate up from 2.5 percent to 4.5 percent. Sentiment in the equity markets brightened significantly as a result, particularly in the second half of the year.

Strong performance for DEUTZ share price Following the announcement of the partnership with Daimler Truck AG at the end of January, DEUTZ shares rose steadily until they reached a high for the year of €6.03 on March 6. Then from the middle of the year, the share price – in line with the market as a whole – was hit by growing fears of a recession that saw it consolidate at a low for the year of €3.69 on October 25. The stock then recovered and climbed to €4.83 following publication of the Company's results for the first three quarters on November 8, 2023, which were well received by the markets, and the announcement on December 13 that DEUTZ would be acquiring several engine platforms from Rolls-Royce Power Systems. The DEUTZ share price ended 2023 at €4.80, which was 18.6 percent up on the closing price for 2022.

Market capitalization stood at €605.5 million at the end of the reporting period.

Key figures for DEUTZ shares

in €

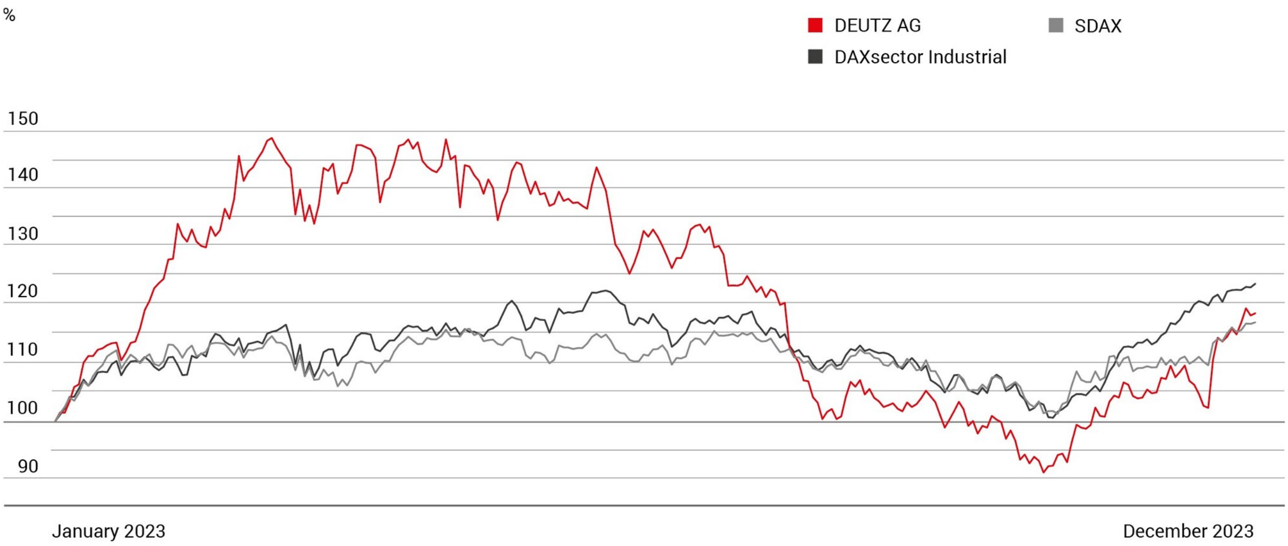
	2023	2022
Number of shares as at Dec. 31	126,147,195	120,861,783
Average number of shares	124,901,865	120,861,783
Share price as at Dec. 31 [18]	4.80	4.05
Share price high [19]	6.03	7.00
Share price low [20]	3.69	3.02
Market capitalization as at Dec. 31 (€ million)	605.5	489.0
Earnings per share	0.66	0.66

EARNINGS PER SHARE

In 2023, the number of shares rose by 5,285,412, which were the shares issued as part of a capital increase carried out in order to provide a non-cash contribution to Daimler Truck AG. This increased the number of shares in issue by 4.4 percent to 126,147,195. Earnings per share is calculated by dividing the net income or loss for the year attributable to the shareholders of DEUTZ AG by the weighted average number of shares in issue. Based on the number of shares in issue during the 2023 reporting year and net income of €81.9 million, basic earnings per share amounted to €0.66, compared with €0.66 in 2022.

[18] Xetra closing price; from Jan. 1, 2023 to Dec. 31, 2023.
[19] Xetra closing price; from Jan. 1, 2023 to Dec. 31, 2023.
[20] Xetra closing price; from Jan. 1, 2023 to Dec. 31, 2023.

DEUTZ shares relative to DAXsector Industrial and SDAX (indexed)



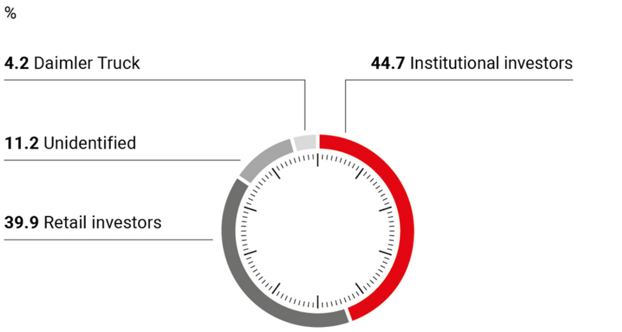
MAJORITY OF DEUTZ SHARES IN FREE FLOAT

95.8 percent of DEUTZ AG shares are in free float. Since April 2023, Daimler Truck has held 4.19 percent of the shares. As regards the shareholder structure, the proportion of shares held by other institutional investors fell slightly to 44.7 percent as at the end of the reporting year (December 31, 2022: 48.6 percent). The proportion held by retail investors, including unidentified shareholders, stood at 51.1 percent (December 31, 2022: 51.4 percent). US investors dominate among the institutional investors, holding a total of 16.7 percent of the shares, while German fund management companies hold 12.5 percent.[21]

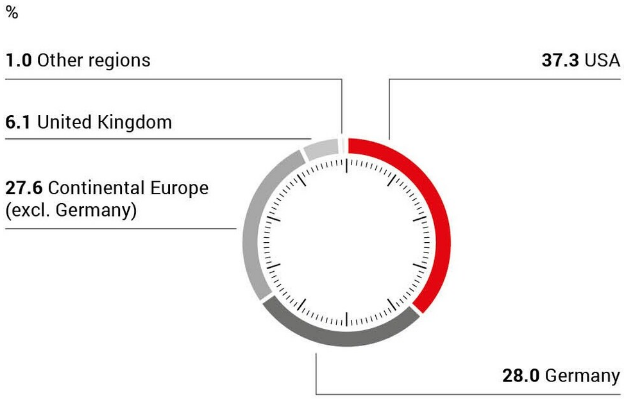
At the end of 2023, the following companies held more than 3 percent of the shares in DEUTZ AG: DWS Investment GmbH (Germany) 4.9 percent, Daimler Truck AG (Germany) 4.2 percent, The Vanguard Group, Inc. (USA) 3.6 percent, Ardan Livvey Investors B. V. (Netherlands) 3.5 percent, Acadian Asset Management LLC (UK) 3.5 percent, and Norges Bank Investment Management (Norway) 3.4 percent.[22]

Voting right notifications pursuant to section 40 (1) of the German Securities Trading Act (WpHG) and notifiable managers' transactions in securities pursuant to Article 19 of the Market Abuse Regulation (MAR) are published on our website at www.deutz.com under Investor Relations.

Shareholder structure[23]



Shareholder structure by country (institutional investors)[24]



[21] Nasdaq, December 2023.
[22] Nasdaq, December 2023.
[23] Nasdaq, December 2023.
[24] Nasdaq, December 2023.

DIVIDEND

DEUTZ strives to fund a significant proportion of its growth strategy itself, that is to say from its own capital. At the same time, DEUTZ wants its shareholders to participate in the success of the Company in the form of an adequate and regular dividend. Under its dividend policy, it aims to distribute around 30 percent of net income to shareholders.

The Board of Management and Supervisory Board will propose to the Annual General Meeting on May 8, 2024 that accumulated income be used to pay a dividend of €0.17 per share for the 2023 financial year. This would give a dividend ratio of 25.8 percent.

TRANSPARENT CAPITAL MARKETS COMMUNICATIONS

The objective of investor relations work is to provide all stakeholders with transparent information about current and future developments in the DEUTZ Group and thereby to build long-term trust in the Company and thus its shares. To this end, DEUTZ undertakes to comply with the transparency guidelines in the **German Corporate Governance Code**, always communicating promptly, openly, and comprehensively with shareholders, financial analysts, and other capital market players with an interest in the Company.

As in previous years, DEUTZ engaged in intensive dialogue with the capital markets in 2023. In addition to producing regular financial reports, the Company provided details of current business performance and other key developments during conference calls and in periodic press releases. On September 12, a capital markets day was held for analysts, bankers, and investors at the Cologne site, at which all members of the Board of Management gave a presentation and were on hand to answer questions. The Board of Management and the Investor Relations management team were also available for talks with interested parties from the capital markets at conferences, roadshows, and private meetings. As the coronavirus pandemic had receded, these events primarily took place in person again.

ANALYSTS' RECOMMENDATIONS

The assessments and recommendations of financial analysts provide a basis for equity investments by retail and institutional investors. At the time this annual report was published, a total of seven banks and securities houses produced reports on DEUTZ shares.

Analysts' recommendations[25]

Institut	Date	Target price (€)	Recommendation
Berenberg	Nov. 16, 2023	5.40	Hold
DZ Bank	Nov. 9, 2023	5.70	Buy
Hauck & Aufhäuser	Jan. 22, 2024	10.00	Buy
HSBC Trinkaus & Burkhardt	Jul. 24, 2023	6.00	Hold
Kepler Cheuvreux	Feb. 19, 2024	7.00	Buy
M. M. Warburg	Jan. 22, 2024	8.70	Buy
Quirin	May 3, 2023	8.00	Buy

Further information and publications on the DEUTZ Group and DEUTZ shares can be found on our website at www.deutz.com.

[25] As at February 16, 2024; references to such recommendations and evaluations are made solely to provide readers with information on a non-binding basis. They do not mean that DEUTZ AG endorses, supports, or confirms the recommendations, opinions, or conclusions of the equity research analysts in any way. DEUTZ AG accepts no liability for the selection of analyst recommendations and assessments reproduced here, nor does it accept any liability for whether they are up to date, complete, or accurate. None of the information provided here should be construed as an offer to buy DEUTZ shares, nor does it constitute marketing for DEUTZ shares. DEUTZ AG's liability for loss or damage suffered by third parties as a result of information provided here is excluded.

INDEX FOR MANAGEMENT REPORT

Fundamental features of the Group

DEUTZ AG is constantly analyzing its portfolio and focusing on its high-growth core businesses. For this reason, the company signed an agreement in January 2024 to sell its subsidiary Torqeedo, which specializes in electric boat drives. The transaction is expected to be completed toward the end of the first quarter of 2024. In accordance with IFRS 5, the activities of the Torqeedo Group are therefore presented as discontinued operations. Unless otherwise stated, the figures for the Group and the DEUTZ Classic and DEUTZ Green segments are presented below exclusively for continuing operations. To ensure comparability of the figures, the prior-year figures for 2022 have also been adjusted accordingly. Only the figures for the entire Group include the Torqeedo Group, which was still part of the Company in 2023.

Business modell and segments

DEUTZ is one of the world's leading manufacturers of drive systems for off-highway applications. The Company was founded in 1864 and employed around 5,100 people worldwide at the end 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 applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, and rail vehicles. DEUTZ also offers a comprehensive range of digital and analog services through around 1,000 sales and service partners in over 120 countries.

The Company's continuing operations are divided into the segments Classic and Green. See also Strategy and objectives, p. 37 onward. The Classic segment, which generated around 99.6 percent of consolidated revenue from continuing operations in 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 drives, electric drives, mobile rapid charging stations, the related service business, and the subsidiary Futavis, which specializes in battery management systems.

Market and competitive environment

Sales of engines based on efficient diesel technology, which is currently the core business of the DEUTZ Group, are focused on the Europe, North America, and Asia regions. The Group faces competition from rival engine suppliers, mainly in Italy, the UK, Japan, and the USA.

DEUTZ's main competitors by application segment[26,27]

Application segments	Applications	Main competitors[28]
Construction Equipment	Excavators Wheel loaders Pavers Mining equipment	Cummins, USA Isuzu, Japan Weichai, China Yanmar, Japan
Material Handling	Forklift trucks Telehandlers Lifting platforms Ground support equipment	Cummins, USA Isuzu, Japan Kubota, Japan Yanmar, Japan
Agricultural Machinery	Tractors Harvesters	Fiat Powertrain, Italy John Deere, USA Perkins, UK Yanmar, Japan
Stationary Equipment	Gensets Pumps Compressors	Cummins, USA Kubota, Japan Perkins, UK Yanmar, Japan
Other	Rolling stock Special vehicles Marine engines	Ford, USA General Motors, USA Kubota, Japan Yanmar, Japan

In February 2023, the European Parliament resolved that, from 2035 onward, newly registered passenger cars and light commercial vehicles up to 3.5 tonnes will no longer be allowed to emit any greenhouse gases. This effectively prohibits the use of gasoline and diesel engines in these vehicles. The EU decision in February 2024 also set stricter fleet limits for heavy commercial vehicles, with the aim of reducing CO_2 emissions from trucks and coaches in the EU by 90 percent by 2040 compared to 2019. It should be possible to count eFuels towards this, but a binding regulation is still pending. These CO_2 limit targets do not currently apply to off-highway applications, but experience has shown that legislators will also tighten the regulations for **off-highway** applications after a few years. DEUTZ is therefore developing engines that run on alternative fuels as well as electric drives in order to be able to offer customers more climate-friendly solutions in the future. It can also be assumed that DEUTZ's supplier base will change in the future as a result of the decision, as fewer suppliers are likely to be active in the engine parts sector.

[26] Power Systems Research, January 2023, power output from 15 to 620 kW.
[27] With the exception of Weichai, Chinese competitors are not listed here due to the lack of comparable quality standards and the significantly lower cost structures.
[28] In alphabetical order.

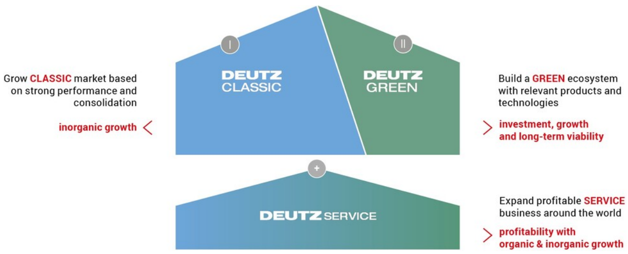
Strategy and objectives

Main objective for 2030: top three independent drive manufacturers The main objective remains to establish DEUTZ among the top three independent drive manufacturers by 2030 and to offer a fully climate-neutral product and technology portfolio by no later than 2050. This includes both electric drives and combustion engines that can be operated on a climate-neutral basis using alternative fuels. The Company has defined its targets for expected profitable growth up to 2025: Revenue is to rise to more than €2.5 billion and the EBIT margin before exceptional items to between 6 percent and 7 percent. These targets are derived from the Dual+ growth strategy presented in January 2023. See also Outlook for 2025, p. 87.

DEUTZ is unequivocally committed to its responsibilities in the environmental, social, and corporate governance spheres. Accordingly, the growth strategy for achieving these targets goes hand in hand with the implementation of the Group's sustainability strategy, Taking Responsibility. With this in mind, DEUTZ has defined a range of sustainability-related targets that cover emissions reductions, respect for human rights, diversity, and sustainability in the supply chain. See also the non-financial report, p, 110 onward.

Dual+ strategy for sustainable, profitable growth The Dual+ strategy is driven by the global challenges of the transition to more sustainable drive systems and covers the Company's evolution from engine manufacturer to provider of drive solutions. A first example of this is the DEUTZ PowerTree, a mobile charging station for construction sites that can be used to charge electrical machines in places without a power connection. Three key strategic pillars have been defined in order to achieve this and the aforementioned growth targets: continued growth of the DEUTZ Classic business involving internal combustion engines, the creation of a zero-emission product ecosystem under the name DEUTZ Green, and the further expansion of the service business.

Our Dual+ strategy



The transformation of the product portfolio needed to deliver the Dual+ strategy will proceed as part of the Powering Progress program with a range of sub-initiatives and sub-targets. These are to be achieved or implemented either in the short term (by 2025), in the medium term (by 2030), or in the long term (2030 and beyond).

DEUTZ Classic | Ongoing development of internal combustion engines The continued growth of the DEUTZ Classic business aims for active market consolidation, expansion, and improved performance. To this end, DEUTZ defined a catalog of measures focusing on its customers' changing requirements and preferences in order to remain a force in the global competitive arena and generate future growth potential.

DEUTZ believes internal combustion engines will continue to play an important role in the off-highway segment over the next 20 years, in spite of the transition to more sustainable drive systems. The DEUTZ Classic business will therefore continue to underpin the Group's growth over the coming years, with engine production in this segment set to permanently increase from 186,427 at the end of 2023 to over 200,000 units a year. This is to be achieved through expected market growth and additional contracts and by taking an active role in the anticipated consol-idation of the market. The product mix is set to be enhanced by adding products with higher margins and optimizing the global manufacturing network, with the aim of increasing the profitability of the Classic business over a sustained period. The necessary measures will be backed up by a market-oriented pricing policy, while site efficiency will be improved through increased automation and digitalization of all processes. See also Purchasing and procurement, p. 47 and Production and logistics, p. 44 onward.

Active consolidation of the engine market As the transition to more sustainable drive systems goes hand in hand with the consolidation of the engine market, new opportunities for organic growth and, in particular, growth through acquisitions and partnerships will open up in the Classic segment. DEUTZ aims to play an active role in this consolidation, an ambition evident in two transactions in 2023. At the end of January 2023, the Company announced a partnership with Daimler Truck AG to develop and market medium- and heavy-duty engines (MDEG and HDEP platforms). Building on this, DEUTZ is already looking to expand its product portfolio for construction equipment and agricultural machinery customers and for other commercial vehicle **OEMs**. The agreement

In a further strategic transaction, the Company announced at the end of 2023, that it expects to take over sales and services for selected **off-highway** engines manufactured by Rolls-Royce Power Systems. Most of these models are based on the Daimler Truck engine platforms mentioned above. Production of the Daimler Truck engine variants to be sold by DEUTZ under the first transaction was set to begin in 2028 but is now scheduled for mid-2024 following the completion of the second transaction. This gives DEUTZ access to these engine platforms four years earlier than envisaged in the transaction with Daimler Truck AG and enables it to offer existing and potential customers a much better concept for the transition. Customers will have planning certainty and DEUTZ will gain earlier market access. DEUTZ expects to generate additional annual revenue of around €300 million once the agreement is concluded (probably in mid-2024), with an EBIT margin before exceptional items above the margin of 5.3 percent to 5.8 percent forecast for the Group as a whole for 2023.[29] Around 90 percent of this revenue will contribute to growth in the Classic segment, while the remainder will be used to expand the Service segment (see below).[30] See also Events after the reporting period, p. ##.

DEUTZ Green | Creation of a zero-emission product ecosystem Given the need to make the DEUTZ product portfolio climate-neutral, the Company is taking an open approach to new technologies in the Green segment that includes several technological options, or a combination thereof. This means improving the carbon footprint of the internal combustion engine, for example through the use of hydrogen, **HVO**[31], or synthetic fuels, and developing alternative drive systems such as electric drives. In 2022, DEUTZ announced that it would be investing around €100 million in developing the Green segment's portfolio by 2025, of which more than a third was spent in 2023. DEUTZ is continuously analyzing its portfolio in the Green segment and focusing on fast-growing core business. In January 2024, the Company therefore announced the sale of its subsidiary Torqeedo, which specializes in electric boat drives. The transaction is expected to be completed toward the end of the first quarter of 2024. Following the announcement of the sale of Torqeedo, DEUTZ canceled the target set for the Green segment of increasing the business's share of revenue to between 5 percent and 10 percent by 2025, as Torqeedo had generated the majority (around 89 percent) of the segment's revenue. New medium-term targets are to be set over the course of 2024 as part of the realignment of the Green segment, which will have its own development activities, product management function, and sales organization as well as a dedicated CEO.

First volume order for hydrogen engines One focus was and is the development of hydrogen engines, an area where DEUTZ aims to become a pioneer of green drives. Several pilot projects are already under way, for example in stationary power generation, in rail transportation, in transportation logistics, and in off-highway applications. In November 2023, the Company received its first volume order from China for 100 hydrogen **gensets**. In addition to hydrogen engines, the use of **eFuels** is another key ingredient of the drive-system mix that is helping to create green off-highway applications. See also Research and development, p. 42 onward.

DEUTZ has also made further progress with its E-DEUTZ electrification strategy, under which it aims to build a scalable product offering of all-electric drive systems for specific customer requirements. In this context, DEUTZ presents itself as both systems engineering partner and systems integrator, supplying a harmonized system consisting of an electric motor, battery, power electronics, and reduction gear for traction, along with control software for battery management, functional safety, and actuator logic. DEUTZ has enjoyed its first sales success in this area too. Three prototype sweepers with second-generation batteries – a joint development with DEUTZ – will be delivered to Kärcher in early 2024. See also Research and development, p. 42 onward.

DEUTZ is also looking into expanding the product portfolio and its value chains to incorporate new business models beyond drive systems, such as charging electric machinery or refueling hydrogen engines. Examples include the DEUTZ PowerTree mobile rapid charging station, the subsidiary Futavis, which provides battery management services, and the strategic partnership with Talpa Solutions, which is developing a telemetry solution for off-highway applications to optimize service intervals. See also Research and development, p. 42 onward.

[29] See Q3 press release dated November 9, 2023 and press release regarding Rolls-Royce Power Systems dated December 13, 2023.
[30] The transactions are not expected to be finalized until after an agreement has been finalized and completed, subject to the granting of the usual regulatory approvals from mid-2024.
[31] Hydrotreated vegetable oils.

DEUTZ Service | A global profitable growth driver In addition to capitalizing on the potential of the Classic and Green segments, the expansion of the service and aftermarket business is the third key element of the Dual+ growth strategy. The goal is to increase the revenue of this business from €450 million in 2022 and €484 million in 2023 to around €600 million by the end of 2025, while maintaining a high level of profitability that is significantly above the Group average. To achieve this, DEUTZ is focusing on expanding its global service network, including through acquisitions and strategic partner-ships, increasing its portfolio of services by adding mainly digital concepts, and extending its service activities to include the maintenance of non-DEUTZ engines.

In 2023, DEUTZ further strengthened its offering with two acquisitions in the service business. The acquisition of Diesel Motor Nordic Group in October boosts the Company's regional presence in Scandinavia, while the addition in July of engine dealer Mauricio Hochschild Ingeniería y Servicios S.A. (MHIS), which is active in Chile and Peru, expands the DEUTZ service business in South America.

Focus areas and next steps in our transformation

Main sites and basis of consolidation

DEUTZ AG is the executive and operating parent company in the DEUTZ Group; it is headquartered in Cologne, Germany. It has various investments in Germany and abroad, including several companies that perform sales and service functions, plus production facilities in China, Germany, Morocco, Spain, and the USA.

In July, DEUTZ also acquired the Chilean engine dealer Mauricio Hochschild Ingeniería y Servicios S.A. (MHIS), whose activities in Chile and Peru will help to further expand DEUTZ's service business in South America. Consequently, the new subsidiary was included in the consolidated financial statements of DEUTZ AG for the first time as at July 31, 2023.

The same applies to the Diesel Motor Nordic Group, headquartered in Järfälla, Sweden, the acquisition of which was completed at the end of September and which was included in the consolidated financial statements for the first time as of October 2, 2023. The group comprises three companies: Diesel Motor Nordic AB, Järfälla (Sweden), Diesel Motor Nordic Oy, Helsinki (Finland), and Diesel Motor Nordic AS, Risskov (Denmark). The acquisitions will help the DEUTZ Group to strengthen its regional presence in Scandinavia and expand its service business to include competitors' engines.

In addition to DEUTZ AG, nine German companies (December 31, 2022: ten) and 32 foreign companies (December 31, 2022: 28) were included in the consolidated financial statements as at December 31, 2023. A complete list of DEUTZ AG's shareholdings as at December 31, 2023 can be found in the annex to the notes to the consolidated financial statements. See Shareholdings of DEUTZ AG, p. 233 onward.

The companies in the Torqeedo Group, which had previously been fully consolidated, were accounted for and recognized as a discontinued operation pursuant to IFRS 5 »Non-current Assets Held for Sale and Discontinued Operations« as at December 31, 2023. The Torqeedo Group companies are Torqeedo GmbH, Oberpfaffenhofen/Wessling, Torqeedo Inc., Illinois (USA), and Torqeedo Asia-Pacific Ltd., Bangkok (Thailand).

Internal control system

The DEUTZ Group defines its budget targets and medium-term corporate targets using selected key performance indicators (KPIs). The Group is managed on the basis of the following key financial performance indicators in order to increase profitability and achieve sustained growth. These KPIs are alternative performance measures that are not defined in the International Financial Reporting Standards (IFRS). A reconciliation of these KPIs to the amounts recognized in the financial statements is provided below.

As described previously, the activities of the Torqeedo Group are accounted for in the consolidated financial statements as a discontinued operation. For 2023, from an internal control perspective, the calculation of the key performance indicators used to manage the DEUTZ Group still included the contributions of the Torqeedo Group. For the purposes of comparison, the key performance indicators for 2023 are also shown on the basis of continuing operations:

Key performance indicators[32]		2023[33]	2023[34]	2022[35]
Revenue growth	%	9.0	7.8	20.8
EBIT margin (before exceptional items)	%	7.0	5.7	4.6
Working capital ratio (average)	%	17.7	18.7	16.7
ROCE (before exceptional items)	%	14.4	11.1	9.0
R&D ratio	%	4.7	4.9	4.6
Free cash flow	€ million	41.8	24.8	-16.6

Revenue growth DEUTZ strives to steadily increase its revenue as the basis for the profitable growth of the Company. Revenue data is collated on a monthly basis, broken down by product group, application segment, and region. This data is provided to senior management promptly so that it can, if necessary, react quickly to changes as they materialize.

EBIT margin (before exceptional items) The main key performance indicator that DEUTZ uses to manage the Company's operating performance is the EBIT margin before exceptional items. It is based on the Group's earnings before interest and tax (EBIT). The EBIT figure is then adjusted for exceptional items and calculated as a percentage of revenue. Exceptional items are defined as significant 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. The adjusted EBIT margin is, like revenue growth, calculated monthly and presented to senior management as part of internal reporting. Exceptional items amounted to an expense of €20.1 million in 2023. An explanation is provided in the section on earnings. See Earnings, p. 53 onward.

Working capital ratio (average) The Company's tied-up capital is managed using the average working capital ratio. This is the ratio of average working capital over the past four quarters to revenue for the preceding twelve months. Working capital comprises inventories plus trade receivables less trade payables. Along with revenue growth and the EBIT margin (before exceptional items), this key figure is calculated monthly and used by senior management to control the business.

ROCE[36] (before exceptional items) The return on the capital employed in the Group is measured and managed on an annual basis using the key figure ROCE (before exceptional items). This is calculated as follows:

ROCE

€ million	2023[33]	2023[34]	2022[35]
Total assets	1,514.5	1,590.2	1,475.4
Cash and cash equivalents	90.1	90.1	54.9
Trade payables	256.0	258.5	291.5
Other current and non-current liabilities	110.2	111.4	81.9
Capital employed	**1,058.2**	**1,130.2**	**1,047.1**
Capital employed (average for the year)	**999.2**	**1,088.7**	**988.4**
Adjusted EBIT (EBIT before exceptional items)	**143.6**	**120.4**	**89.4**
ROCE (before exceptional items,%)	**14.4**	**11.1**	**9.0**

R&D ratio As a technology-focused company, DEUTZ considers the R&D ratio to be one of its most significant performance indicators in the internal management system. It is the ratio of research and development expenditure (after deducting grants) to revenue in the period in question. The R&D ratio is calculated monthly and reported to senior management.

[32] Alternative performance measures.
[33] Key performance indicators based on continuing operations.
[34] Key performance indicators based on the total Group including discontinued operations (internal control perspective).
[35] Key performance indicators based on the total Group including discontinued operations (internal control perspective).
[36] Return on capital employed.

Free cash flow The DEUTZ Group uses free cash flow as its main performance indicator for managing liquidity. It comprises net cash provided by, and used for, the operating activities and investing activities of the Group during the period in question less interest payments in connection with financing activities. This indicator shows what cash flow generated in the relevant year is available to the Company, e.g. for repaying liabilities or paying a possible dividend to shareholders. Free cash flow is reported to senior management monthly.

Based on the performance indicators described here, DEUTZ has set up an early warning system in order to be proactive and respond promptly. At the same time, it operates a robust system of causal analysis to ensure that it minimizes risks and makes the most of opportunities. Three times a year, an annual forecast is produced for all key performance indicators to ensure transparency with regard to the Company's business performance.

In addition to the key financial performance indicators that form part of the management system described above, DEUTZ also employs other metrics to measure its economic performance. These include, but are not limited to, new orders received, revenue and unit sales, the working capital as at the reporting date with regard to tied-up capital, and earnings before interest, taxes, depreciation, and amortization (EBITDA). Moreover, the Group net income and the DEUTZ AG statutory income in accordance with the German Commercial Code are significant factors for DEUTZ as regards dividend payments.

Continuous optimization of the control system Regardless of fluctuations in the economic cycle, one of the DEUTZ Group's overriding aims is the continuous optimization of its management systems. This essentially involves the annual planning of all performance indicators specified here, taking account of internal estimates of future business as well as benchmark figures from competitors. Each organizational unit prepares detailed plans for its area of responsibility, which are then coordinated with management. Both the specific unit sales and revenue targets and the customer and product-related targets (EBIT margins) are aligned with the operating units each year, taking groupwide objectives into consideration. This means that they are available at the relevant hierarchical level for use in the operational management of the segments.

Working capital targets are specified for the individual group companies in order to optimize the amount of capital tied up in the business. Specific targets for inventories, trade receivables, and trade payables are allocated to the individual employees with responsibility for the respective areas.

In order to secure the financial basis for its growth strategy, the Company has made the management of capital expenditure a central element in the management of tied-up capital, whereby specified budget figures set out the framework for the level of capital expenditure and development expenditure; actual requirements are derived from the medium-term planning of unit sales and the resulting requirements in terms of capacity and technologies. Annual budget meetings are held to coordinate individual projects, development expenditure, and planned capital expenditure with the groupwide financial planning process and to record the outcomes. An additional detailed review is carried out before projects are actually approved. To this end, standard investment appraisal methods are used, such as the internal rate of return, the amortization period, the net present value, the impact on earnings, and cost comparisons. A project with an appropriate budget is only approved if there is a clear positive outcome from this investment appraisal.

In addition to key financial performance indicators relevant to internal control, DEUTZ is also guided by Group sustainability-related targets, which are reported on in detail in the separate non-financial report. See also the separate combined non-financial report, p. 110 onward.

Research and development

Research and development (R&D) is key to DEUTZ's ability to transform its product portfolio and deliver the Dual+ strategy over the coming years. Fulfilling the statutory requirements created by international emissions legislation plays a major part in shaping the capital expenditure in this area. Another material influence is the steady march of climate change together with the related debate about reducing harmful greenhouse gases. In contrast to the situation with cars and commercial vehicles, there are currently no statutory requirements or thresholds aimed at further reducing the CO_2 emissions of mobile machinery despite the intense debate that has been taking place in Europe, North America, and Japan in 2023 and previously. DEUTZ is monitoring these developments very closely and focusing its R&D spending and projects on ensuring that its product portfolio meets the expected threshold values ahead of time. DEUTZ is actively pursuing the development of carbon-neutral drive systems in the off-highway segment and aims to offer a climate-neutral product and technology portfolio by no later than 2050. To this end, intensive work is being carried out both on electric drive systems and on the further development of combustion engines with alternative, climate-neutral fuels.

R&D spending Expenditure on research and development in 2023 amounted to €106.5 million, compared with €93.4 million in the prior year. After the deduction of grants received from development partners and subsidies, expenditure rose from €84.7 million in 2022 to €97.9 million. Capitalized development expenditure after deducting grants accounted for €2.6 million (2022: €5.3 million). The R&D ratio after deducting grants changed from 4.5 percent in the prior year to 4.7 percent in 2023.

Research and development expenditure (after deducting grants)

€ million (R&D ratio in %)

2023	**97.9**	**(4.7)**
2022	84.7	(4.5)

R&D spending after deducting grants came to €66.5 million (2022: €59.1 million) in the DEUTZ Classic segment and €31.4 million (2022: €25.6 million) in the DEUTZ Green segment. This included spending on the further development of the sub-4 liter engine segment in the former, while spending in the latter was mainly accounted for by the development of the 360-volt system and the hydrogen engine.

Open to new technologies Different applications with varying power requirements call for alternative drive solutions. Construction equipment and agricultural machinery, for example, need a great deal more power and energy than forklift trucks or lifting platforms. This is why DEUTZ is taking an open-minded approach to technology as it continues to develop its drive portfolio, essentially pursuing a two-pronged technology route toward carbon-neutral off-highway drive solutions. The Company firmly believes that internal combustion engines will continue to play a dominant role in certain mobile machinery applications in the years ahead, helping to facilitate a smooth transition to more sustainable drive systems. As regards these applications, DEUTZ's R&D activities are directed toward developing more environmentally friendly internal combustion engines that can be run on alternative or sustainable fuels such as **HVO**, hydrogen, or **eFuels**. The other part of the Company's two-pronged approach is to employ electric technology more widely.

Hydrogen drive solutions To facilitate the transformation of its portfolio, DEUTZ continued to push ahead in 2023 with the development of internal combustion engines that use sustainable energy sources and can therefore be run on a carbon-neutral basis. Hydrogen is one of these sustainable energy sources that can be used as a fuel for carbon-neutral internal combustion engines. »Green« hydrogen, which is generated from solar, hydro, or wind power, offers the possibility to convert energy from renewable sources into a storable gas for efficient use.

The first volume order from China for more than 100 H2 **gensets** was a particular highlight, and testimony to the success of DEUTZ's extensive research into, and development of, hydrogen-powered drive solutions. The generators will initially be powered by gray hydrogen, which is a by-product of industrial processes. This can reduce carbon emissions per generator by up to 800 tonnes per year compared with conventional electricity generation. The installation of these generators represents a first step toward the creation of the necessary hydrogen technology infrastructure, which can be switched to climate-neutral green hydrogen at a later point in time. The unit used in these generators, the DEUTZ TCG 7.8 H2, is the Company's first hydrogen engine. It provided the basis for many other applications developed by DEUTZ in collaboration with customers in 2023. This includes the pilot project initiated together with the University of Rostock to develop a zero-carbon drive train for mobile machinery. DEUTZ is also collaborating with several railway technology providers on the development of a production-ready hydrogen engine for railway applications. Progress has also been made on the HyCET (Hydrogen Combustion Engine Trucks) research project. HyCET aims to demonstrate the sustainability potential of trucks with hydrogen combustion engines in transportation logistics. As part of the multi-partner project led by the BMW Group, two 18-tonne trucks will be developed and fitted with DEUTZ TCG 7.8 H2 hydrogen engines. The four-year research project has a total investment volume of €19.5 million, of which €11.3 million will be funded by the German Federal Ministry for Digital and Transport (BMDV).

The hydrogen engine, which meets current emissions standards for zero-emission heavy commercial vehicles, remains scheduled to go into production at the end of 2024.

Another pilot project is scheduled to start this year at the DEUTZ site in Zafra, Spain, which entails the development of a proprietary ecosystem for the supply of hydrogen and its conversion back into electricity, with the aim of offering it to customers in the years ahead. Electricity produced by the existing photovoltaic system is converted into hydrogen using an electrolyzer. If and when required, the hydrogen can then be converted back into electricity using an emergency generator powered by a DEUTZ hydrogen combustion engine.

Electric drive solutions The E-DEUTZ strategy, initiated back in 2017, plays an instrumental role in the development of green off-highway drive solutions. It aims to create a scalable product portfolio of electric drives and rapid charging solutions for specific customer requirements in **off-highway** applications.

Over the coming years, the multi-site E-DEUTZ development team will focus on commercializing basic drive systems for customer applications with low to medium power requirements. In this context, DEUTZ will increasingly present itself as a one-stop systems engineering partner and systems integrator, capable of providing an integrated system consisting of an electric motor, battery, power electronics, and reduction gear for traction, along with control software for battery management, functional safety, and actuator logic. In 2024, for example, several prototypes of our improved E-DEUTZ high-voltage batteries are scheduled for delivery to our customer Kärcher for use in sweepers.

A key element of this electric drive solution is the 360-volt system, which reached production readiness in 2023. DEUTZ is collaborating with customers on pilot projects for a range of applications using the system, including electric tracked dumpers and cranes, concrete pumps, mini excavators, and rapid charging solutions. Additionally, DEUTZ is working with customers to develop preproduction versions of new charging systems for use in logistics and at airports. In this context, DEUTZ is also focusing on retrofitting, i.e. the conversion of diesel vehicles to eco-friendly electric drives.

Starting in 2024, DEUTZ will also be one of the first companies to offer a complete »plug and play« off-road rapid charging station. Based on the PowerTree system, which has been in development since 2021, it will enable fast and safe charging of electric machinery and construction vehicles.

Diesel engines The alliance with Daimler Truck AG for medium-duty and heavy-duty engines, and the takeover of sales and service activities from Rolls-Royce for a range of industrial engines with capacities from 5 to 16 liters and power output of up to 480 kW, are key to the future research and development activities relating to DEUTZ diesel engines. The acquisition of license rights significantly expands the existing off-highway portfolio from as early as 2024, particularly in the agricultural machinery and construction equipment sectors. By reaping synergies in product development, DEUTZ is making a considerable saving on its R&D spending. This includes the optimization and further development of its classic internal combustion engines and an increased focus on developing a climate-neutral product portfolio.

Work on the engine portfolio in the power range up to 130 kW continued, for example through the development partnership with John Deere Power Systems that was established over three years ago. The partnership aims to prepare the DEUTZ TCD 3.9 for volume production, which is scheduled for 2025. The engine can be used in all types of industrial applications and will be suitable for variants compatible with the climate-neutral fuels of the future.

As previously announced, DEUTZ began volume production of the new DEUTZ TCD 5.2 engine in 2023. This diesel engine has four cylinders and a displacement of 5.2 liters and, looking ahead, is intended to replace larger six-cylinder engines. It does not use exhaust gas recirculation and is instead equipped with an efficient nitrogen oxide (NOx) aftertreatment system and a catalytic soot filter for reducing particulate emissions. The DEUTZ TCD 5.2 can be run on alternative fuels such as biodiesel and is also primed for hybrid-electric operation thanks to the 48-volt electric drive option.

DEUTZ had already approved all **EU emission stage V** drives for operation with paraffinic diesel fuels such as **HVO** (Hydrotreated Vegetable Oil) by the end of 2022. HVO is a biofuel produced from biological waste, slurry, and used cooking oils and fats, and is therefore not in competition with food production. The use of HVO fuels reduces the carbon footprint of DEUTZ's internal combustion engines by up to 90 percent. These fuels could grow in importance in 2024, as the German government agreed an amendment to the Federal Immission Control Act (BImSchG) in 2023 that will permit HVO100 to be sold at public filling stations in Germany from 2024 onward. It has already been on sale in other EU countries for some time. However, the Federal Council (Bundesrat) has yet to give its approval.

Production and logistics

DEUTZ Group production sites

Germany
ALSDORF/AACHEN (FUTAVIS) Battery management systems
WESSLING (TORQEEDO)* Electric boat drives, complete e-marine drive systems
HERSCHBACH Components plant for manufacturing and pre-assembly of complex add-on components
COLOGNE-PORZ (DEUTZ AG HEADQUARTERS) Assembly plant for production engines with capacities of less than 4 liters and between 4 and 8 liters, center of excellence for camshafts and crankshafts
COLOGNE-KALK Center of excellence for crankcase manufacturing
ULM Small production runs (V engines, air-cooled/oil-cooled engines). Production of the DEUTZ PowerTree, Xchange engine remanufacturing, small production runs for crankcases, crankshafts, and gearwheels, and small production runs for engine series due to be discontinued

China
CHANGSHA (SANY JOINT VENTURE) Engine assembly plant for SANY trucks and construction equipment
TIANJIN Assembly plant for engines with capacities of less than 4 liters and 6 liter engines for applications in lifting platforms, in forklift trucks, and in small construction equipment as part of the local contract manufacturing alliance with BEINEI

Spain
ZAFRA (DEUTZ SPAIN) Center of excellence for manufacturing and pre-assembly of cylinder heads, crankcases for engines with capacities of less than 4 liters, conrods, and gearwheels

Morocco
SAPINO (MAGIDEUTZ) Gensets

USA
PENDERGRASS/ATLANTA (DEUTZ CORPORATION) Value-added production, Xchange engine remanufacturing

*Discontinued.

DEUTZ achieved its production targets in 2023 despite significant weakening of demand in China, with production output rising from 184,965 DEUTZ engines in 2022 to 186,427[37]. As in previous years, the main plant in Cologne-Porz accounted for the bulk of production, which was mainly in the Classic segment. Just under 165,200 engines were made there, an increase on the figure for 2022, while in Ulm the number decreased to just over 16,000. Around 5,200 engines were manufactured in the Tianjin plant in China, which was more than in the prior year. The figures for the joint venture with SANY for engine assembly in Changsha (also in China), where around 8,700 engines were made, are not consolidated.

The slight increase in engine production in 2023 was achieved despite further material shortages and delays in the supply chain. These were exacerbated toward the end of the year by the crisis in the Middle East and, in particular, by the logistical situation around the Red Sea. DEUTZ responded by introducing a number of countermeasures in its internal and external supplier networks, including rescheduling at short notice and comprehensive shortfall management. See also Purchasing and procurement, p. 47 onward, and Procurement market, p. 49 onward.

Improved efficiency for at least 200,000 engines in the future The Company's overarching goal remains to progressively increase production efficiency and put in place the conditions necessary to produce at least 200,000 engines a year in the Classic segment on a sustainable basis. See also Strategy and objectives, p. 37 onward.

With this target in mind, DEUTZ optimized its production processes and expanded its global production network in 2023 through several strategic core activities. Work on optimizing the organizational structure and the production processes focused on supply chain management and material flow management. In 2023, the supply chain managers began reporting directly to the DEUTZ Board of Management (COO). In order to optimize material handling and to group all logistics operations together at the Cologne site, activities that used to be split across five warehouses have now been brought into the new multi-function center. This is expected to generate considerable cost savings and efficiency gains in production over the coming years.

A group-wide initiative was also launched to optimize inventories in the areas of finished products, components, and service. Global inventory management was reorganized to ensure the sustainability of the initiative.

DEUTZ's supplier base will change significantly over the next few years. DEUTZ must secure the long-term availability of relevant components. Under the Resilience project, these parts were first identified so that, in a next step, alternative suppliers could be sought and strategic make-or-buy decisions could be made.

After a period of intense preparation, the planned third production shift was introduced in the main plant in August and, for a time, this made it possible to produce up to 800 engines a day with an additional 200 workers. In the face of weakening demand, however, production was scaled back again in the fourth quarter of 2023. **Supply chain management** was also a key focus of sales and operations planning and inventory management. More than 60 initiatives to optimize working capital were launched worldwide. Intensive discussions were also held with suppliers on the subject of pricing.

In China, DEUTZ is on track to achieve its objective of significantly increasing the share of materials sourced locally at the Tianjin site. At the joint venture site in Changsha, the focus was on getting production ready for the new engines. Work continued apace on automation and digitalization at all DEUTZ sites and numerous measures were implemented to increase efficiency on some production lines by up to 25 percent. The dual sourcing policy was stepped up in order to strengthen security of supply for the most important engine series. With regard to the new DEUTZ Green product portfolio, the Company was able to push ahead with the expansion of volume production for products such as the PowerTree. And finally, work began on improving IT structures and digitalizing activities across the Group. This project will be continued in 2024. The **Kaizen** workshops, **lean** management training, and the implementation of lean projects to increase cost efficiency that began in recent years was continued at all sites. See also Strategy and objectives, p. 37 onward.

Improvement measures at all sites worldwide DEUTZ initiated, or in some cases completed, numerous measures to improve production efficiency at its sites in 2023, with the aim of improving its technical performance and thereby safeguarding its long-term competitiveness.

At head office in **Cologne**, extensive technical preparations were made in 2023 to enable the new assembly set-up for engines with capacities of between four and eight liters to be brought on stream on two production lines in the first half of 2024 as announced. The progress made with the digitalization and automation of the assembly processes was particularly impressive. The ramping up of production to three-shift operation, as mentioned above, shows that DEUTZ is now able to respond relatively flexibly to changes in demand. Production output was further boosted by means of technical improvements and automation measures on several production lines. Pre-production of hydrogen engines on one of the lines also began as scheduled. This and the related start of the conversion of a second production line at the end of 2023 laid the foundations for the first 100 hydrogen engines to be produced and delivered to China on time in the second half of 2024. In total, 26 Kaizen workshops on process optimization were held in 2023, together with numerous employee workshops on the operationalization of the Dual+ strategy. The major investment projects for 2024 will be the commissioning of the new assembly line 6 for 4–8 liter engines and H2 engines, the technical upgrading of the production test benches in readiness for the hydrogen engine, and the conversion of the production line for engines with a capacity of less than 4 liters for the integration of the new 3.9 engine series for SOP 2025.

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

The many projects on automation, lean management training, and team training also formed the focus of investment activity for the optimization of production and material flows in 2023 in the **shaft center** at Cologne-Porz, at the **Herschbach** site, and in the **crankcase manufacturing** in Kalk. In the shaft center, the necessary preparations were made to secure the supply of components for the planned production of hydrogen engines in Cologne. Production efficiency was further improved at all levels through numerous automation projects. Preparations for the production of crankshafts for the new 3.9 engine series also went to plan.

At the **Herschbach** components plant, DEUTZ pressed ahead with the construction of a new logistics hall. Project delays meant that there were no spades in the ground until the middle of January 2024. Two additional five-axle machines came on stream, increasing production output efficiency and flexibility at the site. DEUTZ also continued to invest in the digitalization and optimization of the supply chain.

At the **Ulm** plant, production of a technically advanced generation of the DEUTZ PowerTree began in 2023. The small production runs have started successfully and will be continued in 2024 with additional functionalities for the mobile rapid charging stations. See also non-financial report, Product Stewardship, p. 132 onward. In collaboration with the battery specialist Futavis, a DEUTZ subsidiary, battery assembly was successfully moved to Ulm from the site of investee company Torqeedo. Going forward, Futavis will support staff training and the production process in Ulm, which began in January 2024. To improve production efficiency, a new CNC turning machine and several new measuring machines were installed, all of which are highly automated. The supply chain processes were strengthened through optimization of the transport routes and relocation of production activities for smaller engine sizes.

The final steps of the industrialization and process design phase for the manufacture of cylinder head prototypes of the 7.8 liter hydrogen engine were completed at the Spanish plant in **Zafra** and full production is scheduled to begin in 2024. The same applies to the preparatory work for the expansion of production component manufacturing (crankcase cylinder heads, **conrods**, and transmissions) for the new 3.9 liter engines, both for internal supply and for delivery to John Deere. Full production of the engine is scheduled to start in 2025. Production of the crankcase and the bearing cap for the 3.6 liter engines will be largely automated in future as a result of various projects and investments that have already been initiated. Cost efficiency was also improved through the construction of the first phase of a photovoltaic system, which will initially cover around 6 percent of energy consumption of the plant. Additionally, an agreement was signed with a major energy supplier for the installation of a new photovoltaic system. This is scheduled to be operational by the end of 2024 and, with optimum sunlight utilization, is expected to reach 30 percent of the plant's total consumption. As well as significantly reducing costs, this will make a major contribution to the decarbonization of the production processes.

Production of the 2.9-liter exchange engine began at the **US plant in Pendergrass (Georgia)**. In addition, a lot of time was invested in improving supply chain processes as part of the Foresight project. A new COO position was established with responsibility for operations, supply chain, and purchasing. The aim is to improve production efficiency: from supply chain management, the reorganization of material flows and automation to the introduction of lean management and the associated reduction in the complexity of production processes. The projects planned for implementation of the above measures are scheduled for 2024 and beyond.

Production in China In the plant in Tianjin where, despite difficult economic conditions in the Chinese market, more engines were produced than in 2022, improvement efforts focused on the optimization of material sourcing. DEUTZ is thus confident that the share of locally made materials and components will soon reach the target of 50 to 69 percent. Intensive discussions were held with several suppliers in respect of security of supply and quality assurance. Combined with other improvement measures, this should secure a lasting increase in the production efficiency of the 2.9 and 6.1 series made there for the local Chinese market.

As part of a joint venture for engine assembly for construction machinery and heavy trucks with and for the local manufacturer SANY, DEUTZ put another assembly line into operation in mid-2023, dedicated to the production of DEUTZ 5.7 liter engines for **off-highway** applications.

Purchasing and procurement

The DEUTZ Group maintains business relationships with around 5,600 suppliers in 61 countries. With a total purchasing volume of €1.27 billion worldwide, the Company's supply chain makes a significant contribution to its value creation process.

Delays in the supply chain were still evident in 2023, and this continued to create challenges both for Purchasing and for the production units. The delays were primarily caused by the knock-on effects of the semiconductor crisis and were particularly noticeable in the first half of the reporting period. The ongoing war in Ukraine is still affecting the global flow of goods and thus impacting on DEUTZ, although none of the Group's direct suppliers are based in the crisis regions. The geopolitical fallout from the war also pushed up prices, including those for energy and raw materials, leading to direct and indirect cost increases on the procurement side. See also Procurement market, p. 49 onward.

Inflationary price pressures were the main challenge facing the procurement market in 2023. To mitigate the rising procurement costs, DEUTZ adhered to the process established in the prior year, as part of its performance initiatives, to share the burden of rising procurement costs with its suppliers and customers. In 2023, many negotiations were again held with suppliers in this context. In addition, the Company was able to pass on the increased procurement costs in full to customers in the form of price rises.

DEUTZ has adopted this market-oriented pricing policy in order to be better able to compensate for swings in prices for raw materials and energy, for example, and to strengthen its competitive position. The increasingly proactive approach to pricing is primarily aimed at maintaining relatively stable margins, even in an inflationary environment.

Supplier risk management The primary aim of the overarching supplier risk management system is to avoid disruptions to supply by minimizing and managing risks and supply shortages. In order to identify potential risks at an early stage, Purchasing uses a digital information tool to continuously monitor all production component suppliers and suppliers of non-production items. Monitoring on the basis of the specified indicators enables Purchasing to proactively take risk-mitigating measures where required, to ensure a reliable supply. The set of indicators used in risk management was extended in 2023 to include country-specific factors. **ESG** factors were also included. Regular dialogue is maintained with the individual departments in order to flag up significant changes and to draw up any measures that need to be taken on this basis.

Global purchasing organization and strategy DEUTZ plans to gradually centralize Group purchasing so that, in the medium term and as far as is reasonably practical, all subsidiaries will be subject to the same principles as apply at DEUTZ AG. The »Purchasing Excellence« unit, which is responsible for this, optimized its processes in the year under review and introduced a new procurement platform (supplier relationship management tool), initially for the non-production functions. DEUTZ also uses an established platform that provides it with a transparent overview of the supplier base across all sites and allows it to structure spending across the Group in a standardized way. The integration of additional international suppliers was also stepped up in the year under review. Furthermore, DEUTZ adopted and implemented a groupwide purchasing guideline in 2023 that is intended to ensure that purchasing activities across the whole Group follow uniform standards. The Company also introduced a new meeting format for international dialogue in 2023 with the aim of facilitating collaboration across its multi-site purchasing organization. The growing importance of sustainable procurement was one of the themes discussed here.

Sustainable procurement DEUTZ systematically manages its suppliers using a »supplier cockpit«, with which it monitors the performance of key suppliers, primarily from the perspective of the quality of the supplied components, lead times, availability, and commercial conditions. With the implementation of the groupwide sustainability strategy, however, the selection of suppliers is also going to be increasingly based on sustainability criteria. For example, DEUTZ uses a web-based assessment platform for global supply chains and a business partner **compliance** tool in order to be able to query and evaluate various aspects of sustainability. A tool was created that draws on publicly accessible information to ensure that potential sustainability risks in its supply chain are monitored on an ongoing basis. Further information see also the non-financial report, Supplier management, p. 129 onward.

Supply Chain Due Diligence Act The topic of sustainable procurement gained added significance with the adoption of the **Supply Chain Due Diligence Act** (LkSG), which came into effect in Germany on January 1, 2023. It is intended to prevent, minimize, or eliminate risks relating to human rights and the environment within the supply chain. In this context, DEUTZ published its first declaration of principles in 2023. In addition to a description of how DEUTZ complies with its due diligence obligations, the declaration also includes identified high-priority human rights and environmental risks. It also sets forth what DEUTZ expects from its employees and suppliers. Further information see the non-financial report, Supplier management, p. 129 onward.

Employees[38]

Overview of the DEUTZ Group's workforce[39]

FTEs

	Dec. 31, 2023	Dec. 31, 2022
DEUTZ Group	**5,084**	**4,773**
thereof		
In Germany	3,387	3,255
Outside Germany	1,697	1,518
thereof		
Non-salaried employees	2,725	2,648
Salaried employees	2,270	2,038
Trainees	89	87

DEUTZ employed 5,084 people worldwide as at December 31, 2023, which was 311, or 7 percent, more than at the end of 2022. One reason for this was the temporary introduction of three-shift operation at the main assembly plant in Cologne. In addition, the number of employees in the USA rose by more than 13 percent to 452, due to the increased production volume and the setting up of new service locations. Furthermore, the expansion of the basis of consolidation through the acquisition of Diesel Motor Nordic Group in Scandinavia and the Chilean engine dealer Mauricio Hochschild Ingeniería y Servicios S.A. (MHIS) caused the headcount in the service business to grow by a total of 123 employees.

At 66.6 percent, the bulk of the Group's workforce is based in Germany. Of the 3,387 employees in Germany, 2,731 work at the Company's headquarters in Cologne. The number of people employed outside Germany rose by 12 percent to 1,697 compared to the previous year, primarily due to the acquisitions made in 2023 and the expansion in the USA.

The number of temporary workers rose year on year from 233 to 249. This means they made up less than 5 percent of the total workforce in 2023.

Note: The Torqeedo Group, which is classified as a discontinued operation, employed 199 people and a further 5 temporary workers as at the end of 2023.

[38] Figures for the number of employees and temporary workers in this section are expressed as FTEs (full-time equivalents).
[39] Employees of continuing operations; excluding temporary workers.

Macroeconomic and industry-specific environment

Economic environment

High inflation continues to weigh on growth In 2023, inflation was down significantly compared with the previous year. Nevertheless, global economic growth was slightly slower than in 2022 owing to weak consumer sentiment – especially in the eurozone – due to lower demand in the interest-rate-sensitive manufacturing and service sectors, and the lingering adverse impact of high energy prices. The latest estimate from the International Monetary Fund (IMF) shows a rise in global value creation of 3.1 percent, a slight decline compared with the prior-year figure of 3.5 percent. Growth in global trade slowed significantly, from a rate of 5.2 percent in 2022 to just 0.4 percent in 2023. This was primarily attributable to the rate of inflation, which was still high at an annual average of 6.8 percent in the reporting year (2022: 8.8 percent).[40]

GDP growth[41]

YoY change (%)

	2023	2022[42]
Global	3.1	3.5
Industrialized countries	1.6	2.6
Eurozone	0.5	3.4
Germany	-0.3	1.8
USA	2.5	1.9
Emerging markets	4.1	4.1
China	5.2	3.0

Whereas GDP in the industrialized countries increased by a total of 1.6 percent, the emerging markets experienced much stronger growth of 4.1 percent. China, an emerging market with great influence on the global economy, recorded growth of 5.2 percent and thereby saw a return to above-average growth compared with other emerging markets, following the easing of its highly restrictive coronavirus containment policies.

Procurement market

After raw material and energy prices as well as transportation costs had risen exceptionally sharply in 2022, they fell again noticeably in 2023 as they headed back toward pre-pandemic levels. Prices for raw materials fell and sea freight capacity increased again, but prices for land freight remained elevated. The supply of materials in the semiconductor sector improved during the year.

Energy prices The volatility of electricity and gas prices continued to ease in 2023, with prices falling sharply year on year. This was mainly because gas storage facilities were full and the winter was relatively mild. The ongoing expansion of renewable energies and the growing volumes of electricity from wind and solar power being fed into the grid also contributed to the year-on-year reduction in prices. However, electricity and gas prices remained much higher than in 2020 and 2021.

Raw material prices Having been at a high level in 2022, prices for raw materials fell significantly in 2023. Prices for foundry scrap and wrought iron scrap went down by around 14 percent and 18 percent respectively compared with average prices for 2022, while prices for the non-ferrous metals aluminum and nickel, for example, slid by around 17 percent and 18 percent respectively.

Transportation market In 2023, the transportation market saw a further reduction in sea freight rates – particularly on routes between Asia and Europe and between Europe and the USA – as well as significant improvements in capacity and transit times. Also, a small number of ship departures were cancelled and shipowners refrained from launching new ships, which would have created additional capacity, due to low utilization of existing capacity. In the land freight sector, there is still a structural problem of too few drivers and unfilled vacancies. However, due to the fall in consumer spending, this had little adverse impact and did not lead to transportation bottlenecks as sufficient capacity was available.

[40] IMF: World Economic Outlook Update, January 2024.
[41] IMF: World Economic Outlook Update, January 2024.
[42] Previous year's figures adjusted according to IMF: World Economic Outlook Update, January 2024.

Industry-specific environment

Diesel engine market Based on currently available figures, the individual **off-highway** markets served by DEUTZ – construction equipment, **material handling** equipment, and agricultural machinery – presented a mixed picture in terms of how they performed in 2023. The reasons for this varied significantly by region. In Europe, low economic growth and the ongoing negative impact of the war in Ukraine resulted in only a modest increase in unit sales. In China, the weak economy and the simmering real estate crisis had a dampening effect on unit sales. The markets in North America proved resilient in the face of global crises and mostly recorded an uptick in unit sales.

In the construction equipment segment, the year-on-year change in unit sales varied from region to region in 2023: In North America, the market proved robust in the face of difficult economic conditions thanks to extensive government stimulus, such as the Biden administration's Infrastructure Bill. Europe did not see any growth, despite the European Commission's infrastructure program.[43] The Chinese market for construction equipment experienced a further year-on-year slump. This was partly the result of market saturation and partly due to the effects of the real estate crisis, which has already caused two major casualties in property developers Evergrande and Country Garden.[44]

Demand for material handling equipment was positive in all regions, albeit at a low level. Unit sales of forklift trucks in North America and Europe, for example, were very encouraging in 2023 due to the government stimulus packages.[45] Unit sales in China rose year on year, driven by the high proportion of electric units. In the lifting platform and telehandler segment, leasing firms maintained high levels of investment in their company fleets, which led to a rise in unit sales.

After two years of strong growth, unit sales in the agricultural machinery market reached a turning point in Europe and North America in 2023. Although there has been a further moderate increase in unit sales in the industry, new orders are declining. In China, the structural and technological adjustments initiated by the introduction of the new CN 4 emissions standard appear to have been largely completed. However, subsidies for the purchase of new, high-performance tractors have been withdrawn, meaning that unit sales are in decline overall.[46]

[43] VDMA, Construction Equipment and Building Material Machinery, February 2024.
[44] Chinese Construction Machinery Association, CCMA Sales YTD 12-2023, January 2024.
[45] Power Systems Research, OE Link Update Bulletin – Q4 2023, January 2024.
[46] VDMA, Geschäftsklima und Marktentwicklung weltweit, November 2023

Business performance in the DEUTZ Group

DEUTZ's healthy business performance in 2023 is a reflection of its steadfast efforts to implement the Dual+ strategy. Robust demand meant that engine sales and consolidated revenue rose as expected. And thanks to the increased volume of business in the Classic segment, market-oriented pricing, and very strong growth in the higher-margin service business, there was also a marked improvement in profitability. This was achieved despite countervailing currency effects, higher procurement and employment costs, and ongoing disruption in the supply chain. See also Procurement market, p. 49 onward. See also Purchasing and procurement, p. 47 onward, and Production and logistics, p. 44 onward.

Due to the advanced stage of contract negotiations and agreement of the announced sale of the Torqeedo Group with the Supervisory Board in December, this activity is presented as a discontinued operation in accordance with IFRS 5. The sale agreement was signed in January 2024. The transaction is expected to be completed toward the end of the first quarter of 2024. The Torqeedo Group was part of the DEUTZ Green segment.

Unless indicated otherwise, the figures for the Group and for the DEUTZ Green segment that are presented below relate only to continuing operations. The prior-year figures have been adjusted in accordance with the provisions of IFRS 5.

In accordance with the provisions of IFRS 5, the prior-year figures in the balance sheet are not adjusted. The prior-year figures in the presentation of net assets have also not been adjusted for the same reasons.

New orders

DEUTZ Group: New orders

€ million

New orders received by the DEUTZ Group in 2023 amounted to €1,749.9 million, which was down by 11.7 percent compared with the high volume received in the previous year. This had been due to a decline in demand and to spending brought forward of more than €100 million in view of the fixed-volume program implemented for compact engines in the fourth quarter of 2022. The supply chain disruptions, resulting in longer delivery times during that period, had prompted customers to place orders early and with relatively long order horizons. This was no longer the case in 2023.

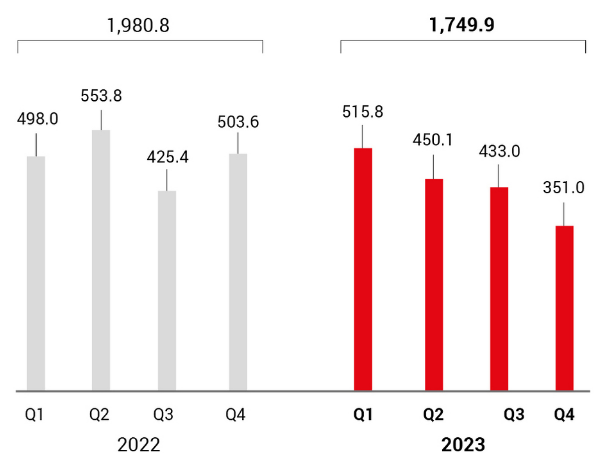
At regional level, there was a small improvement in new orders in the Americas. In the EMEA[47] region, Germany delivered a solid performance with only a slight drop in new orders, but demand slumped in the rest of Europe. The order situation in the Asia-Pacific region was heavily affected by China's economic woes. At application segment level, Construction Equipment, Agricultural Machinery, and Stationary Equipment recorded the sharpest falls in new orders. By contrast, demand rose in the **Material Handling** application segment and in the Miscellaneous application segment (especially commercial vehicles).

New orders went up sharply in the service business, from €453.5 million in 2022 to €480.1 million in the reporting year, validating the strategic decision to focus on the growth of these activities. The increase in new orders was particularly pronounced in parts sales and the **Xchange** business.

Note: New orders received by the discontinued operation Torqeedo declined by 10.2 percent to €47.4 million.

DEUTZ Group: New orders by quarter

€ million



The aforementioned effect of spending brought forward was most noticeable in the fourth quarter. Along with the decline in demand, it caused new orders to fall sharply to €351.0 million in the final quarter of 2023 – a decrease of 30.3 percent compared with the same quarter of 2022.

This also meant that orders on hand were down significantly year on year, standing at €450.4 million as at the end of 2023 (December 31, 2022: €766.5 million).

[47] Europe, Middle East, and Africa.

Unit sales

The number of DEUTZ engines sold increased by 3.2 percent compared with the previous year (181,268) to 187,116 units and was therefore within the range of 185,000 to 190,000 DEUTZ engines that had been forecast most recently.[48]

DEUTZ Group: Unit sales

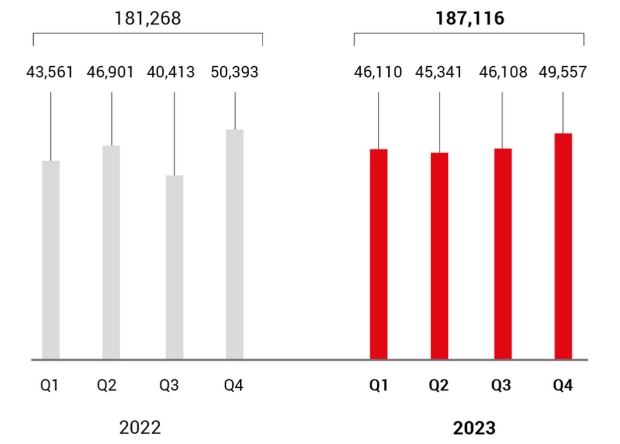
units

The rise in unit sales was attributable to the significant growth in the Material Handling application segment of 20 percent. However, the other application segments that are key to unit sales – Construction Equipment, Agricultural Machinery, and Stationary Equipment – all recorded single-digit percentage decreases. At regional level, the Americas recorded the strongest increase in unit sales at 13.8 percent, although DEUTZ also notched up growth in EMEA. By contrast, unit sales fell sharply, by almost 10 percent, in the Asia-Pacific region on the back of faltering demand in China.

Note: The unit sales of the discontinued operation Torqeedo fell from to 53,414 in 2022 to 36,131 units in 2023, a significant decline of 32.4 percent.

DEUTZ Group: Unit sales by quarter

units



In the fourth quarter of 2023, unit sales across the Group declined slightly year on year to 49,557 (Q4 2022: 50,393). Here too, the Americas region stood out with a rise of 8.7 percent, whereas the EMEA and Asia-Pacific regions recorded decreases compared with the prior-year period of 2.4 percent and 10.2 percent respectively. Among the application segments, both Material Handling and Agricultural Machinery saw a noticeable year-on-year improvement in unit sales in the fourth quarter. However, unit sales went down sharply in the Construction Equipment and Stationary Equipment application segments.

Revenue

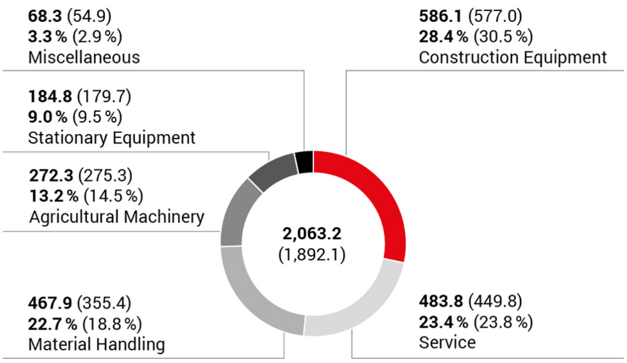
DEUTZ Group: Revenue

€ million

Reflecting the growth in unit sales and thanks to market-oriented price adjustments, consolidated revenue increased by 9.0 percent to €2,063.2 million in 2023.

DEUTZ Group: Revenue and proportion of revenue by application segment

€ million (2022 figures)



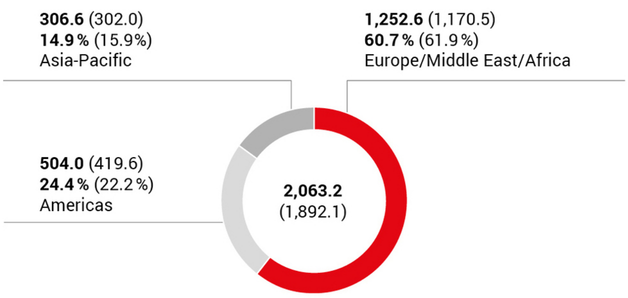
The growth in revenue was driven by almost all application segments. Agricultural Machinery was the only exception, registering a small decrease. The most pronounced rise in revenue was in the Material Handling application segment. DEUTZ's revenue from the service business rose by 7.6 percent year on year to €483.8 million, which was as expected. In addition to the contribution of the two acquisitions in the reporting year and the two in the previous year, this growth was mainly driven by the expansion of parts sales and the exchange engine business (DEUTZ-Xchange).

Note: The most recently issued revenue guidance[49] of around € 2.1 billion related to the entire Group, including discontinued operations. At 2,104.8 million, the forecast was met.The revenue of the discontinued operation Torqeedo fell sharply, by 32.1 percent, to €41.6 million in 2023.

[48] See press release dated November 9, 2023.
[49] See quarterly statement dated November 9, 2023.

DEUTZ Group: Revenue and proportion of revenue by region

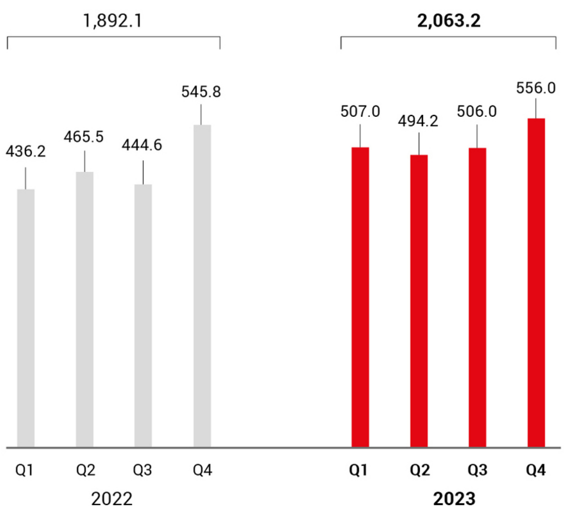
€ million (prior year figures)



All regions reported growth. The Americas region's performance was particularly encouraging (rise of 20.1 percent), and EMEA also saw strong growth (rise of 7.0 percent). And despite a fall in revenue in China, the overall revenue of the Asia-Pacific region was up by 1.5 percent.

DEUTZ Group: Consolidated revenue by quarter

€ million



In the fourth quarter of 2023, the Group's consolidated revenue from continuing operations swelled by 1.9 percent to €556.0 million. At regional level, revenue increased in the Americas, held steady in EMEA, and went down in Asia-Pacific. Among the application segments, **Material Handling** performed well, revenue from Agricultural Machinery was virtually unchanged year on year, and both Construction Equipment and Stationary Equipment saw decreases in revenue.

Earnings

DEUTZ Group: Overview of results of operations[50]

€ million

	1–12/2023	1–12/2022	Change
Revenue	**2,063.2**	**1,892.1**	**9.0 %**
Cost of sales	-1,616.4	-1,541.9	4.8 %
Research and development costs	-109.6	-80.1	36.8 %
Selling and administrative expenses	-207.4	-172.0	20.6 %
Other operating income	24.0	33.6	-28.6 %
Other operating expenses	-25.8	-26.2	-1.5 %
Impairment of financial assets and reversals thereof	0.4	-4.4	-
Profit/loss on equity-accounted investments	-5.5	-3.7	-48.6 %
Other net investment income	0.6	0.2	200.0 %
EBIT	**123.5**	**97.6**	**26.5 %**
Interest income	1.8	1.3	38.5 %
Interest expense	-16.4	-6.3	160.3 %
Other financial income/finance cost	-0.7	-0.9	-22.2 %
Financial income, net	**-15.3**	**-5.9**	**-159.3 %**
Income taxes	-1.3	3.7	-
Net income continuing operations	**106.9**	**95.4**	**12.1 %**
Net income discontinued operations	**-25.0**	**-15.2**	**-64.5 %**
Net income	**81.9**	**80.2**	**2.1 %**
Adjusted EBIT – Green (EBIT before exceptional items)	-37.1	-25.1	-47.8 %
Adjusted EBIT – Classic (EBIT before exceptional items)	180.1	128.1	40.6 %
Consolidation/ Other[51]	0.6	0.5	20.0 %
Adjusted EBIT (EBIT before exceptional items)	**143.6**	**103.5**	**38.7 %**
Exceptional items	-20.1	-5.9	240.7 %
EBIT	**123.5**	**97.6**	**26.5 %**

DEUTZ Group: Key figures for the entire Group[52]

€ million

	1–12/2023	1–12/2022	Change
Revenue	2,104.8	1,953.4	7.8%
EBIT	**100.3**	**82.6**	**21.4%**
Net income	**81.9**	**80.2**	**2.1%**
Adjusted EBIT – Green (EBIT before exceptional items)	-60.3	-39.2	-53.8%
Adjusted EBIT – Classic (EBIT before exceptional items)	180.1	128.1	40.6%
Consolidation/ Other	0.6	0.5	20.0%
Adjusted EBIT (EBIT before exceptional items)	**120.4**	**89.4**	**34.7%**
Exceptional items	-20.1	-6.8	195.6%
EBIT	**100.3**	**82.6**	**21.4%**

[50] As of 2023, amortization on capitalized development expenditure is no longer reported under »Research and development costs« but under »Cost of sales«. The previous year's figure in the results of operations has been adjusted accordingly to enable comparison.
[51] Consolidation/Other predominantly consists of non-operating centralized activities as well as effects on earnings resulting from the elimination of intragroup transactions between the segments.
[52] The key figures for the entire DEUTZ Group include continuing operations and discontinued operations (including Torqeedo Group).

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

€ million (EBIT margin, %)

Adjusted EBIT DEUTZ generated adjusted EBIT (EBIT before exceptional items) from continuing operations of €143.6 million in 2023, which was up substantially on the prior-year figure of €103.5 million. The significant improvement of €40.1 million was due to the much higher volume of business, combined with market-oriented pricing and the focused implementation of the growth strategy in the service business, to which the company acquisitions of the last two reporting years also contributed. Countervailing factors offset this improvement, primarily volume- and price-related increases in procurement costs on the back of higher prices for energy and materials. There was also an adverse impact from the rise in selling and administrative expenses and from negative currency effects. However, DEUTZ's healthy business performance outweighed these negative factors.

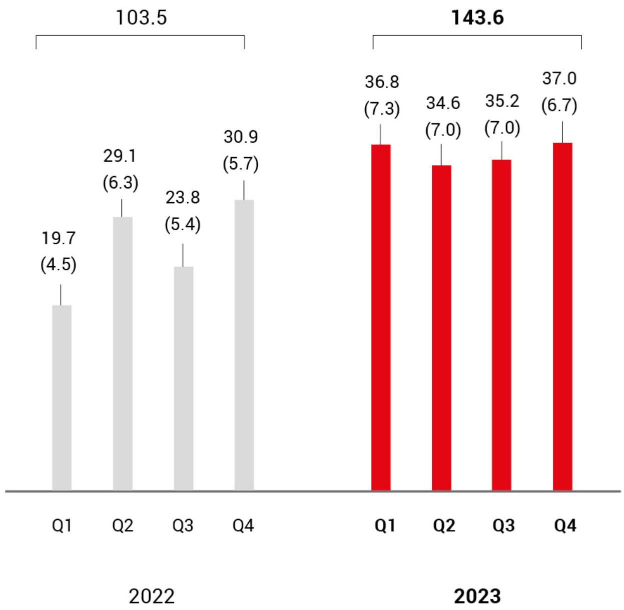
The adjusted EBIT margin from continuing operations increased significantly year-on-year from 5.5 percent to 7.0 percent. The DEUTZ Group's return on capital employed[53] (ROCE before exceptional items) improved from 11.0 percent to 14.4 percent over the same period.

In the fourth quarter of 2023, adjusted EBIT went up year on year to €37.0 million (Q4 2022: €30.9 million) owing to growth of the high-margin service business and positive currency effects.

Note: The most recent forecast range of 5.3 to 5.8 percent for the adjusted EBIT margin[54] relates to the entire Group, including discontinued operations. At 5.7 percent, the figure was at the upper end of this range. The DEUTZ Group's return on capital employed (ROCE before exceptional items) including discontinued operations improved from 9.0 percent to 11.1 percent in the same period and therefore exceeded the original guidance in the 2022 annual report (a percentage figure in the high single digits).

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

€ million (EBIT margin, %)



In 2023, there were exceptional items amounting to an expense of €20.1 million. These mainly related to impairment losses recognized on capitalized development expenditure and on the related resources and parts of production (€16.8 million), to the impairment of a sales license (€1.5 million), to costs in connection with the sale of the Torqeedo Group (€1.0 million), and to additions to provisions for share options of former members of the Board of Management (€0.4 million). After taking exceptional items into account, EBIT for the year under review stood at €123.5 million (2022: €97.6 million).

Cost of sales The significant growth in the volume of business pushed the cost of sales up by 4.8 percent to €1,616.4 million in 2023. The year-on-year increase was mainly attributable to the volume-related rise in the cost of materials and staff costs, and higher production and transportation costs. The gross margin[55] improved from 18.5 percent in 2022 to 21.7 percent in 2023.

Research and development costs Starting in 2023, amortization on capitalized development expenditure costs (2023: €15.1 million; 2022: €17.4 million) will no longer be reported under research and development costs but under cost of sales. Research and development costs, which mainly comprise personnel expenses and material expenses, amounted to €-109.6 million in the 2023 reporting year (2022: €-80.1 million). Investment grants received and capitalized development costs are deducted. The rise of €29.5 million compared with the adjusted figure for 2022 is attributable to the increase in development activities, primarily in connection with the TCG 7.8 H2 hydrogen engine and the HDEP engine series (alliance with

[53] Return on Capital Employed (ROCE): Ratio of EBIT to average capital employed. Capital Employed: Total assets less cash and cash equivalents, trade payables and other current and non-current liabilities based on average values from two balance sheet dates.
[54] See quarterly statement dated November 9, 2023.
[55] Gross margin: ratio of revenue less cost of sales to revenue.

Daimler Truck AG). In addition, impairment losses of €14.3 million were recognized on capitalized development expenditure in 2023 as a consequence of lower unit sales forecasts for two engine series. Taking into account the previous year's figure of €-97.5 million, which was not adjusted for comparison purposes, the increase would mainly be due to the increase in development activities. The impairment losses in the reporting year would have been offset by the amortization of capitalized development costs of €17.4 million in the previous year.

Selling and administrative expenses In 2023, selling and administrative expenses rose by a total of €35.4 million to €207.4 million. This growth was mainly due to higher consultancy costs in connection with acquisitions and advisory projects, an increase in IT services in preparation for migrating the SAP software to SAP S/4HANA, the consolidation of additional companies in 2023, and an overall rise in headcount.

Other operating income Other operating income totaled €24.0 million in the reporting year. The year-on-year decline of €-9.6 million was largely attributable to lower foreign currency gains.

Other operating expenses Other operating expenses fell only slightly by €0.4 million to €-25.8 million in 2023. The decrease is due to minor offsetting effects.

Impairment of financial assets and reversals thereof The impairment of financial assets relates to impairment losses on trade receivables. The reversal of impairment losses on financial assets in the reporting year was due to changes in the impairment losses recognized on trade receivables.

Share of profit (loss) of equity-accounted investments Owing to the loss attributable to the Chinese joint venture Hunan DEUTZ Power Co., Ltd., the share of profit (loss) of equity-accounted investments deteriorated by €1.8 million to a loss of €5.5 million in 2023.

Financial income, net Net finance costs deteriorated by €9.4 million to €15.3 million in the reporting year. The main reasons for this were the increased drawdown of lines of credit granted by banks, higher refinancing rates (three-month Euribor) for sales of receivables, and higher interest rates used in the measurement of lease liabilities.

Income taxes A tax expense totaling €1.3 million was recognized in 2023. The current tax expense rose by €4.6 million to €20.7 million in line with earnings. Deferred tax income of €19.4 million was also recognized. This effect was due to temporary differences resulting from a reduction in capitalized development expenditure that is not recognized in the tax accounts. It was also related to an increase in deferred tax assets on tax losses carried forward, which was primarily attributable to an improved forecast in the tax planning for the upcoming-five-year period.

Earnings per share Net income rose by €11.5 million to €106.9 million in 2023. The rise in earnings per share from €0.79 in 2022 to €0.86 in the reporting year was relatively low due to the shares issued to Daimler Truck AG. Adjusted for exceptional items, net income rose to €124.5 million (2022: €100.6 million) and adjusted earnings per share to €1.00 (2022: €0.83).

Net income for the reporting year was boosted by deferred tax income of €19.4 million. Excluding this deferred tax income, net income amounted to €87.5 million and earnings per share to €0.70.

Note: Profit for the entire Group (including discontinued operations) was up slightly at €81.9 million (2022: €80.2 million). Earnings per share remained unchanged at €0.66 due to the new shares issued to Daimler Truck AG.

Business performance in the segments

DEUTZ's reporting structure is based on two segments: Classic and Green. The Classic segment encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines as well as the related service business. The Green segment consists of all activities related to new drives. This includes hydrogen engines, the battery management specialist Futavis, electric drives, mobile rapid charging stations, and the related service business. Given that DEUTZ is currently only at the start of its transformation, the earnings-related key figures for the Green segment also reflect a substantial level of research and development in the field of electric and hydrogen-powered drive systems.

As already explained, the activities of the Torqeedo Group are presented as discontinued operations in accordance with IFRS 5. The Torqeedo Group was part of the DEUTZ Green segment. Unless otherwise stated, the figures for the DEUTZ Green segment are presented below only for continuing operations. The prior-year figures have been adjusted in accordance with the provisions of IFRS 5. There are no changes for the DEUTZ Classic segment.

DEUTZ Group: Segments

€ million

	2023	2022
New orders		
Classic	1,743.2	1,981.1
Green	6.7	-0.3[56]
Total	**1,749.9**	**1,980.8**
Unit sales (units)		
Classic	186,718	181,249
Green	398	19
Total	**187,116**	**181,268**
Revenue		
Classic	2,058.2	1,889.4
Green	5.0	2.7
Total	**2,063.2**	**1,892.1**
Adjusted EBIT (EBIT before exceptional items)		
Classic	180.1	128.1
Green	-37.1	-25.1
Consolidation/ Other	0.6	0.5
Total	**143.6**	**103.5**

DEUTZ Classic

DEUTZ Classic

€ million

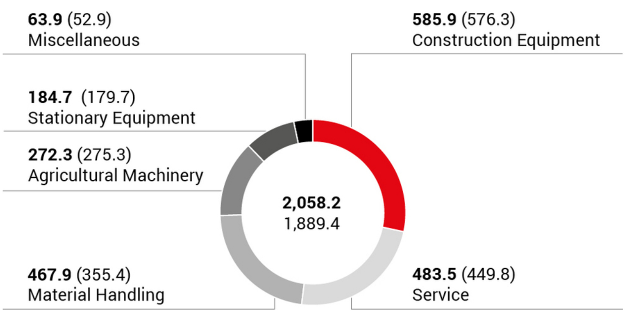
	2023	2022	Change
New orders	**1,743.2**	**1,981.1**	**-12.0 %**
Unit sales (units)	**186,718**	**181,249**	**3.0 %**
Revenue	**2,058.2**	**1,889.4**	**8.9 %**
EMEA	1,247.6	1,167.9	6.8 %
Americas	504.0	419.5	20.1 %
Asia-Pacific	306.6	302.0	1.5 %
EBIT before exceptional items	**180.1**	**128.1**	**40.6 %**
EBIT margin before exceptional items (%)	**8.8**	**6.8**	**+2pp**

New orders received in the Classic segment declined by 12.0 percent to €1,743.2 million in 2023 owing to the effects of the aforementioned spending brought forward. Whereas the **Material Handling** application segment saw a small increase in demand, new orders were down significantly in the Agricultural Machinery, Construction Equipment, and Stationary Equipment application segments. The service business generated further growth of 5.8 percent, taking its new orders to €479.8 million. Orders on hand fell sharply to stand at €445.8 million as at December 31, 2023 (December 31, 2022: €763.7 million). Unit sales advanced by 3.0 percent year on year, with 186,718 engines sold. This rise was driven by the Americas and EMEA regions, which notched up increases of 3.4 percent and 13.5 percent respectively. In the Asia-Pacific region, however, unit sales went down by 10.2 percent. The Material Handling application segment's unit sales jumped by 20.4 percent, whereas the other application segments recorded single-digit percentage decreases.

Segment revenue rose by 8.9 percent to €2,058.2 million in 2023, which was fully in line with expectations. Revenue rose at a faster rate than unit sales mainly due to the effective implementation of price rises.

DEUTZ Classic: Revenue by application segment

€ million (2022 figures)



[56] Negative figure due to cancellations.

The effects of the aforementioned spending brought forward were particularly noticeable in the fourth quarter of 2023 due to the volume of orders that had been placed in the final quarter of 2022 and to a weakening of demand related to the economic climate. As a result, new orders went down by 30.6 percent year on year to €350.6 million. Although the service business generated substantial growth of 15.3 percent, the application segments registered significant year-on-year falls. The segment's unit sales dropped by 2.3 percent to 49,187 engines. Only the Americas region and the Material Handling and Agricultural Machinery application segments recorded significant growth. The Classic segment's revenue increased by 1.7 percent compared with the final quarter of 2022 to stand at €554.2 million in the fourth quarter of 2023.

Adjusted EBIT for the segment (EBIT before exceptional items) rose by a significant €52.0 million year on year to €180.1 million. The improvement compared with the 2022 figure of €128.1 million was largely due to the earnings drivers for 2023 mentioned above and saw the Classic segment's adjusted EBIT margin rise from 6.8 percent to 8.8 percent, which was above the most recent forecast[57] range of between 8.0 percent and 8.5 percent.

In the fourth quarter of 2023, adjusted EBIT for the segment rose year on year by €12.5 million to €48.1 million (Q4 2022: €35.6 million). Most of this improvement was attributable to growth in the high-margin service business and positive currency effects. However, there were adverse effects from the increase in administrative expenses related to newly consolidated companies, from an overall rise in headcount, and from higher consultancy costs in connection with acquisitions and advisory projects. The service business is being boosted not only by market-oriented pricing but also by the growth strategy, which includes the acquisitions made in 2023 and 2022.

DEUTZ Green

DEUTZ Green

€ million

	2023	2022	Change
New orders	**6.7**	**-0.3[58]**	**–**
Unit sales (units)	**398**	**19**	**1,994.7 %**
Revenue	**5.0**	**2.7**	**85.2 %**
EMEA	5.0	2.6	92.3 %
Americas	0.0	0.1	–
Asia-Pacific	0.0	0.0	–
EBIT before exceptional items	**-37.1**	**-25.1**	**-47.8 %**
EBIT margin before exceptional items (%)	**-742.0**	**-929.6**	**+187,6 pp**

The new orders received by the continuing operations of the Green segment amounted to just €6.7 million in 2023 owing to the start-up character of this business. No new orders had been received in 2022. From a regional perspective, the main focus was on EMEA. Orders on hand amounted to €4.6 million as at December 31, 2023, which was up by 64.3 percent from the still very small volume recorded a year earlier. The segment's unit sales were also still low at 398 engines. This was also the case for the segment's revenue of €5.0 million, which was up by 85.2 percent year on year.

In the fourth quarter of 2023, new orders in the Green segment stood at €0.4 million, unit sales at 370 units, and revenue at €1.8 million.

Adjusted EBIT for the segment amounted to a loss of €37.1 million, which represented a year-on-year deterioration of €12.0 million (2022: €25.1 million). This was attributable to increased development expenditure on new drive technologies, primarily in connection with the TCG 7.8 H2 hydrogen engine. Although the segment registered a greater loss than in the prior year, its adjusted EBIT margin improved because of the rise in the volume of business. However, DEUTZ Green's adjusted EBIT and adjusted EBIT margin are still being shaped primarily by the development activities that are required in the segment.

In the fourth quarter of 2023, adjusted EBIT for the segment deteriorated by €5.9 million year on year to a loss of €11.5 million. This was also mainly due to the increase in development expenditure for new drive technologies.

Note: The discontinued operations of the Torqeedo Group recorded new orders of €47.4 million (2022: €52.8 million), unit sales of 36,131 drives (2022: 53,414 drives), and revenue of €41.6 million (2022: €61.3 million) in 2023. The Torqeedo Group's adjusted EBIT deteriorated from a loss of €15.9 million to a loss of €23.2 million.

The most recently forecast figure of a loss of €55 million for the Green segment's adjusted EBIT in 2023 was in relation to the Green segment including the discontinued operations. The segment's adjusted EBIT including the discontinued operations amounted to a loss of €60.3 million in 2023. This loss was larger than had been forecast because of the increase in development expenditure and the higher-than-expected loss reported by the Torqeedo Group. The corresponding adjusted EBIT margin for the Green segment thus stood at minus 129.4 percent.

[57] See quarterly statement dated November 9, 2023.
[58] Negative figure due to cancellations.

Financial position

Basic principles and objectives of financial management

The purpose of financial management is to ensure the solvency of the DEUTZ Group at all times by obtaining the necessary funds, to hedge and contain interest-rate risk, currency risk, and commodities risk throughout the Group, and to optimize the cost of capital. Responsibility for groupwide financial management, including managing funds within the Group, lies with DEUTZ AG as the parent company of the Group.

Funding

Sufficient liquidity ensured DEUTZ 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 €95 million at the end of 2023.

During the course of 2023, DEUTZ also increased the three existing bilateral lines from €75 million to €95 million and extended them, as well as adding two further bilateral credit lines, giving it access to a total of €140 million. The five lines fall due at the end of the second quarter of 2025 and are also unsecured, floating-rate facilities. None of the five lines were drawn down as at the balance sheet date.

DEUTZ thus has sufficient financial means to be able to fund its operating business, invest in its transformation, and generate growth through acquisitions.

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

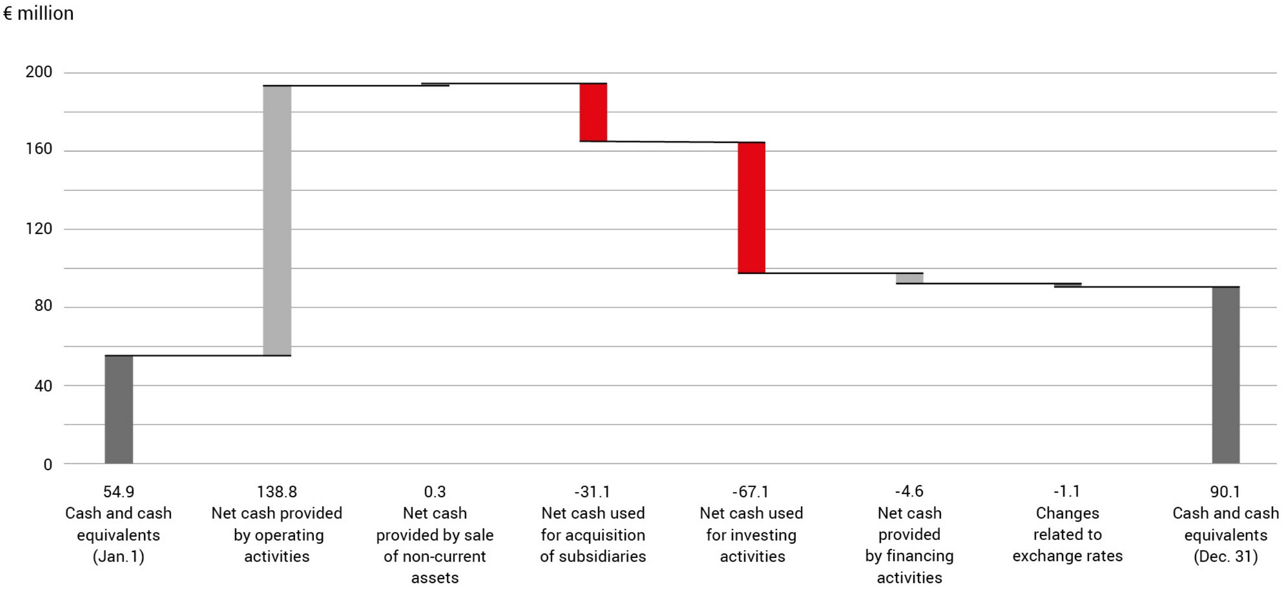
As part of its funding agreements, DEUTZ has undertaken to comply with certain financial and non-financial covenants. If, however, there is a dramatic deterioration in the general economic situation – for example because of the fallout from the coronavirus pandemic or the war in Ukraine – there is a risk of the covenants being breached in the short term. Should such a risk materialize, DEUTZ would approach its funding partners in advance in order to negotiate the necessary **waiver** and to enable further amounts to be drawn down under the syndicated loan. Compliance with the financial covenants would not place any restrictions on DEUTZ's ability to pursue growth projects. See also Financial risk management, note 28, p. 211.

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 €151.2 million as at December 31, 2023, which was below the level a year earlier (December 31, 2022: €171.6 million) due to the business performance.

Other financial obligations Off-balance-sheet obligations and investment obligations came to €173.1 million as at December 31, 2023. Of this total, commitments to purchase inventories amounted to €100.0 million, commitments to purchase property, plant and equipment and intangible assets totaled €62.4 million, a sum of €10.6 million was attributable to IT services, and €0.1 million was attributable to low-value leased assets. Utilization of the IT services will amount to €10.6 million in 2024; for the low-value leased assets it will be €0.1 million. Further financial obligations totaling €17.9 million are due in the period 2025 to 2028. The off-balance-sheet obligations do not have a material impact on the Group's financial position.

DEUTZ Group: Change in cash and cash equivalents for the entire Group[59]



Cash flow

Overview of the DEUTZ Group's financial position

€ million

	2023	2022	Change
Cash flow from operating activities	151.5	77.7	95.0 %
Cash flow from investing activities	-96.0	-64.9	-47.9 %
Cash flow from financing activities	-1.1	30.6	–
Change in cash and cash equivalents	**36.3**	**18.1**	**100.6 %**
Free cash flow from continuing operations[60]	**41.8**	**6.4**	**553.1 %**
Free cash flow for entire Group[61]	**24.8**	**-16.6**	**–**
Key figures for continuing operations			
Cash and cash equivalents at Dec. 31	90.1	54.2	66.2 %
Current and non-current interest-bearing financial debt at Dec. 31	253.5	210.1	20.7 %
thereof lease liabilities	81.5	85.6	-4.8 %
Net financial position at Dec. 31[62]	**-163.4**	-155.9	-4.8 %

Cash flow from operating activities attributable to continuing operations amounted to €151.5 million in 2023, which was €73.8 million higher than in the prior year. This improvement was attributable to the smaller amount of net cash used for working capital and to the rise in operating profit.

At minus €96.0 million, net cash used for investing activities was higher than in 2022. This was mainly due to the completion of the acquisitions of Diesel Motor Nordic Group, which is head-quartered in Järfälla, Sweden, and Mauricio Hochschild, based in Santiago, Chile, and the associated payments. Under an 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.

Cash flow from financing activities amounted to a net cash outflow of minus €1.1 million in 2023, compared with the net cash inflow of €30.6 million in 2022. This change was primarily due to lower utilization of the existing credit lines and a rise in interest expense.

[59] The change in cash and cash equivalents includes continuing and discontinued operations (including the Torqeedo Group).
[60] Cash flow from operating activities and from investing activities less interest expense.
[61] The key figures for the DEUTZ Group include continuing and discontinued operations (including Torqeedo Group).
[62] Cash and cash equivalents less current and non-current interest-bearing financial debt.

As a result of the increase in cash flow from operating activities, free cash flow improved from €6.4 million in the prior-year period to €41.8 million in the reporting period. Payments for the acquisition of subsidiaries reduced free cash flow by €31.1 million in 2023.

These changes in cash flow during 2023 increased cash and cash equivalents by €35.9 million to €90.1 million. The rise in net debt resulted from the higher level of borrowing, which was partly offset by the increase in cash and cash equivalents.

Note: The amount in the mid-double-digit millions of euros provided as guidance for free cash flow before mergers and acquisitions relates to the entire Group including discontinued operations. The figure came to €55.9 million in 2023, which corresponded to the issued guidance.[63]

Capital expenditure

Capital expenditure (after deducting investment grants)

€ million

	2023	2022	Change
Property, plant equipment	75.1	94.2	-19.1
of which right-of-use assets for leases under IFRS 16	17.1	9.0	8.1
of which property, plant and equipment (excluding right-of-use assets for leases under IFRS 16)	58.0	85.2	-27.2
Intangible assets	42.0	10.7	31.3
	117.1	**104.9**	**12.2**

Total capital expenditure (continuing operations) on property, plant and equipment and on intangible assets after deducting investment grants, and including capitalization of research and development expenditure, was above the prior-year level in 2023. The increase was mainly attributable to DEUTZ's acquisition of intellectual property rights (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 engine series in the total amount of €35.2 million.

Additions to property, plant and equipment mainly related to investment in IT equipment, software, assembly and testing facilities, and logistics.

The increase in capital expenditure on right-of-use assets was primarily attributable to DEUTZ entering into new long-term leases.

The Classic segment accounted for the bulk of the capital expenditure (after deducting investment grants), at €116.6 million (2022: €104.3 million). €0.5 million was invested in the Green segment (2022: €0.6 million). Total capital expenditure was 12.2 percent higher than in the prior year.

Note: The range of €70 million to €90 million for capital expenditure stated in the original forecast[64] related to the entire Group, including discontinued operations. At €119.2 million, this figure was significantly higher than the original forecast. This is because the original guidance had not yet factored in the agreement with Daimler Truck AG. Without this agreement, capital expenditure would have been at the upper end of the forecast range.

[63] See the quarterly statement dated November 9, 2023.
[64] Published in the 2022 annual report.

Net assets

DEUTZ Group: Overview of net assets

€ million

	Dec. 31, 2023	Dec. 31, 2022	Change
Non-current assets	734.7	730.3	0.6%
thereof right-of-use assets in connection with leases	70.8	87.3	-18.9%
Current assets	779.8	745.1	4.7%
Assets classified as held for sale of discontinued operations	75.7	0.0	–
Total assets	**1,590.2**	**1,475.4**	**7.8%**
Equity	743.2	668.8	11.1%
Non-current liabilities	202.9	195.8	3.6%
thereof lease liabilities	65.6	76.8	-14.6%
Current liabilities	625.1	610.8	2.3%
thereof lease liabilities	15.9	17.8	-10.7%
Liabilities associated with assets of discontinued operations	19.0	0.0	–
Total equity and liabilities	**1,590.2**	**1,475.4**	**7.8%**
Key figures for continuing operations			
Working capital (€ million)	379.8	313.8	21.0%
Working capital ratio (Dec. 31, %)	18.4	16.6	+1.8 pp
Working capital ratio (average, %)	17.7	15.6	+2.1 pp
Key figures for the entire Group[65]			
Working capital (€ million)[66]	405.7	346.3	17.2%
Working capital ratio (Dec. 31, %)[67]	19.3	17.7	+1.6 pp
Working capital ratio (average, %)[68]	18.7	16.7	+2 pp
Equity ratio %[69]	**46.7**	**45.3**	**+1.4 pp**

As already mentioned, the figures disclosed below relate to continuing operations, whereas the Torqeedo Group is presented as held for sale. As the balance sheet figures as at December 31, 2022 have not been restated, the disclosures for net assets essentially relate to transactions in the reporting year.

Assets Non-current assets stood at €734.3 million as at December 31, 2023, a year-on-year rise of €4.4 million. 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 AG'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 these rights in the HDEP engine series are being made in installments up to 2028. The first installment was paid in the first quarter of 2023.

The year-on-year rise in deferred tax assets was due to temporary differences resulting from a reduction in capitalized development expenditure that is not recognized in the tax accounts and from increased opportunities to utilize tax loss carryforwards.

The increase was partly offset by impairment losses of €18.7 million recognized on capitalized development expenditure and associated operating resources and parts of production.

The reclassification of the non-current assets of the Torqeedo Group as held for sale relates to the portion of the Green segment's goodwill that is attributable to the disposal group (€19.6 million) and also partly offset the increase in non-current assets.

Working capital The change in working capital relating to continuing operations and the change relating to the entire Group (including discontinued operations) are virtually identical as the working capital of the Torqeedo Group changed only marginally. Despite the lower level of orders on hand at the end of the fourth quarter of 2023, inventories were at the same level as they had been at December 31, 2022 owing to higher procurement prices and the expansion of business in Chile and Scandinavia. The increase of €66.0 million in working capital from continuing operations was due not only to the higher level of trade receivables resulting from the reduction in factoring as at the reporting date but also to the sharp fall in trade payables caused by the lower volume of procurement on the back of the year-on-year drop in new orders in the fourth quarter of 2023. Average working capital at the last four quarterly reporting dates was also significantly higher than in the previous year. Consequently, the average working capital ratio went up from 15.6 percent as at December 31, 2022 to 17.7 percent as at the reporting date.

Additional information: The average working capital ratio for the entire Group stood at 18.7 percent as at December 31, 2023, which was only slightly higher than the original forecast range[70] of between 16 percent and 18 percent.

[65] The key figures for the DEUTZ Group include continuing and discontinued operations (including the Torqeedo Group).
[66] Inventories plus trade receivables less trade payables.
[67] Working capital (inventories plus trade receivables less trade payables) as at the balance sheet date divided by revenue for the previous twelve months.
[68] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.
[69] Equity/total equity and liabilities.
[70] See the original guidance published in the 2022 annual report.

Equity As a result of the rise in equity, the equity ratio advanced to 46.7 percent as at December 31, 2023 (December 31, 2022: 45.3 percent). The growth of equity was attributable to the favorable earnings situation 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 by way of a capital increase from authorized capital by contribution in kind and grants Daimler Truck AG 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. The equity ratio thus remains above the target figure of more than 40 percent.[71]

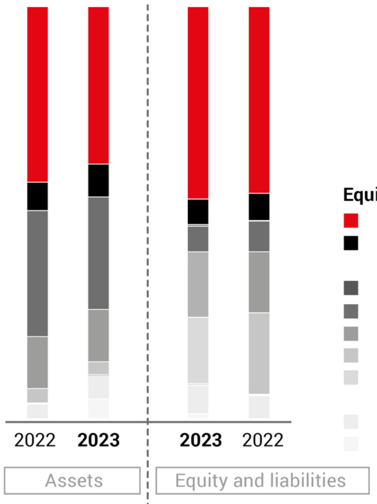
Liabilities As mentioned above, the payments for the rights for the HDEP series are being made in installments up to 2028. This led to an increase in non-current liabilities. The reclassification of non-current lease liabilities of the Torqeedo Group in accordance with IFRS 5 had a countervailing impact. The rise in current liabilities was mainly attributable to the increase in liabilities to banks resulting from the higher drawdown of short-term lines of credit. By contrast, there was a reduction in trade payables.

DEUTZ Group: Balance sheet structure

% (prior-year-figures)

Assets

38.2	(42.6)	Non-current assets
8.0	(6.9)	Deferred tax assets
27.3	(30.6)	Inventories
12.7	(12.6)	Trade receivables
3.1	(3.5)	Other receivables and assets
0.2	(0.1)	Receivables in respect of tax refunds
5.7	(3.7)	Cash and cash equivalents
4.8	(0.0)	Assets classified as held for sale of discontinued operations



Equity and liabilities

46.7	(45.3)	Equity
6.2	(6.6)	Provisions for pensions and other post-retirement benefits
0.4	(0.1)	Deferred tax liabilities
6.2	(7.5)	Other provisions
15.9	(14.8)	Financial debt
16.1	(19.8)	Trade payables
0.4	(0.3)	Liabilities arising from income taxes
6.9	(5.6)	Other liabilities
1.2	(0.0)	Liabilities directly associated with assets of discontinued operations

[71] See the original guidance in the 2022 annual report.

DEUTZ AG

The following remarks refer to the annual financial statements of DEUTZ AG. The annual financial statements of DEUTZ AG are prepared in accordance with the requirements of the German Commercial Code (HGB).

BASIC PRINCIPLES AND BUSINESS PERFORMANCE OF DEUTZ AG

DEUTZ AG is the parent company of the DEUTZ Group. In Germany and abroad, DEUTZ AG has a direct or indirect stake in 47 companies (2022: 44 companies). DEUTZ AG is also by far the largest production company of the DEUTZ Group and provides the head-office functions for the Group. See list of shareholdings, p. 233 onward, for further information on DEUTZ AG's equity investments.

Because the business performance and financial situation of DEUTZ AG are essentially the same as for the DEUTZ Group, we make reference here to the »Business performance in the DEUTZ Group« section of this combined management report. See Business performance in the DEUTZ Group, p. 51 onward, for further information.

Because of the significance of DEUTZ AG within the Group, and its heavy interdependencies with other Group companies, the Group is managed at the level of DEUTZ AG. In addition to the key performance indicators used for management at Group level, the net income of DEUTZ AG – the relevant variable for the payment of dividends – is also an element of the management system of the Company. The internal control system for the DEUTZ Group is described in this combined management report. See Internal control system, p. 40 onward, for further information.

The DEUTZ Group's net income in accordance with IFRS is reconciled to DEUTZ AG's net income in accordance with the HGB:

RESULTS OF OPERATIONS

DEUTZ AG: Reconciliation

€ million	
DEUTZ Group net income (IFRS)	**81.9**
Consolidation of equity investments	4.2
DEUTZ AG net income (IFRS)	**77.7**
Material differences due to different financial reporting standards	
Recognition of development expenditure	8.0
Recognition of leases	2.6
Measurement of provisions for pensions and other post-retirement benefits	-6.3
Measurement of investments	-3.3
Measurement of inventories	-1.6
Other differences relating to the financial reporting standards	0.1
DEUTZ AG net income (HGB)	**77.2**

Overview of DEUTZ AG's results of operations

€ million	**2023**	2022[72]	Change
Revenue	**1,721.1**	**1,667.8**	**53.3**
Cost of sales	-1,433.3	-1,414.2	19.1
Research and development costs	-107.7	-78.1	29.6
Selling and administrative expenses	-118.7	-96.4	22.3
Other operating income	36.1	48.7	-12.6
Other operating expenses	-21.7	-25.4	-3.7
Net investment income	1.1	-3.8	4.9
Write-downs of investments	-4.2	-24.5	-20.3
Operating profit (EBIT)	**72.7**	**74.1**	**-1.4**
Interest expenses, net	-5.9	-1.6	-4.3
Income taxes	11.0	1.8	9.2
Other taxes	-0.6	-0.5	0.1
Net income	**77.2**	**73.8**	**3.4**

Revenue DEUTZ AG's revenue increased by 3.2 percent to €1,721.1 million in 2023. This improvement was driven by the **Material Handling** application segment (up by 30.9 percent to €373.2 million) and the high-margin service business (up by 1.6 percent to €333.4 million). By contrast, revenue declined slightly in other application segments including Construction Equipment (down by 3.6 percent to €539.5 million), Agricultural Machinery (down by 2.2 percent to €261.5 million), Stationary Equipment (down by 0.7 percent to €152.8 million), and Miscellaneous (down by 17.8 percent to €60.7 million). In the regional breakdown, revenue grew in the Americas (up by 10.0 percent to €333.4 million) and in the EMEA region (up by 6.2 percent to €1,153.5 million), while revenue in the Asia-Pacific region went down by 16.2 percent to €234.2 million.

[72] As of 2023, amortization of capitalized development expenditure is no longer reported under »Research and development costs« but under »Cost of sales«. The previous year's figure in the results of operations has been adjusted accordingly to enable comparison.

Earnings performance DEUTZ AG reported an operating profit (EBIT) of €72.7 million in 2023. A substantial increase in business volume and a corresponding rise in the gross margin were countered, in particular, by higher research and development costs and selling and administrative expenses. Moreover, other operating income diminished noticeably. In 2023, write-downs of investments amounting to €4.2 million were recognized in respect of investments in Futavis GmbH, Oberpfaffenhofen/Weßling, and Kirkwell Ltd. (South Coast Diesels), Kildare, Ireland, and in respect of the loan to the subsidiary DEUTZ Corporation, Atlanta, USA. The write-down of the loan as at December 31, 2023 is due to the currency translation of this long-term loan denominated in US dollars.

Cost of sales DEUTZ AG's cost of sales came to €1,433.3 million in 2023. The year-on-year increase was mainly attributable to the volume-related rise in the cost of materials and staff costs. The gross margin[73] improved significantly from 15.2 percent to 16.7 percent, mainly thanks to economies of scale and greater success in asserting higher prices.

Research and development costs In 2023, research and development costs amounted to €107.7 million. They largely comprised staff costs, the cost of materials, and impairment losses on capitalized development expenditure, from which investment grants received and capitalized development expenditure were deducted. The impairment losses on capitalized development expenditure and the increase in development activities for new drive systems in the Green segment are the main reasons for an increase of €29.6 million on 2022. For the most part, the impairment losses on capitalized development expenditure resulted from changes to demand forecasts.

Selling and administrative expenses The growth of selling and administrative expenses was primarily attributable to higher expenses for consultancy and advisory services and an increase in staff costs.

Other operating income Other operating income fell by €12.6 million year on year. This was largely due to lower foreign currency gains.

Other operating expenses Other operating expenses decreased by €3.7 million year on year. Foreign currency losses diminished while additions to provisions for pensions and other post-retirement benefits increased in some cases. The prior-year amount still includes negative currency effects of €6.2 million resulting from the translation of the long-term loan issued in US dollars to the subsidiary Deutz Corporation, Atlanta, USA. In 2023, these negative currency effects amounted to €3.2 million and were reported under »Write-downs of investments«.

Income taxes Tax income totaling €11.0 million was recognized in 2023. The current tax expense fell by €2.5 million to €6.7 million owing to the lower level of net income before income taxes. Deferred tax income of €17.7 million was also recognized. This income resulted primarily from the increase in deferred tax assets on loss carryforwards due to improved medium-term earnings expectations.

Net income As a result of the business performance described above, net income for 2023 amounted to €77.2 million and therefore exceeded the forecast made in the 2022 annual report for an amount in the mid-double-digit millions of euros.

FINANCIAL POSITION

Financial management in the DEUTZ Group is one of the core functions of the Group, and DEUTZ AG holds responsibility for this function. The basic principles and objectives of financial management at DEUTZ AG are therefore largely the same as those of the Group, as is the funding of DEUTZ AG. In this regard, please refer to the relevant sections of this combined management report. See Financial position of the DEUTZ Group, p. 58 onward, for further information

Overview of DEUTZ AG's financial position

€ million	2023	2022	Change
Cash flow from operating activities	101.2	101.9	-0.7
Cash flow from investing activities	-112.6	-154.1	41.5
Cash flow from financing activities	22.1	57.4	-35.3
Change in cash and cash equivalents	10.7	5.2	5.5
Free cash flow[74]	-15.4	-52.3	36.9
Cash and cash equivalents at Dec. 31	31.3	20.6	10.7

[73] Ratio of revenue less cost of sales to revenue.
[74] Cash flow from operating activities and from investing activities less net interest expense.

Liquidity Cash flow from operating activities amounted to €101.2 million in 2023 and thus remained almost on a par with the previous year. While there was a significantly higher increase in working capital, payment receipts for receivables from subsidiaries also increased. Net cash used for investing activities in 2023 was €41.5 million lower than in 2022. While capital expenditure on intangible assets and property, plant and equipment went up, expenditure on investments diminished substantially. In 2023, expenditure on investments mainly comprised a capital increase at the wholly owned subsidiary Torqeedo GmbH and the acquisition of full ownership of Diesel Motor Nordic Group. The main factors affecting cash flow from financing activities, which included a dividend payment of €18.9 million, were higher interest payments due to rising market interest rates and lower drawdowns of short-term lines of credit compared with the previous year. Thanks primarily to the lower cash outflow for expenditure on investments, free cash flow improved by €36.9 million year on year.

Capital expenditure After deducting investment grants, DEUTZ AG's capital expenditure in 2023 amounted to a total of €161.0 million (2022: €155.5 million). This was broken down into €43.0 million (2022: €36.1 million) on property, plant and equipment, €42.4 million (2022: €10.2 million) on intangible assets, and €75.6 million (2022: €109.2 million) on investments. Additions to property, plant and equipment were mainly in connection with replacement investment in machinery and tools. DEUTZ AG also invested in assembly and testing equipment, IT equipment, and software.

Capital expenditure on intangible assets was focused on the cooperation with Daimler Truck in the first quarter of 2023. Under this alliance, DEUTZ AG acquired IP rights for MDEG medium-duty engines by way of a capital increase by contribution in kind. In addition, DEUTZ AG acquired license rights for engines in Daimler Truck's HDEP heavy-duty engine series. Additions to investments primarily related to a capital increase at Torqeedo GmbH and the acquisition of full ownership in Diesel Motor Nordic Group. The capital increase at Torqeedo GmbH is related to the sale of the company in the first quarter of 2024. The sale agreement was concluded in January 2024 and provides for the shares to be transferred to the new investor on a cash- and debt-free basis. As part of the capital increase, Torqeedo GmbH was provided with the necessary financial resources to repay its liabilities from financing to DEUTZ AG.

NET ASSETS

Overview of DEUTZ AG's net assets

€ million

	Dec. 31, 2023	Dec. 31, 2022	Change
Non-current assets	782.4	706.7	75.7
Current assets	494.2	499.9	-5.7
Prepaid expenses	7.7	6.1	1.6
Deferred tax assets	111.2	93.5	17.7
Excess of plan assets over post-employment benefit liability	6.2	6.0	0.2
Total assets	**1,401.7**	**1,312.2**	**89.5**
Equity	751.8	668.5	83.3
Provisions	269.0	284.7	-15.7
Liabilities	379.8	357.8	22.0
Deferred income	1.1	1.2	-0.1
Total equity and liabilities	**1,401.7**	**1,312.2**	**89.5**
Working capital (€ milion)[75]	109.4	62.4	47.0
Working capital ratio (Dec. 31, %)	6.4	3.7	+2.7 pp
Equity ratio (%)[76]	53.6	50.9	+2.7 pp

Non-current assets Compared with the end of 2022, non-current assets were up by €75.7 million. This was primarily due to expenditure on investments and intangible assets.

Current assets Current assets fell by €5.7 million year on year. Inventories and cash and cash equivalents went up while receivables due from affiliated companies declined.

Working capital Working capital stood at €109.4 million as at December 31, 2023, which was €47.0 million above the level reported a year earlier. This was primarily due to a decline in trade liabilities for reporting date-related reasons. The increase in working capital meant that the working capital ratio rose significantly to 6.4 percent as at December 31, 2023 (December 31, 2022: 3.7 percent).

[75] Inventories plus trade receivables less trade payables.
[76] Total equity/equity and debt.

Equity ratio The rise in equity in the reporting year of €83.3 million to €751.8 million was attributable to the net income generated in the reporting year and the acquisition of IP rights in MDEG engines from Daimler Truck. 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. The equity ratio had risen to 53.6 percent at the end of the year.

Liabilities The main reason for the increase in liabilities of €22.0 million was the rise in liabilities to banks resulting from the higher drawdown of short-term lines of credit as at the reporting date. Other liabilities also went up as a result of the acquisition of the HDEP licenses from Daimler Truck. The payments for the license rights relating to the HDEP engine series are being made in installments up to 2028. On the other hand, trade payables were lower in the reporting year for reporting date-related reasons.

Provisions The main factor influencing provisions in the reporting year was a decrease in provisions for onerous contracts in respect of orders on hand.

EMPLOYEES

DEUTZ AG employed 3,372 people as at December 31, 2023, which was 134 more than at the end of 2022. The number of temporary workers went up by 16. See Employees of the DEUTZ Group, p. 48 onward, for further information.

DEUTZ AG: Employees[77]

Headcount

	Dec. 31, 2023	Dec. 31, 2022
Cologne	2,731	2,591
Ulm	477	492
Other	164	155
Total	**3,372**	**3,238**

RISK AND OPPORTUNITY REPORT

DEUTZ AG is integrated into the risk management system of the DEUTZ Group. As a head-office function, risk management for the Group is performed by DEUTZ AG. Information about the structuring and mechanics of the risk management system and of risk management with regard to financial instruments can be found in the risk report of the DEUTZ Group on p. 74 onward.

Because DEUTZ AG is closely integrated with the other Group companies, its risk and opportunities situation is essentially the same as that of the Group. Risks arising from subsidiaries may have an effect on DEUTZ AG because of the carrying amount of an equity investment, reduced dividend payments, and the internal business relations. The risks and opportunities for the DEUTZ Group are described in this combined management report. See Risk report of the DEUTZ Group, p. 74 onward, for further information.

Information about DEUTZ AG's internal accounting-related control system and about risk management with regard to the use of financial instruments at DEUTZ AG can be found in the combined management report. See siehe Internal control system, p. 40 onward, for further information.

OUTLOOK

DEUTZ AG performs the head-office functions of the DEUTZ Group and is the biggest production company within the Group by some margin. Because of DEUTZ AG's wide-ranging relationships with other Group companies and because of its size within the Group, the expectations presented in the Group outlook for 2023 are essentially the same as those for DEUTZ AG. It is therefore likely that the revenue of DEUTZ AG will develop largely in line with the statements made for the DEUTZ Group. In 2024, net income is expected to be in the mid to high double-digit millions of euros and therefore similar to the level of net income achieved in 2023. See Outlook for the DEUTZ Group for 2024, p. 85 onward, for further information.

For information about events after the reporting period, please see Note 32 on p. 224 onward of the notes to the consolidated financial statements.

[77] Figures for the number of employees in this section are expressed as FTEs (full-time equivalents).

Overall assessment for 2023

Target/actual comparison for 2023 [78]

DEUTZ Group	Actual 2022	Original guidance 2023 [79]	Adjustment of the guidance in November 2023 [80]	**Actual 2023**	Actual 2023 excl. Torqeedo Group [81]
Unit sales of DEUTZ engines [82]	181.286	175,000 to 195,000	185,000 to 190,000	**187.116**	187.116
Revenue	€1.95 billion	€1.9 billion to €2.1 billion	approx. €2.1 billion	**€2.10 billion**	€2,063.2 million
	€1.89 billion	*thereof DEUTZ Classic: €1.8 billion to €2.0 billion*		*€2.06 billion*	*€2,058.2 million*
	€64.0 million	*thereof DEUTZ Green: €60 million to €100 million*		*€46.6 million*	*€5.0 million*
EBIT margin (before exceptional items)	4.6%	4.0% to 5.0%	5.3% to 5.8%	5.7%	7.0%
	6.8%	*thereof DEUTZ Classic: 6.0% to 7.0%*	*8.0% to 8.5%*	*8.8%*	*8.8%*
	-61.3%	*thereof DEUTZ Green: -40% to -30%*	*not provided*	*-129.4%*	*-742.0%*
EBIT (before exceptional items), DEUTZ Green	-€39.2 million	–	-€55 million	-€60.3 million	-€37.1 million
ROCE (before exceptional items)	9.0%	High single-digit percentage	–	**11.1%**	14.4%
R&D expenditure (after deducting grants) [83]	€90.8 million	€100 million to €120 million	–	**€103.9 million**	€97.9 million
Capital expenditure (after deducting grants) [84,85]	€116.9 million	€70 million to €90 million	–	**€119.2 million**	€117.1 million
Free cash flow (before mergers and acquisitions) [86]	-€16.6 million	Mid-double-digit million-euro amount	–	€55.9 million	€72.9 million
Average working capital ratio [87]	16.7%	16% to 18%	–	**18.7%**	17.7%
Equity ratio [88]	45.3%	Well above 40%	–	**46.7%**	46.7%

DEUTZ AG	Actual 2022	Original guidance 2023 [89]	Adjustment of the guidance in November 2023	Actual 2023	Actual 2023 excl. Torqeedo Group
Net income	€73.8 million	Mid-double-digit million-euro amount	–	**€77.2 million**	€77.2 million

Geopolitical unrest had a huge impact on 2023, just as it had done in the prior year. This was due to the war in Ukraine and, particularly toward the end of 2023, the escalation of the Middle East crisis. The flow of goods and procurement costs were significantly affected as a result, although falling energy prices did precipitate a sharp fall in inflation. The relevant costs were still well above pre-pandemic levels, however. Despite the associated adverse impact on the business and economic uncertainties, DEUTZ largely achieved the targets for 2023 that it had initially communicated in the 2022 annual financial statements in March and then refined in the quarterly statement in November covering the first nine months of the year.

As the Group guidance related to the entire Group including the Torqeedo Group in all cases, this section (unlike the previous sections) makes reference to the Group including the discontinued operations. Proper comparability between the guidance and target achievement would otherwise not be possible.

At 187,116, unit sales of DEUTZ engines were within the target range of 185,000 to 190,000 that had been published on November 9, 2023. Reflecting the growth in unit sales and thanks to market-oriented price adjustments, consolidated revenue increased by 7.8 percent to €2,104.8 million in 2023, which was slightly higher than the forecast of €2.1 billion. The adjusted EBIT margin for the Group came to 5.7 percent and was therefore within the most recent forecast range of between 5.3 percent and 5.8 percent. This reflected the positive impact not only of the increase in revenue but also of the measures to boost efficiency and profitability, the enhanced product mix, and the high proportion of earnings generated by the high-margin service business.

[78] Relates to the entire Group including discontinued operations.
[79] Published in the 2022 annual report.
[80] See the quarterly statement dated November 9, 2023.
[81] I.e. relates to continuing operations only.
[82] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[83] After deducting grants from development partners and subsidies.
[84] Capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets.
[85] After deducting grants from development partners and subsidies.After deducting grants from development partners and subsidies.
[86] Cash flow from operating activities and from investing activities less interest expense.
[87] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.
[88] Equity divided by total equity and liabilities.
[89] Published in the 2022 annual report.

In terms of individual segments, the Classic segment's revenue was above our expectations at €2,058.2 million. The segment's adjusted EBIT margin of 8.8 percent also exceeded the guidance provided in November 2023, which was for a figure of between 8.0 percent and 8.5 percent. By contrast, the Green segment's revenue of €46.6 million fell short of the target range. Adjusted EBIT for the segment came to a loss of €60.3 million and the adjusted EBIT margin stood at minus 129.4 percent, both of which were well below the comparative figures for the prior year (2022: loss of €39.2 million and minus 61.3 per cent). The Green segment also failed to achieve the updated guidance for adjusted EBIT from November 2023, which was for a loss of around €55 million. This was because of increased development expenditure and higher losses at Torqeedo.

Free cash flow excluding M&A expenditure amounted to €55.9 million, which was in line with the guidance. DEUTZ was working on the basis that free cash flow excluding M&A expenditure would increase from €21.6 million in 2022 to a mid-double-digit million euro amount due to the generally positive operating performance. At 11.1 percent, ROCE before exceptional items exceeded both the guidance (high single-digit percentage figure) and the prior-year figure of 9.0 percent. This was also the case for the equity ratio, which at 46.7 percent was once again well above the target of 40 percent.

At 18.7 percent, the average working capital ratio was above the original forecast range. R&D expenditure came to €103.9 million, which was higher than the prior-year figure, in line with expectations. Capital expenditure after deducting grants stood at €119.2 million, thus reaching a level that significantly exceeded the forecast range. This is because the original guidance had not yet factored in the agreement with Daimler Truck AG, which resulted in capital expenditure of €35.2 million, because it was not known at the time. Without this agreement, capital expenditure would have been at the upper end in the middle of the forecast range.

Taking into account the geopolitical and economic uncertainties and adverse impacts on the business, the DEUTZ Board of Management regards the performance in 2023 as solid and broadly positive both on the operational front and in terms of the improvements in the balance sheet and in key financial metrics such as cash flow.

Non-financial report pursuant to sections 289 b and 315 b HGB

DEUTZ AG publishes a separate combined non-financial report for the DEUTZ Group and DEUTZ AG. We refer here to our remarks on pages 92 onward of the annual report and to our website www.deutz.com/nfb2023/en.

Corporate governance declaration and corporate governance report[90]

The corporate governance declaration pursuant to section 289f HGB is an integral element of the combined management report. We refer here to our remarks on pages 20 onward of the annual report and to www.deutz.com/ezu2023/en.

Disclosures pursuant to sections 289 a and 315 a HGB

Composition of the issued capital The issued capital (share capital) of DEUTZ AG changed as follows in 2023. Following the transaction with Daimler Truck AG, the share capital amounted to €322,490,183.20 as at the end of 2023 and was divided into 126,147,195 no-par-value bearer shares. As at December 31, 2022, the share capital had amounted to €308,978,241.98 and had been divided into 120,861,783 no-par-value bearer shares.

Restrictions affecting voting rights or the transfer of shares DEUTZ AG is not aware of any restrictions affecting voting rights or the transfer of shares.

Direct or indirect shareholdings representing more than 10 percent of voting rights Up to December 31, 2023, DEUTZ AG had not been notified of any direct or indirect shareholdings in DEUTZ AG representing more than 10 percent of the voting rights.

Legal provisions and Statute provisions regarding the appointment and removal of members of the Board of Management and regarding changes to the Statutes The appointment and removal of members of the Board of Management are governed by sections 84 and 85 of the German Stock Corporation Act (AktG) and section 31 of the German Codetermination Act (MitbestG). Pursuant to section 84 (1) AktG, members of the Board of Management are appointed by the Supervisory Board for a maximum term of five years. In accordance with the **German Corporate Governance Code** (DCGK), the initial appointment is for just three years. Reappointment or extension is permitted, in each case for a maximum of five years. Section 84 (3) AktG provides that a member of the Board of Management has the right to request that the Supervisory Board revoke their appointment if they are temporarily unable to discharge their duties due to maternity or parental leave, care for a family member, or illness. In accordance with section 84 (3) AktG, the Supervisory Board must revoke the appointment of this member of the Board of Management and commit to reappointing them. The Supervisory Board may revoke the appointment of a member of the Board of Management pursuant to section 84 AktG for cause. Section 31 MitbestG, which applies as DEUTZ AG falls within the scope of the Act, regulates the majority of votes required to appoint or remove members of the Board of Management and the procedure in the Supervisory Board.

Articles 7 (1) and 7 (2) of the Statutes of DEUTZ AG contain supplementary provisions, as follows:

»(1) The Board of Management comprises at least two members.

(2) The Supervisory Board shall determine the number of members of the Board of Management and the allocation of responsibilities. It may draw up and issue rules of procedure.«

If the Board of Management does not have all the required members, the court shall, in urgent cases, make the necessary appointments at the request of a party involved (section 85 AktG).

Under section 179 AktG, a resolution of the Annual General Meeting is required for any amendment of the Statutes. The resolution of the Annual General Meeting requires a majority of not less than three-quarters of the share capital represented at the passing of the resolution. The Statutes may provide for a different capital majority; however, for any change to the objects clause, only a larger majority. The Statutes of DEUTZ AG exercise this right to deviate in article 20 (1), which states: »The Annual General Meeting shall always adopt resolutions in accordance with the majority of the yes or no votes cast and, so far as a majority of the share capital is required, by simple majority of the share capital, unless otherwise stipulated by law or the Statutes.«

Where an amendment relates only to the wording and not the spirit of the Statutes, the Annual General Meeting may delegate the authority to make amendments to the Supervisory Board pursuant to section 179 AktG. The Company has made use of this right in article 14 of the Statutes of DEUTZ AG, which states:

»The Supervisory Board may change the wording but not the spirit of the Statutes.«

Authority of the Board of Management, in particular with regard to share issue or buyback
Authorized Capital 2023/I

Pursuant to article 4 (2) of the Statutes of DEUTZ AG, the Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the share capital of the Company on or before April 26, 2028 on one or more occasions in installments through the issue of up to 24,172,356 (in words: twenty-four million, one hundred and seventy-two thousand, three hundred and fifty-six) new no-par-value bearer shares for cash by up to a total amount of €61,795,646.86 (in words: sixty-one million, seven hundred and ninety-five thousand, six hundred and forty-six euros and eighty-six cents) (authorized capital 2023/I).

[90] Not audited.

The issue of new shares on the basis of this authorization is permitted only if – taking account of other shares to be included – the total of the new shares does not exceed 40 percent of the share capital. This limit is determined by the share capital of the Company at the time this authorization takes effect or – if lower – at the time this authorization is utilized. Included in the aforementioned 40 percent limit are (i) shares that have previously been or are simultaneously being sold or issued during the term of this authorization on the basis of other authorizations; also to be included are (ii) shares that are being or must be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as these bonds have previously been or are simultaneously being issued by the Company or a direct or indirect majority shareholding of the Company during the term of this authorization on the basis of an appropriate authorization.

Pre-emption rights must be granted to existing shareholders. The new shares may also be transferred to banks, securities institutions, or a company operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or section 53b (7) of the German Banking Act (KWG) subject to an undertaking by the bank(s), institution(s), or company to offer the shares to existing shareholders (indirect pre-emption right).

However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to disapply pre-emption rights where necessary for fractional amounts arising on the calculation of pre-emption rights.

The total of the shares issued with the disapplication of pre-emption rights and in accordance with this authorization must not exceed 10 percent of the share capital. This limit is determined by the share capital of the Company at the time this authorization takes effect or – if lower – at the time this authorization is utilized. Included in the aforementioned 10 percent limit are (i) shares that have previously been or are simultaneously being sold or issued (with the disapplication of pre-emption rights) during the term of this authorization on the basis of other authorizations; also to be included are (ii) shares that are being or must be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as these bonds have previously been or are simultaneously being issued (with the disapplication of pre-emption rights) by the Company or a direct or indirect majority shareholding of the Company during the term of this authorization on the basis of an appropriate authorization.

The Board of Management is further authorized, with the consent of the Supervisory Board, to specify the further content of the share rights and the terms of the share issue for implementing any capital increases under authorized capital 2023/I.

The Supervisory Board is authorized to amend the wording of the Statutes after a share capital increase has been carried out in full or in part by exercising authorized capital 2023/I and after the authorization period has ended.

Authorized Capital 2023/II

Pursuant to article 4 (3) of the Statutes of DEUTZ AG, the Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the share capital of the Company on or before April 26, 2028 on one or more occasions in installments through the issue of up to 24,172,356 (in words: twenty-four million, one hundred and seventy-two thousand, three hundred and fifty-six) new no-par-value bearer shares for cash by up to a total amount of €61,795,646.86 (in words: sixty-one million, seven hundred and ninety-five thousand, six hundred and forty-six euros and eighty-six cents) (authorized capital 2023/II).

The issue of new shares on the basis of this authorization is permitted only if – taking account of other shares to be included – the total of the new shares does not exceed 40 percent of the share capital. This limit is determined by the share capital of the Company at the time this authorization takes effect or – if lower – at the time this authorization is utilized. Included in the aforementioned 40 percent limit are (i) shares that have previously been or are simultaneously being sold or issued during the term of this authorization on the basis of other authorizations; also to be included are (ii) shares that are being or must be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as these bonds have previously been or are simultaneously being issued by the Company or a direct or indirect majority shareholding of the Company during the term of this authorization on the basis of an appropriate authorization.

Pre-emption rights must be granted to existing shareholders. The new shares may also be transferred to banks, securities institutions, or a company operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or section 53b (7) KWG subject to an undertaking by the bank(s), institution(s), or company to offer the shares to existing shareholders (indirect pre-emption right).

However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to disapply the pre-emption rights of the existing shareholders

a) where necessary for fractional amounts arising from the calculation of pre-emption rights;

b) for capital increases against non-cash contributions, in particular (i) when issuing new shares for mergers or acquisitions of entities, parts of entities or equity investments in entities, including increases in existing shareholdings or other assets eligible as capital contributions in connection with such acquisition plans, including receivables from the Company, (ii) when acquiring other assets or claims to the acquisition of assets, and (iii) when carrying out a so-called scrip dividend, where shareholders are offered the option of exchanging their rights to a dividend (wholly or in part) for new shares issued under the authorized capital 2023/II;

c) for cash contributions, if the issue price of the shares is not significantly below the market price of the existing publicly listed shares in the Company on the date the final issue price is fixed. The total of the shares issued for cash with the disapplication of pre-emption rights and in accordance with this clause c) must not exceed 10 percent of the share capital. This limit is determined by the share capital of the Company at the time this authorization takes effect or – if lower – at the time this authorization is utilized. The aforementioned 10 percent limit includes shares that have previously been or are simultaneously being sold or issued (with the disapplication of pre-emption rights) during the term of this authorization on the basis of other authorizations in direct application, or application with the necessary modifications, of section 186 (3) sentence 4 (AktG). This restriction also includes shares that are being or must be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as these bonds have previously been or are simultaneously being issued (with the disapplication of pre-emption rights) by the Company or a direct or indirect majority shareholding of the Company during the term of this authorization in application, with the necessary modifications, of section 186 (3) sentence 4 AktG.

d) where necessary in order to grant holders or creditors of option and/or conversion rights or of corresponding option and/or conversion obligations arising from warrant-linked bonds and/or convertible bonds and/or profit-sharing rights (where such bonds are issued or are to be issued in the future by the Company or by one of its direct or indirect majority shareholdings) a conversion or pre-emption right to the same amount of new shares in the Company that they would be entitled to as a shareholder following the exercise of their option or conversion rights or after fulfilling option or conversion obligations.

The total of the shares issued with the disapplication of pre-emption rights and in accordance with this authorization must not exceed 10 percent of the share capital. This limit is determined by the share capital of the Company at the time this authorization takes effect or – if lower – at the time this authorization is utilized. Included in the aforementioned 10 percent limit are (i) shares that have previously been or are simultaneously being sold or issued (with the disapplication of pre-emption rights) during the term of this authorization on the basis of other authorizations; also to be included are (ii) shares that are being or must be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as these bonds have previously been or are simultaneously being issued (with the disapplication of pre-emption rights) by the Company or a direct or indirect majority shareholding of the Company during the term of this authorization on the basis of an appropriate authorization.

The Board of Management is further authorized, with the consent of the Supervisory Board, to specify the further content of the share rights and the terms of the share issue for implementing any capital increases under authorized capital 2023/II.

The Supervisory Board is authorized to amend the wording of the Statutes after a share capital increase has been carried out in full or in part by exercising authorized capital 2023/II and after the authorization period has ended.

Authorization to issue convertible bonds and/or warrant-linked bonds / conditional capital 2023

On April 27, 2023, the Board of Management was authorized by the Annual General Meeting, subject to the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds or warrant-linked bonds (together referred to as »bonds«) on one or more occasions until April 26, 2028 up to a cumulative principal value of €100,000,000 with or without a limited maturity term and to grant the holders/creditors of bonds conversion or option rights to obtain new no-par-value bearer shares of the Company with a value of up to €61,795,646.86 of the share capital (rounded, this equates to 20 percent of the Company's existing share capital at the time at which the notice of the Annual General Meeting was submitted to the Federal Gazette) in accordance with the detailed terms and conditions of these bonds. Bonds may be issued in return for cash or non-cash contributions.

The bond or warrant terms and conditions may also provide for a conditional or unconditional obligation to convert the bonds or exercise the option on maturity or at an earlier date or when a specific event occurs.

The creation of conversion rights and/or option rights or obligations on the basis of the authorization is permitted only if – taking account of other shares to be included – the conversion and/or option rights or obligations created do not in total exceed 40 percent of the share capital. This limit is determined by the share capital of the Company at the time the authorization takes effect or – if lower – at the time this authorization is utilized. Included in the aforementioned 40 percent limit are (i) shares that have previously been or are simultaneously being sold or issued during the term of this authorization on the basis of other authorizations; also to be included are (ii) shares that are being or must be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as these bonds have previously been or are simultaneously being issued by the Company or a direct or indirect majority shareholding of the Company during the term of this authorization on the basis of an appropriate authorization.

Existing shareholders generally have pre-emption rights. The bonds may also be transferred to banks, securities institutions, or a company operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or section 53b (7) KWG subject to an undertaking by the bank(s), securities institution(s), or company to offer the shares to existing shareholders (indirect pre-emption right). The Board of Management is authorized – subject to the consent of the Supervisory Board – under certain conditions and within defined limits to disapply the pre-emption right of existing shareholders, including in the case of issuance against non-cash contributions and cash payments, unless the issue price of the bonds is substantially below the hypothetical market price.

Any issuance of bonds in disapplication of the pre-emption right as set out in this authorization is permitted only if the value of the new shares to be issued upon conversion of such a bond or conversion and/or option rights or obligations, expressed as a proportion of the Company's share capital, does not exceed 10 percent of the share capital. This limit is determined by the share capital of the Company at the time this authorization takes effect or – if lower – at the time this authorization is utilized. Included in this 10 percent limit are (i) shares that have previously been or are simultaneously being sold or issued during the term of this authorization on the basis of another authorization where pre-emption rights are disapplied; also to be included are (ii) shares that are being or must be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as these bonds have previously been or are simultaneously being issued by the Company or a direct or indirect majority shareholding of the Company during the term of this authorization on the basis of an appropriate authorization.

Pursuant to article 4 (4) of the Statutes of DEUTZ AG, the share capital is conditionally increased by up to €61,795,646.86 by issuing up to 24,172,356 new shares. The conditional capital will only be increased to the extent to which the holders of convertible bonds or of warrants from warrant-linked bonds that are issued by the Company or a subsidiary on or before April 26, 2028 on the basis of the authorization granted to the Board of Management by the Annual General Meeting on April 27, 2023 exercise their conversion/option rights or – if they have a conversion obligation or an obligation to exercise the option – fulfill such obligation, and provided that no other means are used to satisfy such rights and/or obligations. The new shares shall be issued at the conversion or option exercise prices to be determined in each case in accordance with the aforementioned authorization resolution as set out in the bond/warrant terms and conditions (conditional capital 2023). The shares issued on the basis of this provision entitle their holders to a share of the Company's profits from the beginning of the financial year in which they are created. The Board of Management is authorized, subject to the consent of the Supervisory Board, to decide on the finer details for implementing the conditional capital increase.

Authorization to purchase and use treasury shares pursuant to section 71 (1) no. 8 AktG and to disapply pre-emption rights and rights to tender shares, and to retire treasury shares

The Board of Management was authorized by the Annual General Meeting on April 27, 2023, subject to the consent of the Supervisory Board, to purchase treasury shares on or before April 26, 2028 in an amount equating to up to a total of 10 percent of the Company's share capital in existence when the resolution is adopted or – if lower – of the Company's share capital in existence at the time the authorization is exercised. The shares purchased on the basis of this authorization, together with other treasury shares that the Company has already purchased and still holds or which are attributable to the Company pursuant to sections 71a et seq. AktG must at no time account for more than 10 percent of the Company's share capital.

The Board of Management was authorized, with the consent of the Supervisory Board, to use the treasury shares purchased on the basis of this authorization:

They may be sold via the stock market or by means of a public offer to all shareholders upholding the principle of equal treatment (section 53a AktG).

They may also be sold by other means than via the stock market or a public offer to all shareholders, if they are sold for cash at a price that is not more than 5 percent below the average (arithmetic mean) of the closing prices of the shares in **Xetra** trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before the obligation to sell the shares is entered into. The shareholders' pre-emption right to the purchased treasury shares is thereby disapplied. The total value of the treasury shares sold under disapplication of pre-emption rights must not exceed 10 percent of the share capital, whether based on the value of the share capital at the time this authorization comes into effect or the value at the time the authorization is utilized. Included in this 10 percent limit are (i) shares that have previously been or are simultaneously being sold or issued during the term of this authorization on the basis of another authorization where pre-emption rights are disapplied; also to be included are (ii) shares that are being or must be issued in order to service bonds with conversion rights, option rights, or conversion or option obligations in so far as these bonds have previously been or are simultaneously being issued by the Company or a direct or indirect majority shareholding of the Company during the term of this authorization on the basis of an appropriate authorization.

The purchased treasury shares can also be retired without the need for the Annual General Meeting to adopt a further resolution on the retirement or its implementation. No-par-value shares may be retired with or without a capital reduction. If the no-par-value shares are retired without a capital reduction, the other shares will make up a larger proportion of the share capital in accordance with section 8 (3) AktG. In this case, the Board of Management alone is authorized to amend the number of shares of the Company that is set out in the Statutes (section 237 (3) no. 3 AktG).

Further disclosures

No bearers of shares have any special rights conferring authority to control the Company. Numerous employees have direct shareholdings in DEUTZ AG. DEUTZ AG is not aware of any restrictions affecting the direct exercise of rights of control in connection with these shares.

A consortium of banks has provided DEUTZ AG with a syndicated cash credit line of €250 million. Under the terms of the loan agreements, the lenders can demand that the outstanding loan be repaid within a specified period in the event of a change of control, i.e. one or more people acting jointly acquire a direct or indirect shareholding of at least 50 percent of all shares and/ or voting rights in DEUTZ AG. This condition also applies in respect of a bilateral line of €25 million. Further bilateral credit agreements covering a sum of €115 million stipulate that, in the event of a change of control, a mutually acceptable arrangement must be reached regarding the continuation of the credit agreement, if necessary under different terms. If DEUTZ AG needs to repay a considerable proportion of the loans prematurely in the event of a change of control, it needs to raise the necessary funds some other way in the short term.

The cooperation agreement concluded between DEUTZ AG and Liebherr gives Liebherr the right to terminate the agreement if there is a change of control at DEUTZ AG. A change of control for these purposes shall be deemed to have occurred if a competitor of Liebherr directly or indirectly acquires a shareholding representing at least 30 percent of the voting rights in DEUTZ AG or is able to exert direct or indirect influence by means of contracts. Similarly, under the agreement underlying the joint venture with SANY, a change of control at one of the joint venture partners gives the other joint venture partner the right to terminate the agreement. A change of control for these purposes shall be deemed to have occurred if a third party acquires more than 50 percent of the shares or voting rights in DEUTZ AG, otherwise obtains control over DEUTZ AG in accordance with German law, or is otherwise able to exert significant influence over the decisions of its shareholders or Board of Management. In the event of a change of control, the partners must first try to find a mutually acceptable solution. If they cannot, the partner entitled to terminate the agreement may purchase the other partner's shares at an agreed price ('call option'), sell its shares at an agreed price to the partner that gave rise to the termination right ('put option'), or demand that the joint venture be liquidated.

And under the cooperation agreement with Deere & Company, either party has the right to terminate the agreement in the event of a change of control or if a competitor of the other partner acquires an equity investment of more than 25 percent. A change of control for these purposes shall be deemed to have occurred if a third party acquires more than 50 percent of the shares in the other company or is able to exert a controlling influence within the meaning of section 17 AktG.

The service contracts of Board of Management members concluded in view of the new provisions in the German Act Implementing the Second Shareholder Rights' Directive (ARUG II) and in the German Corporate Governance Code (DCGK) do not, in accordance with the suggestion in article G.14 DCGK, provide for any termination benefits if the service contract is ended prematurely as the result of a change of control.

The previous long-term incentive plans (LTI), under which the highest level of senior management in the DEUTZ Group (executives and managing directors of major subsidiaries) have been granted virtual options that they can exercise after a vesting period and upon achievement of certain performance targets See Notes to the consolidated financial statements, p. 159 contain the following provision in the event of an entity – either alone or acting jointly with an affiliated company – acquiring a minimum of 50 percent of the shares in DEUTZ AG: Provided one of the performance targets has been achieved, the LTI participants may exercise their options within a short time frame after the acquisition, even if the vesting period has not yet expired. Since 2021, a new LTI has been in use whose structure reflects that of the LTI used for the Board of Management and no longer contains such a provision. This LTI applies to new and existing members of the highest level of senior management. DEUTZ AG has no indemnification agreements with employees that would come into force in the event of a takeover bid.

Explanatory statement by the Board of Management in connection with sections 289 a and 315 a HGB

The disclosures contained in the combined management report and management report pursuant to sections 289a and 315a HGB relate to arrangements that may be significant in the success of any public takeover bid for DEUTZ AG. It is the opinion of the Board of Management that these arrangements are normal for publicly traded companies comparable with DEUTZ AG.

Risk report

Across the world, the political, economic, and regulatory conditions in the individual markets are in a constant state of rapid change. Companies must be able to act quickly and react even more quickly if they are to ensure their long-term survival. 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, the subsidiaries, the sales offices, and the authorized agents. This organizational structure presents the Company with both opportunities and business-specific risks.

The DEUTZ Group's objective is to generate profits on a sustained basis and to increase these profits significantly over the medium and long term in order to develop the Company and secure its future competitiveness. In the face of increasingly complex corporate structures and growing internationalization, it is essential to identify and assess risks to the business at an early stage and to take corrective action where required. DEUTZ has an appropriate risk management system to ensure it can meet this requirement.

Risk management system

The basic principles, monitoring standards, personnel responsibilities, functions, and procedures in the financial risk management system have been defined by the Board of Management of DEUTZ AG and summarized in a manual that is continually updated. A systematic reporting structure provides the basis for the work of the Risk Management Committee and ensures that all material financial risks are documented and communicated, and that appropriate corrective action is taken and documented at an early stage. The risk management system heightens employees' sense of responsibility and raises their awareness of potential or existing risks. Policies and specific procedures are drawn up to help everyone involved to identify, analyze, and communicate risks in good time and initiate effective corrective action.

The DEUTZ Group conducts risk inventories four times a year. These risk inventories are carried out in all functions and areas of the Company and in the material affiliated companies to identify whether new risks have emerged or existing risks have changed relative to those in the Company's current short-term and medium-term planning. The identified risks are categorized by importance, based on estimated probability of occurrence and potential impact. At the same time, a review is carried out to establish whether and how action that has been agreed and implemented has successfully minimized known risks or whether there is a need for further action.

Tail risks are documented at least once a year as well. These are risks to the Company's survival as a going concern that have a very low probability of occurring. The Risk Management Committee analyzes the risks and the progress of the action that is being taken to minimize them and reports to the Board of Management on the results of the risk inventory. The Board of Management is presented with a risk aggregation at the same time. A risk-bearing capacity statement focused on the Company's equity and liquidity is also shown to the Board of Management on an ad hoc basis, but at least every quarter.

To enable the Company to respond promptly at all times to any possible risks that may arise, the DEUTZ Group's risk officers and their staff are under an obligation to submit immediate reports to the risk coordinator detailing any new material risks or if there is an increase in the threat from risks that are already known. The risk coordinator then promptly notifies the Board of Management accordingly.

The risk management system documents both risks and opportunities, and maintains a strict separation between the two.

The DEUTZ Group's system for the early identification of risks pursuant to section 91 (2) AktG is audited annually by the independent auditor and ideally also at regular intervals by Corporate Audit to assess whether the system is functioning efficiently.

RISK MANAGEMENT WITH REGARD TO FINANCIAL INSTRUMENTS

Basic principles Owing to its global business operations, the DEUTZ Group is exposed to various financial risks that can arise from adverse movements and trends in the international sales, procurement, interest-rate, and foreign-exchange markets. The Group's overarching risk management strategy is designed to mitigate potentially negative effects on financial position and financial performance. The management and early identification of financial risks is based on annual financial planning, together with updates and regular analyses of variances during the year. Financial management in the Group is the responsibility of DEUTZ AG as the parent company.

The Treasury department identifies, measures, and hedges financial risk in close collaboration with the Group's operating segments. The Board of Management specifies principles for the Group's overarching risk management strategy as well as guidelines for certain aspects, such as how to manage currency risk, interest-rate risk, and credit risk and how to hedge them using derivative and non-derivative financial instruments. The Finance Committee, which meets every quarter, or on an ad hoc basis as required, provides a forum at which operational issues relating to risk management and other financially relevant decisions are discussed. The Finance Committee consists of the Chief Financial Officer plus the Head of Finance & Controlling and a further representative of the Treasury department.

The objective of risk management is to mitigate fluctuations in earnings and cash flows caused by volatility in interest rates, exchange rates, and prices for raw materials. Derivative financial instruments are used only for hedging purposes, i.e. only in connection with corresponding underlying transactions arising from the Group's ordinary business activities or financial transactions that have a countervailing risk profile to that of the hedging transaction. The nature and scope of the hedged items are specified in a binding financing directive.

DEUTZ works exclusively with leading banks in order to minimize **counterparty risk**. The Treasury department manages the lines of credit in accordance with the Group's financing principles. Subsidiaries are funded primarily by DEUTZ Group loans. DEUTZ manages the financial risk as follows:

Risk from bad debts DEUTZ protects itself against the risk of bad debts by continually monitoring its situation through electronic and other means and by regularly analyzing receivables and their breakdown. The Company takes out credit insurance to cover a large proportion of its receivables where payment for goods has not been received in advance or is not covered by a letter of credit. It also conducts creditworthiness checks on new customers and monitors existing credit limits on an ongoing basis.

Currency risk arising from operating activities Currency risk, primarily in regard to US dollars, which arises as a result of transactions with third parties denominated in foreign currency, is monitored by means of a central currency management system and mitigated by the use of derivative financial instruments. The DEUTZ Group's net currency exposure is normally hedged by forwards equivalent to 50 to 80 percent of open items. DEUTZ is also taking specific action to increase the volume of purchasing in US dollars; this enables the Company to counteract exchange-rate risks from sales invoiced in US dollars by way of natural hedging.

Interest-rate risk arising from funding arrangements The DEUTZ Group is exposed to risk from interest-rate changes, above all in relation to floating-rate loans and other loans that it has taken up.

Liquidity risk The funding agreements concluded provide the Company with adequate liquidity for its further development. During the term of an agreement, DEUTZ AG must ensure that the DEUTZ Group complies with certain financial covenants (ratio of financial debt to equity and to EBITDA). These agreed financial covenants allow sufficient financial leeway in line with the medium-term balance sheet planning and profit planning. If, however, there is a dramatic deterioration in the general economic situation – for example because of pandemics or unexpectedly severe escalations in geopolitical crises (e.g. Taiwan, Ukraine, Middle East) – there is a risk of the covenants being breached in the short term. Should such a risk materialize, DEUTZ would approach its funding partners at an early stage in order to negotiate the necessary **waiver** and to enable further amounts to be drawn down under the syndicated loan. In the event of a liquidity crunch, additional lines of credit would be negotiated or **factoring** would be extended. See also Financial risk management, note 26, p. 211 onward. In addition, two **ESG** performance indicators (improvement in **RIR**, reduction in CO_2 emissions) derived from the sustainability strategy must also be taken into account in the financing agreements. In accordance with the measures already planned, the Company expects to achieve the forecast improvement in these indicators over the term of the financing. However, there is a risk that this improvement will not be achieved. In this case, the interest on the loan would increase slightly.

RISK ASSESSMENT

The assessment of risks in the DEUTZ Group is based on the estimated probability of occurrence in conjunction with the potential impact of the risk on the business objectives. A »best case«, »mid case«, and »worst case« are considered for the assessed risks. In the following risk report for the DEUTZ Group, the risks are categorized as either »low«, »moderate«, or »high«. Risks that have been classified as »low« would be expected to have a low impact of up to €10 million on financial position and financial performance. Risks classified as »moderate«, however, would have a significant impact, of between €10 million and €50 million, and risks classified as »high« would have a major impact, of over €50 million, on financial position and financial performance. Risks to the Company's survival as a going concern are described as such.

DEUTZ Group: Risk assessment

Probability of occurrence (%)	low (€0.5-10 million)	moderate (> €10 million)	significant (> €25 million)	critical (> €50 million)	very critical (> €75 million)
80–99	low	moderate	moderate	high	high
60–79	low	moderate	moderate	high	high
40–59	low	moderate	moderate	moderate	high
20–39	low	low	moderate	moderate	moderate
1–19	low	low	low	moderate	moderate

Impact

RISKS

As with the internal risk reporting, the following presentation of the current risk situation is focused on the risk factors that are relevant to the DEUTZ Group's financial position and financial performance. These risk factors consist of the risks that were categorized as »low« or higher before taking into account any measures to counter that risk. In contrast to the internal risk management, the risks in the following description are aggregated by risk category.

Unless otherwise stated, the risks refer to the relevant expected value for 2024, weighted by probability, that remains after existing and effective measures and checks have been carried out.

If not explicitly stated, the assessment of the risk is unchanged from the prior year.

MARKET RISK

Geopolitical events, growing trade disputes, the emergence of new competitors, and pandemics can all influence the macroeconomic environment and its prevailing trends, particularly with regard to interest-rate changes and inflation. In this context, there is a risk that price increases on the purchasing side, which may arise as a result of inflation, cannot be passed on to customers. Given that DEUTZ operates in international sales markets, the aforementioned developments and events could have a negative impact on the financial position and financial performance of the Group. As well as having a direct effect on unit sales and revenue, this may also impact negatively on the value of assets on the balance sheet. DEUTZ operates in very cyclical markets in the Construction Equipment and **Material Handling** application segments, which are the strongest drivers of revenue, and in the principal sales regions of Germany, western Europe, China and North America. The objective is to mitigate this cyclicality from a regional and application segment perspective in order to further reduce its negative impact on business performance.

In the medium and long term, DEUTZ seeks to mitigate regional and application-related sales risks by aligning development activities with the product strategy and by entering into long-term supply agreements. It therefore pursues a strategy of continually signing up new customers across all regions and progressively expanding business with them.

DEUTZ is very well diversified and well positioned for the future in terms of the geographical and sectoral distribution of its customers. Furthermore, it supplies the market-leading manufacturers in the various application segments. It actively manages orders, inventories, and stock levels in order to respond to volatility in the markets.

Looking ahead to 2024, DEUTZ expects economic uncertainties to persist, which could have a negative impact on customer demand, particularly in the Classic segment. On the customer side, there is also a risk that price increases will not be implemented as planned. This risk is countered by a differentiated pricing strategy.

Despite the countermeasures taken, it is impossible to completely control external risks. In view of the measures in place, DEUTZ categorizes the level of market risk with regard to the attainment of its targets as »moderate« in 2024 (2023: »moderate«).

STRATEGIC RISK

Based on the objective of broadening the customer and product base, the DEUTZ Group's strategy mainly focuses on expanding and developing its portfolio of alternative drives as part of a technology-neutral approach, continually growing the service business and, at the same time, unlocking potential for growth in the classic engine business. See also Strategy and objectives, p. 37 onward.

In pursuit of its overarching objective of pioneering carbon-neutral drive systems for **off-highway** applications, DEUTZ focuses not only on electrification in the advancement of its portfolio but also, in particular, on the development of internal combustion engines that can run on a zero-carbon basis by using sustainable energy sources such as hydrogen and **eFuels**. See also Research and development, p. 42 onward.

The product strategy presents numerous opportunities but is, of course, also associated with risks. For example, new product developments may not be as well received by customers as predicted or may not be able to compete with rival products. There is also the risk that markets and prices may change in unexpected ways. Strategic decisions in respect of product collaborations may also impact negatively on the value of assets on the balance sheet. In addition, M&A projects and strategic partnerships carry inherent financial risks despite careful planning and analysis. These risks range from market volatility and delays to integration challenges and cost unexpectedly overrunning.

DEUTZ attempts to mitigate the aforementioned risks in various ways, such as precisely analyzing the trends in relevant markets, for which it also draws on external market research. In addition, it enters into close alliances with major customers, long-term supply agreements, and strategic development partnerships. And where appropriate, DEUTZ is continuing to expand its inhouse capabilities by making targeted acquisitions and strategic investments.

Within this context, there is the risk that strategic projects do not progress as anticipated or are delayed. They are therefore closely monitored so that DEUTZ can respond to changes immediately.

In view of the measures in place, the level of strategic risk with regard to the attainment of the financial targets continues to be categorized as »low« for 2024 (2023: also »low«).

OPERATIONAL RISKS

Procurement risk Supply shortages at suppliers may lead to delays in DEUTZ's own deliveries or even production downtime if there are no alternative sources of supply. This would adversely affect earnings.

Risks also arise in connection with the general economic and political situation and the associated paradigm shift within the automotive industry. For example, any supplier insolvencies, factory closures, or discontinuation of products could have a negative impact on the supply chain. Moreover, the DEUTZ Group's earnings could be further dented if logistics and material costs are pushed up by longer replenishment lead times for bought-in parts, by suppliers increasing prices, and by bottlenecks in freight and warehouse capacity. See also Procurement market, p. 49 onward.

DEUTZ seeks to mitigate the aforementioned risks by carrying out intensive supplier management, by continually negotiating with its suppliers, and by monitoring the market on an ongoing basis. See also Purchasing and procurement, p. 47 onward, and Production and logistics, p. 44 onward.

There are essentially three cornerstones to the DEUTZ Group's procurement strategy for strategic and production-critical components: firstly, long-term supplier relationships and supply agreements; secondly, the increased use of second-source suppliers that are independent of each other; and, thirdly, where required, inhouse production and/or allocation of production to subcontractors. DEUTZ relies on a balanced supplier network comprising both European and global suppliers. These measures minimize the procurement risks and secure the required capacity to the greatest extent possible. In the event that suppliers charge higher prices, DEUTZ has established a process to spread the burden of rising costs.

In view of the measures in place, the level of procurement risk with regard to the attainment of the financial targets continues to be categorized as »moderate« for 2024.

Production risk There is a risk that fluctuations in capacity utilization in production will have a negative impact on profitability. This may result from the cyclicality of the business model or from production downtimes or delays caused by various factors, such as external material shortages, storage capacity issues, and disruptions to the internal flow of materials.

In order to avoid mistakes in planning and capital expenditure, the necessary production capacity is regularly reviewed and planned using different timescales: over a number of years as part of the medium-term planning process, which is revised each year, and for the following financial year as part of the budget planning process, which is then updated quarterly for the current year. Furthermore, production program meetings and capacity planning meetings are held monthly to ensure that capacity is adjusted in line with orders on hand. Where required, temporary employment contracts are increasingly being used in order to ensure greater flexibility. Projects to stabilize the internal flow of materials and potential Saturday shifts will also help to realize the planned production program.

In view of the measures in place to avoid or minimize these risks, the level of production risk with regard to the financial targets continues to be categorized as »low«.

Quality risk The DEUTZ Group is exposed to liability and warranty risks. Potential warranty claims and claims for compensation could have a negative impact on financial position and financial performance. In addition, a change in supplier or a relocation of a supplier's operations presents a risk in terms of supplier quality.

All DEUTZ plants and all other relevant areas of the Group have local quality departments in order to ensure quality. These departments systematically analyze sources of errors and defects, optimize production processes, and take action to minimize the risk in production start-ups, thereby reducing warranty risks. A central quality management organization ensures that standardized processes and methods are in place and carries out regular **audits**. In addition, DEUTZ has defined uniform standards for the selection of suppliers and, in close cooperation with the suppliers, continuously improves the quality of supplied parts.

Regular certification audits and additional quality initiatives also enable DEUTZ to handle the significant technical complexity of engines and to satisfy the steadily increasing quality requirements of customers.

DEUTZ has recognized sufficient provisions on the balance sheet to account for warranty risks. In view of the precautionary measures that have been taken, any further quality risks that could negatively impact on the financial targets continue to be categorized as »low« for 2024.

OTHER RISKS

Cyber risk DEUTZ is a technology-driven company that is heavily focused on research and development. It regards the continuing development of the engine portfolio with a focus on sustainable drive solutions as a competitive advantage that will form the basis of its long-term success. However, there is a risk that strictly confidential information, particularly concerning new technological insights or partnerships in research and development, could find its way to competitors through illegitimate means. As well as the loss of confidential information, it is conceivable that forged documents could be used to siphon off capital without authorization. In addition, technical defects or IT system outages could have a negative impact on market position and on financial position and financial performance. This is also true of potential cyberattacks and the harm resulting from such attacks, which could lead to financial loss or reputational damage.

DEUTZ has put a series of measures in place to protect against cyber risk. As well as taking out insurance against cyber risk and providing regular security training for employees, these include security measures for computer hardware and software and the management of defined IT security guidelines. In view of the precautions that have been taken, DEUTZ continues to categorize the level of cyber risk as »low«.

Legal and compliance risk As a Group with multinational operations, DEUTZ is subject to a multitude of regulations under tax, competition, and patent law as well as to other legal and regulatory requirements. Existing and potential legal disputes, along with possible infringements of the law, are therefore recorded and analyzed on an ongoing basis; they are assessed in terms of their legal and financial impact and an appropriate amount is recognized on the balance sheet in the form of risk provisions. The outcome of legal disputes and proceedings is inherently uncertain, however. This means that there are further risks, not accounted for through provisions on the balance sheet, that could negatively impact on the financial targets.

Groupwide standards such as the general terms and conditions of business, sample contracts for various uses, and implementation provisions in the form of organizational policies are refined on an ongoing basis and reduce the level of new legal risk at DEUTZ. The Legal Affairs department and external attorneys are also regularly consulted about projects and the signing of contracts that fall outside the scope of the standards developed for day-to-day business.

Based on the current status of ongoing cases and in view of the measures that have been taken to either avoid or minimize risk, DEUTZ continues to categorize the level of legal risk as »low«.

OVERALL ASSESSMENT OF THE RISK SITUATION

DEUTZ uses its risk management system to identify and evaluate material risks on an ongoing basis. Appropriate action is taken to manage these risks and, as far as possible, bring them under control. Changes in material risks are monitored regularly at Group level. Currently, the DEUTZ Group has not identified any risks that either individually or in their totality could jeopardize the continued existence of the enterprise as a going concern.

Because of the precautions that have been taken and its position in the market, DEUTZ is confident in its ability to successfully manage the existing risks and overcome the resulting challenges. Overall, the Company's risk-bearing capacity in terms of equity and liquidity is assured.

ASSESSMENT OF THE APPROPRIATENESS AND EFFECTIVENESS OF THE FINANCIAL RISK MANAGEMENT SYSTEM[91]

DEUTZ's financial risk management system is designed to mitigate potentially negative effects on the Company's financial position and financial performance. The management and early identification of financial risks is based on annual financial planning, together with updates and regular analyses of variances during the year.

As part of a continuous improvement process, the risk management system is adapted or further developed as required. In 2023, for example, work began on a further development of the risk management system that will see a set of integrated group-wide operational risk management processes integrated into the existing structures. The objective is to improve the base data for the quarterly reporting and to ensure that risk is managed in a uniform way at all levels of the Company.

DEUTZ regularly analyzes the appropriateness and effectiveness of its financial risk management system. The adequacy of the risk management system is manifested in a number of crucial aspects. These include a methodical risk assessment, the consistent creation of risk awareness within the Company, the involvement of all subsidiaries, a close link between the risk management system and company-wide planning, the clear definition of risk-bearing capacity, the consideration of new regulatory requirements and the systematic integration of extreme risks.

Various mechanisms are in place to ensure the effectiveness of the system. The focus is on the consistent tracking of mitigation measures, including checks to monitor their effectiveness, the clear assignment and exercise of responsibilities in risk management, and quarterly reporting.

The ongoing analysis of actual financial loss compared with the forecast risks shows that risks are identified at an early stage in the Company and that the mechanisms in place are effective. For

[91] Not audited.

this reason and the abovementioned aspects, DEUTZ regards its financial risk management system as appropriate and effective.

INTERNAL CONTROL SYSTEM[92]

DEUTZ AG has put in place a comprehensive corporate governance system with the aim of identifying, mitigating, and avoiding risks. In addition to the risk management system (RMS) described above, this consists of the Compliance Management System (CMS), Corporate Audit, and, as a key component, the internal control system (ICS). The ICS covers major process-related corporate risks and is designed to reduce them to at least a tolerable level. The ICS functions in a way that detects risks and seeks to prevent them from occurring and helps to ensure that business processes can be carried out as intended.

DEUTZ AG's internal control system has three main objectives:

- Reducing or avoiding operational risks in ICS-relevant business processes that could prevent the Company from achieving its objectives
- Raising employees' awareness of risks and providing them with an additional incentive to adhere to laws, codes, and policies
- Establishing a control environment that makes reporting more accurate and reliable

The Chief Financial Officer of DEUTZ AG holds ultimate responsibility for the structure of the ICS. Part of this involves ensuring that the ICS and risk management system are geared toward the Company's risk situation. The Chief Financial Officer is also responsible for reporting on the status of the ICS to the Supervisory Board's Audit Committee.

ICS Coordination is responsible for the operational development and refinement of the Group-wide ICS concept and ICS processes, the implementation of the ICS concept, consulting in the business divisions and the corresponding reporting to the Chief Financial Officer.

As a process-independent monitoring body, Internal Audit reviews the appropriateness and effectiveness of the ICS. The findings of these reviews are reported directly to the Board of Management and the ICS coordinators and allow DEUTZ to eliminate any deficiencies that have been identified and ensure that the ICS is continually refined.

The ICS approach at DEUTZ AG is risk-oriented. Accordingly, business areas and business processes that are of material importance to DEUTZ AG are analyzed and documented. A risk inventory is developed and continuously updated for each relevant business process. Internal controls are used to reduce these risks to a level that is acceptable to DEUTZ. Analysis and documentation is carried out as part of a moderated approach by the central ICS coordinator. A verifiable ICS requires that the ICS and associated risks, control objectives and activities as well as responsibilities are documented. This takes place within the framework of the centrally created risk control matrices and is managed by the ICS coordinator, while procedural instructions, process descriptions and guidelines supplement the documentation of the ICS. The ICS is characterized by the following design features:

- The control environment describes the framework within which the principles, processes, and mechanisms of the system are applied. It ensures the ICS reflects management's basic attitudes, awareness of the issues, and conduct with regard to the identification of risks and risk tolerance.
- Risk assessment comprises the identification, analysis, and qualitative evaluation of relevant risks.
- DEUTZ AG has incorporated sustainability-related, non-financial assessment factors into the ICS so that it is able to document ESG risks for non-financial reporting purposes.
- Controls refer to those mechanisms and processes that are intended to ensure that the identified risks are either appropriately managed or reduced.
- Information and communication are a factor in all other parts of the ICS and ensure that information relating to the ICS is obtained, processed, and forwarded to the relevant departments in the Company in an appropriate and timely manner. DEUTZ AG's ICS is documented in a way that should enable a qualified third party to understand the processes and the embedded controls and therefore to fully comprehend the associated inherent risks.
- The ICS is routinely monitored to ensure that it is functioning effectively.

The internal control system of DEUTZ AG is designed in such a way that all significant business processes are looked at and it therefore has a wider reach than the accounting-related controls.

ICS management, which comprises the CFO of DEUTZ AG and the central ICS coordinator, develops the ICS methodology and the ICS process and derives standardized structures and rules for the DEUTZ ICS from this. The requirements for the centrally prescribed ICS methodology may change due, for example, to developments in the financial year, findings from audits, and changes in legislation. The necessary changes are drawn up and agreed by the ICS coordinator and communicated to all parts of the business that are affected following approval by the CFO of DEUTZ AG. The requirements for the centrally prescribed ICS methodology may change due, for example, to developments in the financial year, findings from audits, and changes in legislation. The necessary changes are drawn up and agreed by the ICS coordinator and communicated to all parts of the business that are affected following approval by the CFO of DEUTZ AG.

[92] Not audited.

However, a properly designed ICS can only provide relative and not absolute certainty when it comes to avoiding significant risks and achieving targets. Market risks such as short-term upheavals in customer demand or geopolitical risks such as temporary disruptions to supply chains are external shocks whose effects cannot be fully limited.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

The risk management system forms part of, and is closely linked to, the internal control system. Whereas the risk management system focuses on the identification, analysis, assessment, communication, and management of risk, the internal control system (ICS) also aims to avoid or limit risk through process-integrated and process-independent monitoring mechanisms. The ICS is there to ensure the security and efficiency of business activity, compliance with relevant laws, principles, and internal guidelines, and the propriety and reliability of internal and external financial reporting. The internal control system of DEUTZ AG is designed in such a way that all significant business processes are looked at and it therefore has a wider reach than the accounting-related controls.

The Board of Management is responsible for setting up, monitoring, refining, and ensuring the effectiveness of the ICS. At operational level, the ICS coordinators are responsible for continually improving the DEUTZ AG's ICS and ensuring that its processes are documented. The Board of Management and Audit Committee are routinely provided with reports on the status of the ICS. However, even a properly structured ICS is unable to provide absolute security; it can only provide a relative level of security in helping to achieve targets and/or avoid material risks. With regard to the accounting-related internal control system, there can be no absolute certainty that material misstatements in financial reporting will be either avoided or identified. There can only ever be a relative degree of certainty.

The accounting process itself includes those parts of the operating processes that contain the financial reporting value flows, the process for preparing the separate financial statements and the consolidated financial statements, and all information sources and processes from which the material disclosures in the separate financial statements and the consolidated financial statements are derived.

Following a risk-oriented approach, risk is one of the aspects that is included in the analysis and assessment of DEUTZ AG’s business processes. The risks identified by the risk management system and the findings of the audit of the ICS and of the processes are incorporated into the risk inventory as part of this. The accounting process includes those parts of the operating processes that contain the financial reporting value flows, the process for preparing the separate financial statements and the consolidated financial statements, and all information sources and processes from which the significant disclosures in the separate financial statements and the consolidated financial statements are derived.

Various monitoring mechanisms and risk-specific internal controls are in place to ensure that accounting is carried out properly and to ensure that the consolidated financial statements are correctly and consistently prepared. The controls include IT-supported and manual reconciliations, monitoring controls, and general IT controls such as access rules for IT systems and change management, while the fundamental principles of separation of functions and having work checked by a second member of staff reduce the risk of fraudulent acts.

The consolidated financial statements are prepared on the basis of central specifications. The same consolidation software is used for all entities and follows a prescribed chart of accounts for the Group. Relevant requirements are documented in the Group Accounting Manual, communicated as appropriate, and, together with the groupwide schedule for the year-end closing, form the basis of the process for preparing the separate financial statements and the consolidated financial statements. Ongoing analysis is carried out to determine whether the central specifications need to be modified due to changes in the regulatory environment. The reporting entities are responsible for adhering to the specifications; the Group Accounting department supports and monitors them. The data reported to DEUTZ’s Group Accounting department by the subsidiaries is analyzed and validated on an ongoing basis as part of the monthly financial reporting process. Where necessary, DEUTZ also uses external service providers, such as independent assessors of pension liabilities. The Group Accounting department ensures that these requirements are adhered to across the Group.

The results of the analysis of risks and controls are recorded in a risk-control matrix to ensure proper documentation in the ICS. Documentation in the ICS is supported by procedural instructions, process descriptions, and guidelines. An ICS procedure tailored to DEUTZ AG is used to define fundamental principles regarding updates. This provides ongoing verification that the business processes analyzed in the ICS are up to date and appropriate.

As a process-independent monitoring function, Corporate Audit regularly verifies whether the statutory regulations and the DEUTZ Group's internal guidelines for its control and risk management system are being complied with and whether the internal controls are effective. The findings of these reviews are reported directly to the Board of Management and the ICS coordinators and allow DEUTZ to eliminate any deficiencies that have been identified and ensure that the ICS is continually refined.

Besides discussing the single-entity and consolidated financial statements, the Audit Committee set up by the Supervisory Board regularly discusses the quarterly financial reporting. The Audit Committee's monitoring function covers the effectiveness of the ICS set up by the Board of Management as well as the accounting process itself.

ASSESSMENT OF THE APPROPRIATENESS AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM[93]

The ICS functions in a way that detects risks and seeks to prevent them from occurring, supports the management of risk in relevant business processes, strengthens corporate governance within the Company, and makes reporting more accurate and reliable. It encompasses the systems-based and technical measures and controls of DEUTZ AG.

Audit reviews contribute to the efficient monitoring of the internal control system and the risk management system. Based on the results of the reviews of the ICS by Corporate Audit, the Board of Management is unaware of any circumstances that would suggest the ICS is not essentially appropriate and effective. The system is, however, subject to ongoing optimization as part of a continuous process of improvement.

[93] Not audited.

OPPORTUNITIES REPORT

DEUTZ operates in a fast-paced market environment. The aforementioned risks that are associated with this have the potential to negatively impact on the attainment of its business objectives. However, opportunities are also presented that could have a positive effect on the objectives of the Group for 2024 and beyond. It is to be viewed as an opportunity, for example, that particular events or developments may result in a positive deviation from the planned objectives for 2024. Identifying and harnessing these opportunities is the responsibility of the individual operating segments of the Group and the Board of Management.

RISK MANAGEMENT IN RELATION TO KEY TOPICS PURSUANT TO SECTION 289c (3) NOS. 3 AND 4 HGB

Dealing responsibly with risks that could negatively impact on the financial targets is not the only part of good corporate governance. Another important measure of good corporate governance is the regular identification and assessment of non-financial risks arising from the Company's own business activities, business relationships, and/or products and services, where such risks could have a negative impact on material non-financial aspects. This is also the case for risks that could affect the achievement of sustainability-related targets set by DEUTZ as part of its »Taking Responsibility« sustainability strategy. To this end, the DEUTZ Sustainable Development Committee (SDC), for example, generally reports to the Board of Management every quarter on the current situation with regard to the sustainability-related KPIs.[94] The objective, as part of a preventive risk management approach, is to be able to identify risks that might jeopardize the achievement of the targets at an early stage and to modify the action plan if necessary. The risk in respect of budgeted financial targets is not measured. Financial risk management instead takes account of any sustainability-related risks that could in principle have an impact on the financial position and financial performance. See also the non-financial report, p. 110 onward, for more information on the DEUTZ sustainability strategy and the Sustainable Development Committee.

Sustainability-related risks that arise as a result of the Company's own business activity, business relationships, and/or products and services and that could have a negative impact on the non-financial aspects defined in accordance with HGB have up to now been identified and evaluated manually. The plan is to integrate these risks into the Group's regular, system-based risk inventory in 2024 as part of the implementation of the **Corporate Sustainability Reporting Directive**.

Using the **net method**, no material risks were found in 2023 in relation to DEUTZ's own business activity, business relationships, products, or services or to aspects relating to the key topics pursuant to section 289c (3) nos. 3 and 4 HGB that are very likely to have a serious impact on aspects subject to reporting requirements now or in the future.

OPPORTUNITY ASSESSMENT

In the DEUTZ Group, the assessment of opportunities is based on the estimated probability of occurrence in conjunction with the potential impact of the opportunity on the business objectives. As with the assessment of risks, a »best case«, »mid case«, and »worst case« are considered. In the following opportunity report for the DEUTZ Group, the opportunities are categorized as either »low«, »moderate«, or »high«. Opportunities that have been classified as »low« would be expected to have a low impact of up to €10 million on financial position and financial performance. Opportunities classified as »moderate«, however, would have a significant impact, of between €10 million and €50 million, and opportunities classified as »high« would have a major impact, of over €50 million, on financial position and financial performance.

Unless otherwise stated, the opportunities refer to the relevant expected value for 2024, weighted by probability.

Growth strategy As part of its overarching growth strategy Dual+, DEUTZ is particularly focusing on unlocking potential for growth in the classic engine business and, at the same time, ramping up the activities relating to alternative drive solutions, which are assigned to the Green segment, and expanding the high-margin service business.

The onus is on companies to reduce or limit carbon emissions around the world in the face of advancing climate change and the targets that have been set in order to achieve climate neutrality. However, DEUTZ firmly believes that internal combustion engines will continue to play, and will need to play, a dominant role in mobile machinery applications in the years ahead. To help to facilitate a smooth transition to more sustainable drive systems, DEUTZ is therefore taking an open-minded approach to technology as it continues to develop its engine portfolio. This means that in addition to the expansion of the Green portfolio, DEUTZ will also be forging ahead with the use of drive solutions that represent a more environmentally friendly alternative to the traditional internal combustion engine, for example using **HVO**, hydrogen, or synthetic fuels. This is enabling DEUTZ to build on its competitive position and attract new customer groups. The transition to carbon-neutral drive systems is accompanied by consolidation of the market. This provides DEUTZ with potential for growth, as it intends to play an active part in this consolidation and thus strengthen its market position. In the service business, by contrast, potential for growth stems firstly from new and, in particular, digital services and service products that are designed to increase customer loyalty and satisfaction. Secondly, growth opportunities are arising from the expansion of the global DEUTZ service network, from acquisitions and alliances, and from extending the scope of service activities to include non-DEUTZ engines. See also Strategy and objectives, p. 37 onward, and Research and development, p. 42 onward.

[94] The key figures defined as part of the DEUTZ sustainability strategy are not part of the internal control system.

DEUTZ categorizes the level of strategic opportunity with regard to the attainment of the financial targets as »low« for 2024 (2023: also »low«).

Market opportunities In our planning for 2024, we have anticipated a continuation of the challenging conditions due to economic uncertainties. If the market environment brightens during the year, additional growth opportunities will open up. See also Outlook for 2024, p. 85 onward.

DEUTZ categorizes the level of market opportunity with regard to the attainment of its targets as »low« for 2024 (2023: also »low«).

Operational opportunities In a mirror-image of the risk of suppliers charging higher prices, the significant fluctuation in energy prices again represents an opportunity in the form of falling procurement costs.

DEUTZ continues to categorize the level of operational opportunities with regard to the attainment of its targets as »low« for 2024 (2023: also »low«).

Legal opportunities In view of the current status of ongoing cases and in view of the measures that have been taken, DEUTZ categorizes the level of legal opportunity as »low« (2023: also »low«).

Outlook for 2024

ECONOMIC OUTLOOK

GDP growth[95]

YoY change (%)

	2024	2025
Global	3.1	3.2
Industrialized countries	1.5	1.8
Eurozone	0.9	1.7
Germany	0.5	1.6
USA	2.1	1.7
Emerging markets	4.1	4.2
China	4.6	4.1

In its January 2024 forecast, the International Monetary Fund (IMF) raised its expectations with regard to global economic growth for 2024 to 3.1 percent, an increase of 20 basis points compared with its forecast in October 2023.[96] The adjustment was prompted by greater-than-expected robustness in the USA and several large emerging markets. This stable level of growth compared with the prior year reflects not only the falling inflation expectation and the related expectation that the central banks will cut interest rates, but also low productivity gains.[97] See also Economic environment, p. 49.

The IMF left its expectations for GDP growth in 2025 unchanged. This is based on the assumption that inflation rates will continue to decrease in 2025, but that monetary policy will remain restrictive. Factoring in less fiscal support and low expected productivity growth, GDP growth is forecast to remain below the recent historical average of 3.8 percent (2000–2019). Global trade, meanwhile, is predicted to increase by 3.3 percent year on year in 2024 and by a further 3.6 percent in 2025.[98]

The moderate GDP forecast is set to be accompanied by a decline in prices for raw materials, which should help to lower inflation. Overall, the IMF projects that around 80 percent of countries will see their inflation rates fall over the course of 2024. Global inflation is expected to slow from 6.8 percent in 2023 to 5.8 percent in 2024 and 4.4 percent in 2025. However, this would still see inflation remaining above the long-term average of around 3.5 percent. It can be assumed that inflation will fall more sharply in industrialized countries than in emerging economies.

PROCUREMENT MARKET

The outlook for the procurement market is very difficult to gauge. It is currently impossible to tell whether there will be a further sustained fall in prices for raw materials in 2024.

We anticipate slight year-on-year decreases in energy prices, particularly in the case of electricity. With regard to transportation costs, we expect sea freight prices to rise owing to the attacks by Houthi rebels on container ships in the Red Sea and the possibility of a long-term escalation of this situation. Land freight will become less expensive as consumers continue to hold back on spending and the European economy weakens.

Conditions in the procurement market remain challenging due to persistent geopolitical uncertainty in connection with the Middle East conflict and war in Ukraine, inflation remaining at a high level, and political debate surrounding factors such as the shift toward renewable energies and a carbon-neutral economy.

DIESEL ENGINE MARKET

DEUTZ customer industries: Forecast for 2024

YoY change in unit sales (%)

	Europe	North America	China
Construction Equipment[99]	-5 to +5	-5 to +5	-5 to +5
Material handling[100]	-5 to +5	-5 to +5	0 to +5
Agricultural machinery[101,102]	-10 to 0	-10 to 0	-5 to 0

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

Demand for construction equipment is expected to be flat overall. While the long-term investment and infrastructure programs approved by the European Commission in the EU and the US government should ensure steady demand in the public sector in Europe and North America, demand in the private residential construction sector will continue to fall in the face of rising building costs. In China, the simmering real-estate crisis and the weak economic growth are putting further pressure on construction equipment manufacturers' unit sales. Nevertheless, there are signs that the downturn may have bottomed out after two consecutive years of falling unit sales.

[95] IMF, World Economic Outlook Update, January 2024.
[96] IMF, World Economic Outlook Update, October 2023.
[97] IMF, World Economic Outlook Update, January 2024.
[98] IMF, World Economic Outlook Update, January 2024.
[99] Power Systems Research, OE Link Update Bulletin Q4 2023, January 2024.
[100] Power Systems Research, OE Link Update Bulletin Q4 2023, January 2024.
[101] Power Systems Research, OE Link Update Bulletin Q4 2023, January 2024.
[102] VDMA, Geschäftsklima und Marktentwicklung weltweit, February 2024.

Demand for **material handling** applications, especially forklift trucks, lifting platforms, and telehandlers, is set to be slightly up across all regions. In all probability, the increase in demand in Europe and North America will continue to be driven in particular by major equipment leasing companies investing in their fleets. The capital spending in 2023 and the announcements for 2024 indicate that the level of capital investment will remain high.

Demand for agricultural machinery is likely to be poor on the whole in 2024. In Europe, the volume of new orders continues to fall and business expectations are equally low, while in North America there are signs that the rate of growth will continue to drop off in 2024. The China IV emissions standard introduced in China at the end of 2022 will make tractors more expensive for some time to come, and with subsidies for new purchases also cut, demand is poised to continue falling in 2024.

BUSINESS OUTLOOK FOR 2024

Demand in the industries in which DEUTZ's customers operate normalized at the end of 2023, and it is expected that DEUTZ's own customer demand will again be more subdued at the beginning of 2024. It should also be borne in mind that further interest rate rises in 2023 made companies somewhat reluctant to invest, meaning that a recession this year cannot be entirely ruled out. This makes it hard to predict what the effects would be on the global economy and, in turn, on the DEUTZ Group's business performance. The global procurement market also remains a source of uncertainty.

The business outlook presented here was made on the basis of the information available at the end of February 2024 and relates to continuing operations excluding the Torqeedo Group. Due to the agreement to sell the Torqeedo Group reached in January 2024, this activity will be reported as a discontinued operation in 2024 in accordance with IFRS 5 for as long as it remains part of the DEUTZ Group as a whole.

UNIT SALES; REVENUE

DEUTZ is predicting unit sales of 160,000 to 180,000 DEUTZ engines[103] in 2024 based on the conditions outlined above. Together with the revenue that is expected to be generated from the Rolls-Royce Power Systems business from July 2024 onward, this should result in revenue increasing to between €1.9 billion and €2.1 billion. The revenue attributable to the Classic segment is likely to be within a span of just under €1.9 billion and just under €2.1 billion. The Green segment, which, following the sale of Torqeedo, comprises all activities connected with the development, production and sale of new, alternative drive solutions, such as electric or hydrogen-powered drives for **off-highway** applications, is expected to contribute revenue of between €10 million and €15 million.

EARNINGS

If unit sales and revenue prove to be as described above, DEUTZ expects the EBIT margin before exceptional items (adjusted EBIT margin) at Group level to be in a range of 5.0 percent to 6.5 percent. This span reflects the revenue range stated, as well as the fact that the loss-making Torqeedo business was sold and that prices for raw materials and energy are expected to remain stable in 2024. The increase in wages and salaries in Germany resulting from the collective pay agreement in 2022 will have a negative effect on earnings. See also Procurement market, p. 49 onward, and Employees, p. 48.

Looking at the individual segments, the adjusted EBIT margin for the Classic segment is expected to be between 7.0 percent and 8.4 percent, while the adjusted EBIT generated by the continuing operations of the Green segment is likely to be in a range of minus €30 million to minus €40 million. These figures must be viewed in the context of the Green segment generating relatively small revenues while continuing to spend significant amounts on research and development in order to build up the portfolio of alternative drive systems. See also Strategy and objectives, p. 37 onward, and Research and development, p. 42 onward.

The outlook section of previous annual reports had raised the prospect of payment of the final installment of the purchase consideration for the sale of the Cologne-Deutz site. It is currently not possible to provide any guidance on when this might be made.[104]

Based on the Company's earnings guidance, the return on capital employed (ROCE) before exceptional items in 2024 is expected to be a low-double-digit percentage figure.

[103] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[104] The amount and the timing of this payment depend on when the development plan for the site is formally approved by the City of Cologne.

RESEARCH AND DEVELOPMENT EXPENDITURE[105]

After deducting grants[106], DEUTZ expects expenditure on research and development to be in the range of €80 million to €90 million in 2024. This money is to be spent primarily on activities in the field of alternative drive systems, the ongoing development of the portfolio of engines with capacities of less than 4 liters, and the new MDEG and HDEP engine platforms from Daimler Truck AG. See also Research and development, p.42 onward.

CAPITAL EXPENDITURE[107]

After deducting grants[108], capital expenditure[109] is likely to be in a range of €70 million to €90 million in 2024. See also Production and logistics, p.44 onward.

WORKING CAPITAL RATIO, FREE CASHFLOW AND EQUITY RATIO

The average working capital ratio for 2024 is predicted to be between 17 percent and 19 percent. Free cash flow excluding any M&A expenditure is likely to be an amount in the mid-double-digit millions of euros. The equity ratio is expected to remain well over 40 percent.

EMPLOYEES

Staffing levels Short-term peaks in demand for labor as a result of unexpected increases in production volume will be managed by offering flexible employment conditions in the shape of fixed-term and temporary employment contracts.

Supplementary collective pay agreement In mid-December 2020, the IG Metall labor union and the employers' association agreed on a fixed-term supplementary collective pay agreement, which includes a commitment by the Company to protect jobs at the sites in Cologne, Herschbach, and Ulm until the end of 2025.

Wage settlement In December 2022, IG Metall reached a new wage settlement for the metalworking and electrical engineering industry, to which DEUTZ AG belongs. The settlement includes an increase of 3.3 percent in the monthly basic pay of employees covered by collective pay agreements and in apprentices' monthly pay from May 2024 onward. In addition, a one-off inflation compensation payment of €3,000 net was agreed, of which at least half was to be paid in 2023. DEUTZ made half of this payment in January 2023 and half in January 2024. DEUTZ also intends to increase the remuneration of its employees not covered by collective pay agreements and its senior managers.

Outlook for 2025

Persistently high energy prices, the much higher level of interest rates, and the wars in Ukraine and the Middle East mean the pace of the global economic recovery remains fraught with uncertainty. With interest rates having been raised across the world last year in response to the high rates of inflation, there is a risk of recession in Germany and in other markets around the world. This is one of the reasons why DEUTZ, in its 2022 annual report, See also Outlook for 2025, p. 87, had set itself the target for 2025 of an increase in annual revenue to more than €2.5 billion with an EBIT margin before exceptional items in the range of 6 to 7 percent. This was based on the premise of implementing the Dual+ strategy. This target has been reaffirmed since the announcement of the portfolio adjustments.

The further development of the Classic engine portfolio is expected to be a key growth driver, as has been shown by the agreements with Daimler Truck AG and Rolls-Royce Power Systems. Ongoing internationalization and expansion of the higher-margin service business will also contribute to growth. 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. 37 onward.

DEUTZ had set itself the target of raising the proportion of consolidated revenue generated by the Green segment to between 5 and 10 percent by 2025. Following the sale of Torqeedo, this target no longer applies. New medium-term targets will be defined during the course of 2024 as part of the reorganization of the Green segment. See also Strategy and objectives, p. 37 onward.

Disclaimer This management report includes certain statements about future events and developments, together with disclosures and estimates provided by the Company. Such forward-looking statements include known and unknown risks, uncertainties, and other factors 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.

[105] Research and development expenditure constitutes actual spending on R&D projects. It differs from the research and development costs recognized in the income statement in that development expenditure that can be capitalized is deducted and amortization on completed development projects is added.
[106] Grants from development partners and subsidies.
[107] Capital expenditure on property, plant and equipment (including right-of-use assets in connection with leases) and intangible assets, excluding capitalization of research and development expenditure.
[108] Excl. M&A.
[109] Grants from development partners and subsidies.

REMUNERATION REPORT

OF DEUTZ AG PURSUANT TO SECTION 162 AKTG

The remuneration report provides details of the remuneration granted and owed to former and current members of the Board of Management and Supervisory Board of DEUTZ AG in 2023. It meets the requirements of section 162 of the German Stock Corporation Act (AktG).

I. Review of 2023 from a remuneration perspective

In accordance with the provisions of the AktG, the remuneration report for 2022 prepared jointly by the Board of Management and the Supervisory Board was submitted for approval to the Annual General Meeting of DEUTZ AG on April 27, 2023, at which it was approved with 73.10 percent of the votes. The resolution did not result in any need to amend the 2022 remuneration report. As part of the vote on the remuneration report, shareholders expressed criticism of individual aspects of the remuneration system. This mainly related to the existing option to grant special remuneration, the inclusion of sustainability targets in variable remuneration, and the lack of an obligation for Management Board members to make personal investments. The Supervisory Board considered the shareholders' comments in detail and revised the existing remuneration system. The adapted system will be presented at the 2024 Annual General Meeting.

The composition of the Board of Management remained unchanged in the 2023 financial year.

Changes occurred to the composition of the Supervisory Board. With effect from April 27, 2023, Mr. Helmut Ernst, Ms. Melanie Freytag, and Mr. Bernd Maierhofer were elected as ordinary members of the Supervisory Board as shareholder representatives. On June 14, 2023, Mr. Ismail-Hilmi Kocer, Mr. Gottfried Laengert, and Mr. Hans-Jörg Schaller were elected as employee representatives, and on July 24, 2023, Ms. Katja Olligschläger was elected as a full member of the Supervisory Board. Supervisory Board members Ms. Sophie Albrecht, Dr.-Ing. Bernd Bohr, Mr. Yavuz Büyükdag, Mr. Hans-Peter Finken, Mr. Alois Ludwig, Ms. Corinna Töpfer-Hartung, and Mr. Ali Yener stepped down from the Supervisory Board in the 2023 financial year.

In addition to the personnel changes, a new remuneration system for the Supervisory Board was submitted to the vote at the 2023 Annual General Meeting. The Annual General Meeting approved the new remuneration system with 99.73 percent of the votes.

The remuneration report was jointly prepared by the Board of Management and the Supervisory Board and was audited in relation to its form and content by the auditor. See Auditor's report on p. 109.

II. Remuneration for Board of Management members

A. General principles of the remuneration system

The current remuneration system for the members of the Board of Management has applied since 2021. The system incorporates the statutory requirements and the recommendations in the version of the **German Corporate Governance Code** (DCGK) dated April 28, 2022. It comprises non-performance-related and performance-related remuneration components and supports the long-term, sustainable development of DEUTZ AG.

The aim of the remuneration system is to support the achievement of DEUTZ's strategic objectives and ensure that the members of the Board of Management are paid appropriately. In line with the corporate strategy, the remuneration system incentivizes the Board of Management members to achieve profitable growth and sustainable value creation. Long-term variable remuneration is higher than short-term variable remuneration in order to underscore the particular importance of DEUTZ AG's long-term development. To this end, it includes a share-based element.

The Supervisory Board of DEUTZ AG is responsible for the remuneration system and for setting the remuneration of the individual members of the Board of Management. It is supported by the Human Resources Committee, which prepares recommendations on the Board of Management remuneration system and carries out the preparatory work for the decisions of the Supervisory Board and for the review of the appropriateness of the level of remuneration.

The Supervisory Board has further developed the existing remuneration system. The revised system will apply from the 2024 financial year and will be submitted to the 2024 Annual General Meeting for approval. The following information relates to the remuneration systems applied in the 2023 financial year and in previous years.

B. Remuneration system in 2023

In 2023, the remuneration of the members of DEUTZ's Board of Management consisted of non-performance-related and performance-related remuneration components. The individual components of the remuneration system in 2023 are summarized in the following table:

Remuneration components	Support for long-term development	Structure in 2023
Non-performance-related remuneration		
Basic remuneration	Forms the basis for attracting and retaining highly qualified Board of Management members who develop and implement the strategy	■ Fixed remuneration paid in monthly installments
Additional benefits		■ Company car and insurance policies
Retirement pension		■ Annual contribution to a benevolent fund
Performance-related remuneration		
Short-term variable remuneration (bonus/STI)	Rewards the degree to which the corporate strategy has been operationalized, including how forward-looking sustainability targets have been implemented during a year	■ Plan type: target bonus ■ Performance criteria: – 30 % revenue – 30 % EBIT – 25 % strategy target – 15 % sustainability target ■ Payment cap: 150 % of target amount ■ Term: one year
Long-term variable remuneration (long-term incentive, LTI)	Incentivization of the sustainable growth of DEUTZ AG and its value appreciation over the long term, bringing the interests of investors and Board of Management members into line	■ Plan type: virtual performance share plan ■ Performance criteria: – 50 % relative total shareholder return (TSR) compared to DAXSubsector All Industrial Machinery – 50 % return on capital employed (ROCE) ■ Payment cap: 180 % of target amount ■ Term: four years
Miscellaneous		
Malus/clawback	Safeguards responsible corporate governance for the benefit of DEUTZ AG	■ Option to reduce or claw back some or all of the variable remuneration in the event of a serious compliance violation
Special remuneration	Rewards special achievements in connection with exceptional (structural) events that were not factored into the strategic planning or that have a particularly strong impact on the Group	■ Option to grant special remuneration ■ Limited to half of the annual basic remuneration and also limited by the maximum amount of remuneration
Maximum amount of remuneration	Limits remuneration to an amount that is high enough to motivate the members of the Board of Management but is not inappropriately high	■ Limit on the total remuneration granted for a year in accordance with section 87a (1) sentence 2 no. 1 AktG: – Chairman of the Board of Management: €2,800,000 – Ordinary members of the Board of Management: €1,900,000
Cap on severance pay	Avoids excessive severance payments that are not in the interests of DEUTZ AG	■ Severance payments are limited to twice the amount of annual remuneration and may not exceed the remuneration due for the remaining

B.1. Non-performance-related remuneration

Non-performance-related remuneration is granted to the Board of Management members irrespective of their specific performance in relation to their targets and irrespective of the Company's performance. This remuneration comprises basic remuneration, additional benefits, and a retirement pension. The components of non-performance-related remuneration form the basis for attracting and retaining highly qualified Board of Management members who develop and implement the corporate strategy.

Basic remuneration The basic remuneration is a fixed amount that is granted irrespective of the actual performance of DEUTZ AG.

Additional benefits Each Board of Management member receives additional benefits in the form of non-monetary remuneration and other benefits. In 2023, the additional benefits for the members of the Board of Management comprised the provision of a company car that can also be used privately, the option of a driver for the car, and payment of insurance premiums for accident and D&O insurance policies.

Retirement pension The retirement pension for Board of Management members is structured as a defined contribution plan. For the Board of Management members, DEUTZ AG paid an amount into a reinsured benevolent fund in 2023 (pension expense). The amount for Mr. Krutoff's pension was paid into the benevolent fund for the first time in 2023. When they retire, the Board of Management members are entitled to the capital promised to them; this payment is made by the benevolent fund.

Aspect	Details
Pension plan type	Defined contribution pension plan
Start of retirement	Standard retirement age is 65; earliest possible retirement age is 62 (provided that the statutory pension is also drawn)
Return	The return depends on the policyholder dividend arrangements of the insurer. There is no guaranteed return, i.e. there is no return over and above what is agreed in the policyholder dividend arrangements.
Payment options	An amount of capital is promised. In agreement with the Board of Management member, DEUTZ AG can agree a life-long annuity instead of a lump sum. This annuity is paid by the benevolent fund once there has been a pension trigger event.
Invalidity/Death	Death before the start of retirement: the policy value is paid out. Benefits may also be paid in the form of a share of the valuation reserves. Death after the start of retirement (applies only if a life-long annuity has been arranged): payment of ten times the annual annuity guaranteed from the start of retirement. Guaranteed annuities that have already been paid are deducted from this amount. .

Pension expense for Board of Management members The pension expenses in 2023 are shown in the following table:

	Pension expense in FY 2023 (€ thousand)
Dr. Sebastian C. Schulte (Chairman of the Board of Management)	150
Dr.-Ing. Petra Mayer	50
Dr.-Ing. Markus Müller	50
Timo Krutoff	50

B.2. Performance-related remuneration

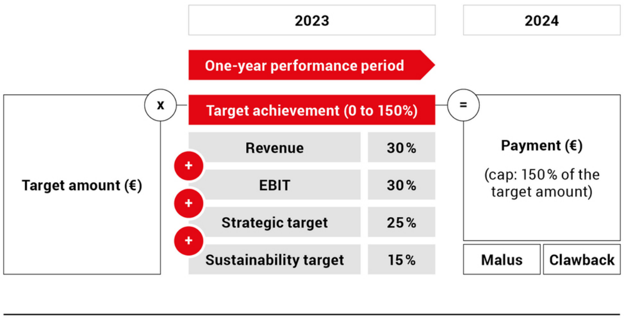
The following chapters describe the structure of the remuneration granted or owed. Remuneration granted is the remuneration for which the related (one-year or multiple-year) work has been performed in full (i.e. the performance period has ended, and the performance criteria have been met). Remuneration owed is when DEUTZ has a legal obligation to the Board of Management member that is due but has not yet been fulfilled.

The structure of the LTI promised in 2023 (2023–2026) is also described. Remuneration promised is the remuneration that is promised to the Board of Management members for 2023, irrespective of the timing of payment (target remuneration).

2.1 Short-term variable remuneration (short-term incentive, STI)

The bonus contributes to the Company's long-term development by specifying how the corporate strategy is to be implemented operationally during a year and rewarding its implementation. Success is assessed on the basis of financial, strategic, and sustainability performance criteria. The financial targets revenue and EBIT underpin the growth strategy of DEUTZ AG and its regional growth initiatives because together they incentivize the Board of Management members to contribute to profitable growth. The strategy target is based on the achievement of specific strategic initiatives. The sustainability target reflects the social and environmental responsibility of DEUTZ AG and is derived from the groupwide »Taking Responsibility« sustainability strategy, which forms part of the overall strategy.

Short term incentive



The target amount is the starting point for the STI. The target amount is multiplied by the total target achievement rate to obtain the amount payable. Total target achievement for the STI is the weighted sum of the rates of target achievement for the four performance criteria revenue, EBIT, strategy target, and sustainability target. For the 2023 financial year, the Supervisory Board has specified strategy target from the »Partnerships« category and a sustainability target from the »Alternative drives« and »HR development« categories.

The target values for the performance criteria are set by the Supervisory Board, and target achievement in respect of these values is determined by the Supervisory Board after the end of the performance period. If performance is below a threshold, target achievement for the relevant share of the STI is 0 percent. This may result in no STI being paid at all. Target achievement is limited to a maximum of 150 percent. Linear interpolation is applied between the aforementioned rates of target achievement.

Revenue Revenue is defined as the consolidated revenue calculated and audited in accordance with the accounting principles that apply to DEUTZ AG by law. Revenue has a weighting of 30 percent.

The minimum threshold, the target value corresponding to 100 percent target achievement, the cap, the actual value achieved in 2023, and the resulting rate of target achievement for the revenue performance criterion are shown in the following table:

STI 2023

	Revenue	Target achievement
Minimum threshold	€ 1,430 million	50 %
Target value	€ 1,825 million	100 %
Cap	€ 2,220 million	150 %
Ist-Wert	€ 2,104.8 million	135.4 %

If a value is achieved between the minimum threshold and the target value, target achievement is interpolated on a linear basis between 50 percent and 100 percent. If a value is achieved between the target value and the cap, target achievement is interpolated on a linear basis between 100 percent and 150 percent.

EBIT EBIT is defined as the consolidated earnings before interest and tax (EBIT) less income generated or expenses incurred that are outside the scope of the Company's ordinary business activities and are unlikely to recur (EBIT before exceptional items). It is calculated and audited in accordance with the accounting principles that apply to DEUTZ AG by law. EBIT has a weighting of 30 percent.

The minimum threshold, the target value corresponding to 100 percent target achievement, the cap, the actual value achieved in 2023, and the resulting rate of target achievement for the EBIT performance criterion are shown in the following table:

STI 2023

	EBIT	Target achievement
Minimum threshold	€ 40 million	50 %
Target value	€ 80 million	100 %
Cap	€ 120 million	150 %
Actual value	€ 120.4 million	150 %

If a value is achieved between the minimum threshold and the target value, target achievement is interpolated on a linear basis between 50 percent and 100 percent. If a value is achieved between the target value and the cap, target achievement is interpolated on a linear basis between 100 percent and 150 percent.

Strategy target and sustainability target The strategy target for 2023 was selected from the »Partnerships« category and given a weighting of 25 percent. The sustainability target for the 2023 financial year was selected from the »Alternative drives« and »HR development« category and is given a weighting of 15 percent.

Ten individual targets were set for the strategy target and ten for the sustainability target. Examples of these individual targets, which are grouped into clusters, are shown in the following table:

Strategy targets for 2023 in the »Partnerships« category, derived from the growth and internationalization strategy

Target cluster	Examples of individual targets
Consolidation	Examination and specification of consolidation opportunities in the combustion engine sector; strategy development for the market launch of selected engine series
»Green« sector	Comprehensive further development of the »Green Expansion Concept«; solution for Torqeedo
Service & Sales	Acquisition and start of integration of a location in South America; inorganic expansion of the service network in a selected region
Supply chain	Establishment and expansion of a strategic partnership to enhance resilience

Sustainability targets for 2023 in the »Alternative drives« and »HR development« categories, derived from the sustainability strategy

Target cluster	Examples of individual targets
E-DEUTZ	Transfer of a system from pre-series to series development; acquisition of several new customer orders; conceptual design for the further development of the modular E-DEUTZ construction kit and transfer to series development
Hydrogen	Progress in the development of a hydrogen engine; delivery of several prototypes
Human resources	Introduction of succession planning throughout the Group; introduction of a holistic talent management concept for selected functions throughout the Group, introduction of a Group-wide grading system for selected functions throughout the Group

Target achievement for the strategy target and sustainability target is measured by the number of individual targets that were reached in the relevant category in 2023. The correlation between the number of targets reached and target achievement is shown in the following table along with the actual rate of target achievement in 2023:

STI 2023

	Number of individual targets reached in the categories for the strategy target and sustainability target	Target achievement
Minimum threshold	3	50%
Target value	5	100%
Cap	7	150%
Actual value: **strategy target**	8	150%
Actual value: **sustainability**	7	150%

Ex post changes to the performance criteria and target values for the performance criteria are not permitted. In accordance with the recommendation in G.11 DCGK, the Supervisory Board also has the option, in exceptional cases and where it is justifiable to do so, of taking extraordinary developments appropriately into account in the STI if such developments were not explicitly factored into the strategic planning and defined individual targets. As was also the case in 2022, the Supervisory Board did not exercise this option in 2023.

Determination of the STI The determined target achievement rates are multiplied by the relevant weightings for the performance criteria and then added up to give the total target achievement. This is multiplied by the target amount to obtain the amount payable, which is limited to 150 percent of the target amount.

The following table summarizes the target amount, total target achievement, and the resulting amount payable under the STI 2023 for each member of the Board of Management:

STI 2023

	Dr. Sebastian C. Schulte	Timo Krutoff	Dr.-Ing. Petra Mayer	Dr.-Ing. Markus Müller
Target amount (€ thousand)	480	300	300	300
Total target achievement	145.6 %	145.6 %	145.6 %	145.6 %
Amount payable (€ thousand)	699	437	437	437

2.2 Long-term variabel remuneration (long-term incentive, LTI)

Long-term variable remuneration contributes to the Company's long-term development by rewarding implementation of the corporate strategy, its focus on sustainability, and the long-term increase in the value of DEUTZ AG on the basis of the original remuneration system that applied until 2020 and the new remuneration system that has applied to the Board of Management since 2021. Success is assessed using financial and share-based performance criteria derived from the strategy of DEUTZ AG.

2.2.1 LTI (LTI 2020 – 2023)

In 2023, former Board of Management members Dr.-Ing. Hiller, Wellenzohn and Dr. Strecker were granted remuneration in connection with the LTI promised in 2020. The LTI promised in 2020 was promised in the form of virtual performance shares. The target amount is the starting point for the allocation.

At the start of the four-year term, the target amount was divided by the average DEUTZ AG share price (arithmetic mean of the Xetra closing price during the last 60 trading days prior to the start of the performance period) in order to determine a number of virtual shares that are promised conditionally (**virtual performance shares**, VPSs). The start of the term was January 1, 2020. The average DEUTZ AG share price to be applied amounted to €5.48. The number of VPSs promised to the Board of Management member for 2020 is shown in the following table:

Number of virtual shares promised conditionally in 2020 to each Board of Management member

Board of Management member	Number of virtual shares promised conditionally in 2020
Dr.-Ing. Frank Hiller (until February 2022)	36,503
Dr. Andreas Strecker (until February 2021)	27,377
Michael Wellenzohn (until September 2022)	30,115

Long-term Incentive (2020 – 2023)

Entitlement to payment after expiry of the four-year performance period depends on whether one of the two performance criteria – share price increase or relative share price increase – has been met.

The LTI payment is limited to 150 percent of the target amount. Target achievement for the performance criteria is calculated as follows:

Share price increase To calculate the increase in the share price during the performance period, the price of DEUTZ shares on the stock exchange (average closing price of DEUTZ AG shares in Xetra trading on the Frankfurt Stock Exchange during the last 60 trading days prior to expiry of the performance period) is compared with the reference price (average closing price of DEUTZ AG shares in Xetra on the Frankfurt Stock Exchange during the 60 trading days prior to the allocation date). In this calculation of the share price increase, any gross dividends distributed up to the end of the vesting period are added to the market value of the DEUTZ shares.

The target value resulting in 100 percent target achievement and the actual value achieved in 2023 for the share price increase performance criterion are as follows:

LTI grant in 2023

	Share price increase in the period 2020 to 2023	Target achievement
Minimum threshold	<30 %	0 %
Target value	≥30 %	100 %
Actual value in 2023	-18.3%	0 %

Relative share price increase To calculate the relative increase in the share price, the increase in the DEUTZ share price (see »Share price increase performance criterion«) is compared with share price performance on the MDAX.

The target value resulting in 100 percent target achievement and the actual value achieved in 2023 for the relative share price increase performance criterion are as follows:

LTI grant in 2023

	Difference between price increase of the DEUTZ share and MDAX index in the period 2020 to 2023	Target achievement
Minimum threshold	< 10 pp	0%
Target value	≥10 pp	100%
Actual value in 2023	-14.1 pp	0%

Ex post changes to the performance criteria and target values for the performance criteria are not permitted.

Determination of the LTI After the end of the performance period, it is determined whether entitlement to payment arose during the performance period. To calculate the amount of the cash payment after the end of the performance period, the final number of VPSs in the event of entitlement to payment is multiplied by the average DEUTZ AG share price (arithmetic mean of the closing price in Xetra trading on the Frankfurt Stock Exchange during the last 60 trading days prior to expiry of the performance period). The amount payable is limited to 150 percent of the target amount.

The following table summarizes various items of information, including the target amount, total target achievement, and the resulting amount payable for the LTI 2020–2023 for each member of the Board of Management to whom the LTI 2020–2023 was granted:

LTI 2020–2023

	Dr.-Ing. Frank Hiller	Michael Wellenzohn	Dr. Andreas Strecker
Target amount	€ 200 thousand	€ 165 thousand	€ 150 thousand
Allocation price	€ 5.48	€ 5.48	€ 5.48
Number of VPSs	36,503	30,115	27,377
Total target achievement	0 %	0 %	0 %
Final number of virtual shares	0	0	0
Closing price (including dividend)	€ 4.48	€ 4.48	€ 4.48
Amount payable	€ 0	€ 0	€ 0

As the LTI 2019–2022 for Dr. Strecker also ended in 2023, the parameters for the LTI 2019–2022 that are relevant to the grant to Dr. Strecker are set out below. The underlying logic for the LTI, as described in this chapter 2.2.1, also applies to the LTI 2019–2022 with regard to all parameters (i.e. plan type, performance period, performance criteria, and determination of amount payable). Furthermore, the target values for the performance criteria of the LTI 2019–2022 are the same as the target values described in this chapter for the LTI 2020–2023. Between March 1, 2019, and February 28, 2023, the increase in the DEUTZ share price amounted to -15.7 percent and the difference between the increase in the DEUTZ share price and share price performance on the MDAX (relative share price performance) amounted to -34.4 percent. Dr. Strecker's target achievement for the LTI 2019–2022 was therefore 0 percent.

LTI 2019–2022

	Dr. Andreas Strecker
Target amount	€ 125 thousand
Allocation price	€ 5.95
Number of VPSs	21,008
Total target achievement	0 %
Final number of virtual shares	0
Closing price (including dividend)	€ 5.02
Amount payable	€ 0

2.2.3 LTI (ALLOCATION IN 2023)

The LTI promised in 2023 is promised in the form of annual tranches of VPSs. The target amount is the starting point for the promised LTI and totals between 63 percent and 69 percent of the Board of Management members' basic remuneration.

At the start of the four-year term, the target amount is divided by the average DEUTZ AG share price (arithmetic mean of the XETRA closing price during the last 60 trading days prior to the start of the performance period) in order to determine a number of VPSs that are promised conditionally.

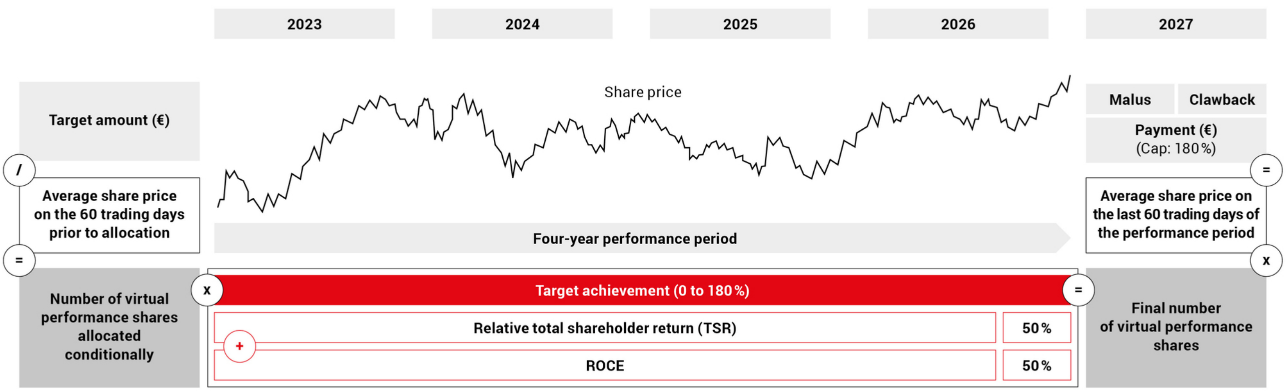
For 2023, the average DEUTZ AG share price amounted to €3.98. The number of VPSs promised to the Board of Management members for 2023 is shown in the following table:

Board of Management member	Promised LTI amount (target	Number of virtual shares allocated
Dr. Sebastian C. Schulte (Chairman of the Board of Management)	€ 587 thousand	147,413
Timo Krutoff	€ 370 thousand	92,918
Dr.-Ing. Petra Mayer	€ 370 thousand	92,918
Dr.-Ing. Markus Müller	€ 370 thousand	92,918

The final number of VPSs depends on the aggregated rates of target achievement for the performance criteria return on capital employed (ROCE) and relative total shareholder return (relative TSR).

Target achievement for relative TSR is determined after the end of the performance period on the basis of the **percentile ranking** of DEUTZ AG within a TSR peer group. The target value for the ROCE performance criterion is set by the Supervisory Board. Target achievement for ROCE is determined once the relevant consolidated financial statements for the final year of the performance period have been approved by the Supervisory Board.

Long-term Incentive (2023 – 2026)



The LTI payment is limited to 180 percent of the target amount. Target achievement for the performance criteria is calculated as follows:

Relative total shareholder return Relative TSR compares DEUTZ's TSR performance against that of a specific peer group and has a weighting of 50 percent. TSR performance is calculated by comparing the share price (plus the dividend paid) at the end of the performance period with the value at the start of the performance period. The TSR peer group comprises companies in the DAXsubsector All Industrial Machinery.

Some of the companies in this peer group are therefore different from those in the peer group used to check whether the Board of Management's remuneration is typical in comparison with that in similar companies. The composition of the peer group for assessing how remuneration compares with that of other companies is based on stock-corporation law criteria, such as sector, size, and country. The composition of the TSR peer group has been given a greater sectoral focus, which means that companies that are larger or smaller than DEUTZ are also included. Some companies in the TSR peer group would therefore not meet the stock-corporation law criteria regarding size that are applied in the comparison of Board of Management remuneration with that in similar companies. The Supervisory Board believes that a peer group with a greater sectoral focus is better suited to evaluating DEUTZ's performance relative to relevant competitors and the overall sector than the peer group used to compare Board of Management remuneration with that in similar companies.

As at December 2023, the TSR peer group comprised the following companies:

Aumann AG, Datron AG, DMG MORI AG, Dürr AG, Francotyp-Postalia Holding AG, Heidelberger Druckmaschinen AG, Jungheinrich AG, KHD Humboldt Wedag International AG, KHD Humboldt Wedag Vermögensverwaltungs AG, KION GROUP AG, Knorr-Bremse AG, Koenig & Bauer AG, Krones AG, KSB SE & Co. KGaA, Maschinenfabrik Berthold Hermle AG, Masterflex SE, NORMA Group SE, PITTLER Maschinenfabrik AG, Stabilus SE, Wacker Neuson SE, WashTec AG.

TSR performance is determined for each company in the peer group and for DEUTZ after the end of the performance period. The individual values are then ranked and given a percentile ranking in which the 0th percentile ranking represents the lowest TSR performance and the 100th percentile ranking represents the highest TSR performance.

Target achievement for relative TSR is determined after the end of the performance period on the basis of the percentile ranking of DEUTZ AG as follows:

LTI allocation in 2023

	DEUTZ's percentile ranking for TSR	Target achievement
Minimum threshold	25	0 %
Target value	50	100 %
Cap	75	180 %

If a value is achieved between the minimum threshold and the target value, target achievement is interpolated on a linear basis between 50 percent and 100 percent. If a value is achieved between the target value and the cap, target achievement is interpolated on a linear basis between 100 percent and 180 percent.

Return on Capital Employed ROCE is the ratio of EBIT before exceptional items (consolidated earnings before interest and tax less income generated or expenses incurred that are outside the scope of the Company's ordinary business activities and are unlikely to recur, based on the consolidated financial statements) to capital employed and has a weighting of 50 percent. The relevant figure for the assessment of target achievement for the 2023 tranche is the average ROCE value achieved during the performance period.

The threshold for ROCE equates to the weighted average cost of capital (WACC) of DEUTZ AG. If ROCE is below the WACC, target achievement is 0 percent. There is thus no entitlement to the payment of a bonus unless the return on capital employed exceeds the costs.

The minimum threshold, the target value corresponding to 100 percent target achievement, and the cap including the resulting target achievement for the average ROCE during the performance period are as follows:

LTI allocation in 2023

	ROCE	Target achievement
Minimum threshold	7.6%	50 %
Target value	10.0%	100 %
Cap	15.0%	180 %

If a value is achieved between the minimum threshold and the target value, target achievement is interpolated on a linear basis between 50 percent and 100 percent. If a value is achieved between the target value and the cap, target achievement is interpolated on a linear basis between 100 percent and 180 percent.

Ex post changes to the performance criteria and target values for the performance criteria are not permitted. In accordance with the recommendation in G.11 DCGK, however, for the LTI, the Supervisory Board has the option, in exceptional cases and where it is justifiable to do so, of taking extraordinary developments appropriately into account in respect of measurement variables, targets, and the determination of target achievement. The Supervisory Board did not exercise this option in 2023.

Determination of the LTI After the end of the performance period, the final number of VPSs is determined by multiplying the number of VPSs that are promised conditionally by the weighted total target achievement. To calculate the amount of the cash payment after the end of the performance period, the final number of VPSs is multiplied by the average DEUTZ AG share price (arithmetic mean of the closing price in Xetra trading on the Frankfurt Stock Exchange during the last 60 trading days prior to expiry of the performance period). The amount payable is limited to 180 percent of the target amount.

2.3 Overview of the variable remuneration granted and owed in 2023

The following table summarizes the short-term and long-term variable remuneration resulting from the performance criteria that was granted or owed for 2023:

	Dr. Sebastian C. Schulte	Timo Krutoff	Dr.-Ing. Petra Mayer	Dr.-Ing. Markus Müller	Dr.-Ing. Frank Hiller	Dr. Andreas Strecker	Michael Wellenzohn
STI 2023							
Target amount	€ 480 thousand	€ 300 thousand	€ 300 thousand	€ 300 thousand	–	–	–
Total target achievement	145.6 %	145.6 %	145.6 %	145.6 %	–	–	–
Amount payable	**€ 699 thousand**	**€ 437 thousand**	**€ 437 thousand**	**€ 437 thousand**	**–**	**–**	**–**
LTI 2019–2022							
Target amount	–	–	–	–	–	€ 125 thousand	–
Allocation price	–	–	–	–	–	€5.95	–
Number of virtual shares	–	–	–	–	–	21,008	–
Total target achievement	–	–	–	–	–	0 %	–
Final number of virtual shares	–	–	–	–	–	0	–
Closing price	–	–	–	–	–	€5.02	–
Amount payable	**–**	**–**	**–**	**–**	**–**	**€ 0 thousand**[110]	**–**
LTI 2020–2023							
Target amount	–	–	–	–	€ 200 thousand	€ 150 thousand	€ 165 thousand
Allocation price	–	–	–	–	€5.48	€5.48	€5.48
Number of virtual shares	–	–	–	–	36,503	27,377	30,115
Total target achievement	–	–	–	–	0 %	0 %	0 %
Final number of virtual shares	–	–	–	–	0	0	0
Closing price	–	–	–	–	€4.48	€4.48	€4.48
Amount payable	**–**	**–**	**–**	**–**	**€ 0 thousand**	**€ 0 thousand**	**€ 0 thousand**
Variable remuneration granted and owed (total)	**€ 699 thousand**	**€ 437 thousand**	**€ 437 thousand**	**€ 437 thousand**	**€ 0 thousand**	**€ 0 thousand**	**€ 0 thousand**

[110] For Dr. Andreas Strecker, the term of the LTI 2019–2022 began on March 1, 2019, and ends on February 28, 2023.

2.4 Miscellaneous

Malus and clawback The short-term variable remuneration and the virtual performance shares are subject to malus and clawback conditions. This means that if, as proved by the Company, a Board of Management member is in serious violation of applicable law, his or her statutory obligations, or the obligations in his or her employment contract, the Supervisory Board is entitled to withhold some of the variable remuneration that has not yet been paid (malus) and to claw back variable remuneration that has already been paid. The Supervisory Board decides on this at its professional discretion. The Supervisory Board did not withhold or claw back any variable remuneration components in 2023.

Special remuneration In exceptional cases, the Supervisory Board can, at its professional discretion, grant a special bonus to Board of Management members in accordance with the recommendation in G.11 DCGK. The Supervisory Board must both identify and provide grounds for such exceptions. The special bonus is limited in two ways. Firstly, it is limited in relative terms to half of the Board of Management member's annual basic remuneration. Secondly, it is limited by the maximum remuneration pursuant to section 87 a (1) sentence 2 no. 1 AktG, which represents the absolute upper limit on total remuneration. No such special bonus has been granted in the past ten years, and this was again the case in 2023.

Adherence to the maximum remuneration limit As well as limiting the variable remuneration components, the Supervisory Board has specified a maximum amount of remuneration for each member of the Board of Management pursuant to section 87 a (1) sentence 2 no. 1 AktG that limits the remuneration to be paid that was granted for a particular year. This maximum remuneration encompasses the basic remuneration, additional benefits, retirement pension, payments under the STI and LTI, and any special bonuses. The following maximum remuneration amounts for the members of the DEUTZ Board of Management are lower than the maximum remuneration amounts specified in the 2021 remuneration system and therefore meet the requirements of the 2021 remuneration system:

Maximum remuneration pursuant to section 87 a (1) sentence 2 no. 1 AktG

Board of Management member	
Dr. Sebastian C. Schulte (Chairman of the Board of Management)	€ 2,777 thousand
Timo Krutoff	€ 1,746 thousand
Dr.-Ing. Petra Mayer	€ 1,746 thousand
Dr.-Ing. Markus Müller	€ 1,746 thousand

For 2023, the maximum remuneration limit was adhered to in respect of the basic remuneration, additional benefits, retirement pension, and payments under the STI without having to reduce any component. Because the amount payable for the multi-year variable remuneration will not be known until the third year after the end of the reporting year owing to the four-year performance period, it will not be possible to report conclusively on adherence to the maximum remuneration limit for 2023 until the remuneration report for 2026.

Benefits in the event of early termination of Board of Management membership If the employment contract or the appointment of a Board of Management member is terminated prematurely without good cause pursuant to section 626 of the German Civil Code (BGB), the Board of Management member receives a severance payment equivalent to the total remuneration that the Company is likely to owe him or her for the period until the original termination date of the contract of employment up to a maximum of two years (cap on severance pay).

C. Amount of Board of Management remuneration in 2023

C.1. Remuneration for Board of Management members who were current members in the reporting year

Remuneration promised and remuneration granted and owed in 2023 The remuneration that was promised to the members of the Board of Management and the remuneration that was granted and owed in 2023 pursuant to section 162 (1) sentence 1 AktG is shown in the following tables.

Promised remuneration: Remuneration promised is the remuneration that is promised to the Board of Management members for 2023, irrespective of the timing of payment (target remuneration).

In respect of the remuneration components in 2023, »promised« specifically refers to the following:

Remuneration promised in 2023

Remuneration components
Basic remuneration
Additional benefits
Pension expense
STI 2023 (granted in 2023)
LTI 2023–2026 (to be granted in 2026)

Granted and owed: Remuneration granted is the remuneration for which the related (one-year or multiple-year) work has been performed in full. Remuneration owed is when DEUTZ has a legal obligation to the Board of Management member that is due but has not yet been fulfilled.

In respect of the remuneration components in 2023, »granted and owed« specifically refers to the following:

Remuneration granted and owed in 2023 (section 162 (1) sentence 1 AktG)[111]

Remuneration components
Basic remuneration
Additional benefits
STI 2023 (promised in 2023)
LTI 2020–2023 (promised in 2020)

[111] Pension expenses for a year are not deemed remuneration granted and owed pursuant to section 162 (1) no. 1 AktG because the work to which the remuneration is related has not yet been performed in full.

The following tables show the remuneration promised to the members of the Board of Management in 2023 (target remuneration):

Target remuneration

	Dr. Sebastian C. Schulte, Chairman of the Board of Management				Timo Krutoff, ordinary member of the Board of Management (since December 1, 2022)			
	2023		2022		**2023**		2022	
	in € thousand	in %[112]	in € thousand	in %	in € thousand	in %	in € thousand	in %
Basic remuneration	850	40.7	818	41.1	580	44.1	48	44.2
+ Additional benefits	19	0.9	19	1.0	16	1.2	1	0.9
= Total non-performance-related remuneration	**869**	**41.7**	**837**	**42.0**	**596**	**45.3**	**49**	**45.1**
+ One-year variable remuneration (total)	480	23.0	459	23.0	300	22.8	25	22.9
STI 2022	–	–	459	23.0	–	–	25	22.9
STI 2023	480	23.0	–	–	300	22.8	–	–
+ Multi-year variable remuneration (total)	587	28.1	561	28.2	370	28.1	31	28.2
LTI 2022–2025	–	–	561	28.2	–	–	31	28.2
LTI 2023–2026	587	28.1	–	–	370	28.1	–	–
= Total performance-related remuneration	**1,067**	**51.2**	**1,020**	**51.2**	**670**	**50.9**	**56**	**51.1**
+ Expense for occupational pension scheme	150	7.2	135	6.8	50	3.8	4	3.8
= Total remuneration	**2,086**	**100.0**	**1,992**	**100.0**	**1,316**	**100.0**	**109**	**100.0**

Target remuneration

	Dr.-Ing. Petra Mayer, ordinary member of the Board of Management (since November 1, 2022)				Dr.-Ing. Markus Müller, ordinary member of the Board of Management			
	2023		2022		**2023**		2022	
	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Basic remuneration	580	44.0	97	44.2	580	44.0	580	43.9
+ Additional benefits	17	1.3	2	0.9	19	1.4	20	1.5
= Total non-performance-related remuneration	**597**	**45.3**	**99**	**45.1**	**599**	**45.4**	**600**	**45.5**
+ One-year variable remuneration (total)	300	22.8	50	22.9	300	22.7	300	22.7
STI 2022	–	–	50	22.9	–	–	300	22.7
STI 2023	300	22.8	–	–	300	22.7	–	–
+ Multi-year variable remuneration (total)	370	28.1	62	28.2	370	28.1	370	28.0
LTI 2022–2025	–	–	62	28.2	–	–	370	28.0
LTI 2023–2026	370	28.1	–	–	370	28.1	–	–
= Total performance-related remuneration	**670**	**50.9**	**112**	**51.1**	**670**	**50.8**	**670**	**50.8**
+ Expense for occupational pension scheme	50	3.8	8	3.8	50	3.8	50	3.8
= Total remuneration	**1,317**	**100.0**	**219**	**100.0**	**1,319**	**100.0**	**1,320**	**100.0**

[112] Rounding differences may mean that the percentages indicated for the remuneration components do not add up to 100 percent for all members of the Board of Management.

The following tables show the remuneration granted and owed to the members of the Board of Management in 2023 pursuant to section 162 (1) sentence 1 AktG:

Remuneration granted and owed

	Dr. Sebastian C. Schulte, Chairman of the Board of Management				**Timo Krutoff, ordinary member of the Board of Management (since December 1, 2022)**			
	2023		2022		**2023**		2022	
	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Basic remuneration	850	54.2	818	56.2	580	56.2	48	58.2
+ Additional benefits	19	1.2	19	1.3	16	1.5	1	1.2
= Total non-performance-related remuneration	**869**	**55.4**	**837**	**57.5**	**596**	**57.7**	**49**	**59.4**
+ One-year variable remuneration (total)	699	44.6	618	42.5	437	42.3	34	40.6
STI 2022	–	–	618	42.5	–	–	34	40.6
STI 2023	699	44.6	–	–	437	42.3	–	–
+ Multi-year variable remuneration (total)	–	–	–	–	–	–	–	–
LTI 2019–2022	–	–	–	–	–	–	–	–
LTI 2020–2023	–	–	–	–	–	–	–	–
= Total performance-related remuneration	**699**	**44.6**	**618**	**42.5**	**437**	**42.3**	**34**	**40.6**
+ Miscellaneous [113]	–	–	–	–	–	–	–	–
= Total remuneration	**1,568**	**100.0**	**1,455**	**100.0**	**1,033**	**100.0**	**83**	**100.0**

Remuneration granted and owed

	Dr.-Ing. Petra Mayer, ordinary member of the Board of Management (since November 1, 2022)				**Dr.-Ing. Markus Müller, ordinary member of the Board of Management**			
	2023		2022		**2023**		2022	
	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Basic remuneration	580	56.1	97	58.2	580	56.0	580	57.7
+ Additional benefits	17	1.6	2	1.2	19	1.8	20	2.0
= Total non-performance-related remuneration	**597**	57.7	**99**	**59.4**	**599**	57.8	**600**	**59.7**
+ One-year variable remuneration (total)	437	42.3	67	40.6	437	42.2	405	40.3
STI 2022	–	–	67	40.6	–	–	405	40.3
STI 2023	437	42.3	–	–	437	42.2	–	–
+ Multi-year variable remuneration (total)	–	–	–	–	–	–	–	–
LTI 2019–2022	–	–	–	–	–	–	–	–
LTI 2020–2023	–	–	–	–	–	–	–	–
= Total performance-related remuneration	**437**	42.3	**67**	**40.6**	**437**	42.2	**405**	**40.3**
+ Miscellaneous	–	–	–	–	–	–	–	–
= Total remuneration	**1,034**	**100.0**	**166**	**100.0**	**1,036**	**100.0**	**1,005**	**100.0**

[113] Miscellaneous remuneration comprises any remuneration not covered by the other remuneration components, e.g. severance payments or compensation for a non-compete period.

Remuneration of the Board of Management members in 2023 pursuant to section 314 (1) no. 6a HGB The total remuneration for the Board of Management of DEUTZ AG recognized in expenses for 2023 was €5,583 thousand (2022: €4,214 thousand). This consisted of short-term benefits of €4,958 thousand (2022: €4,359 thousand) and share-based long-term benefits as part of the long-term incentive plans amounting to €625 thousands (2022: €-145 thousands).

Remuneration to former members of the Board of Management and their surviving dependants amounted to €1,021 thousand at DEUTZ AG and within the Group (2022: €6,845 thousand). Provisions of €9,396 thousand have been recognized to cover pension obligations to former members of the Board of Management (December 31, 2022: €9,836 thousand).

Review of whether Management remuneration is typical The Supervisory Board regularly reviews the level of the Board of Management's remuneration in order to ensure that it is typical for the market and is competitive. This review involves checking and assessing factors such as whether the remuneration is typical in comparison with that of Board of Management members in similar companies and is typical in comparison with remuneration and employment conditions within DEUTZ. Companies are selected that are similar to DEUTZ, particularly in terms of the criteria country, sector, and size. Within DEUTZ, a comparison is made with the current situation and with the situation over time in respect of senior management and the workforce as a whole.

The remuneration of the Board of Management members was last reviewed in 2023. It was found to be typical. Two peer groups were formed in order to assess whether the remuneration is typical in comparison with that in similar companies. The first peer group primarily consisted of German listed companies that were similar to DEUTZ in terms of sector, volume of revenue, and number of employees. The following companies formed part of this peer group: Aumann AG, DMG Mori AG, ElringKlinger AG, Hella GmbH & Co. KGaA, Jost Werke SE, Jungheinrich AG, Kion Group AG, Knorr-Bremse AG, SAF-Holland SE, Schaeffler AG, SGL Carbon SE, STABILUS SE, Sulzer AG, Traton SE, VARTA AG, Vitesco Technologies Group AG, Wacker Neuson SE. The SDAX was chosen as the second peer group because DEUTZ is listed on the SDAX.

C.2. Remuneration of former members of the Board of Management

The remuneration that was granted and owed to the former members of the DEUTZ AG Board of Management pursuant to section 162 (1) no. 1 AktG amounted to € 1,516 thousand in 2023.

Dr.-Ing. Hiller, who stepped down from the Board of Management in the 2022 financial year, is entitled to granted and owed compensation of €700 thousand in the 2023 financial year to settle his remuneration entitlements due to early termination, which were entirely attributable to non-performance-related components. Of the granted and owed compensation, €698 thousand (99,7 percent of total remuneration) is attributable to the STI 2023, for which a target achievement of 145 percent was agreed as part of the compensation payment and €2 thousand (0.3 percent of total remuneration) to fringe benefits. The portion of the compensation for the LTI 2023 depends crucially on the performance of the DEUTZ share price during the relevant performance periods, which means that the financial value of this variable component of the compensation cannot be determined until 2026 after the end of the performance period for the LTI 2023 tranche. Furthermore, an amount of € 165 thousand was paid into the benevolent fund under the occupational pension plan agreed with Dr. Ing. Hiller.

As part of his stepping down early from the Board of Management in the 2022 financial year, Mr. Wellenzohn is entitled to a granted and owed compensation of €446 thousand in the 2023 financial year to settle his contractual entitlements, which were entirely attributable to non-performance-related components. Of the granted and owed compensation, €290 thousand (65,0 percent of total remuneration) is attributable to the pro rata basic remuneration and €150 thousand (33,6 percent of total remuneration) to the pro rata STI 2023, for which a target achievement of 100 percent was agreed as part of the compensation payment, and €6 thousand (1,4 percent of total remuneration) for fringe benefits. The portion of the compensation for the pro rata LTI 2023 depends on the performance of the DEUTZ share price during the relevant performance periods, which means that the financial value of this variable component of the compensation cannot be determined until 2026 after the end of the performance period for the LTI 2023 tranche.

The remuneration granted and owed to Dr. Margarete Haase, who left in 2018, amounted to €56 thousand in 2023 and was entirely attributable to her fixed, non-performance-related retirement pension. Dr.-Ing. Helmut Leube, who left in 2016, received a fixed, non-performance-related retirement pension of €80 thousand in 2023. The remuneration of the other former members, who stepped down from the DEUTZ AG Board of Management more than ten years ago, amounted to €234 thousand in 2023 and was entirely attributable to the granting of fixed, non-performance-related retirement pensions.

C.3. Disclosures on the relative change in the remuneration of the Board of Management, the remuneration of the rest of the workforce, and the Company's earnings performance

The following table shows the year-on-year change in the remuneration granted and owed to the Board of Management members in the reporting year, the earnings performance of DEUTZ AG, and the remuneration of the workforce. The change in the remuneration granted and owed to the Management Board members is based on the remuneration shown above (see section C. »Amount of Management Board remuneration in 2023«, chapters 1 and 2, remuneration granted and owed).

The earnings performance is presented on the basis of EBIT for the Company (DEUTZ AG) and on the basis of EBIT before exceptional items for the Group (DEUTZ Group). Both are among the main financial KPIs. The remuneration of the workforce shows the average remuneration of the salaried and non-salaried employees of the Company (DEUTZ AG) in Germany (excluding trainees, apprentices, and interns). To ensure comparability, the remuneration of part-time workers was extrapolated into remuneration for full-time equivalents.

The pension payments to Dr. Margarete Haase and Dr.-Ing. Helmut Leube, who have already stepped down from the Management Board, will be made by the benevolent fund and not by DEUTZ AG.

	2023	2023 vs. 2022	2022 vs. 2021	2021 vs. 2020	2020 vs. 2019
Board of Management remuneration	Absolute value	Year-on-year change (%)			
Dr. Sebastian C. Schulte	€1.568 thousand	7.8	40.3[114]	–	–
Timo Krutoff	€1.033 thousand	1,144.4[115]	–	–	–
Dr.-Ing. Petra Mayer	€1.034 thousand	522.8[116]	–	–	–
Dr.-Ing. Markus Müller	€1.036 thousand	3.1	22.0[117]	–	–
Dr.-Ing. Frank Hiller (until February 13, 2022)	€700 thousand	-73.3	80.1	88.3	-47.2
Michael Wellenzohn (until September 06, 2022)	€446 thousand	-55.4	-7.7	75.6	-50.6
Dr. Margarete Haase (until April 30, 2018)	€56 thousand	1.0	1.0	1.0	1.0
Dr.-Ing. Helmut Leube (until December 31, 2016)	€80 thousand	1.0	1.0	1.0	1.0
Earnings performance of DEUTZ					
EBIT of DEUTZ AG	€72.7 million	-1.9	104.1	131.7[118]	-226.2
EBIT before exceptional items of the DEUTZ Group	€120.4 million	34.7	140.3	149.8	-194.8
Average remuneration of the DEUTZ AG workforce					
Workforce		12.2	3.5	-0.2	3.5

[114] As Dr. Sebastian C. Schulte did not join the Board of Management until 2021, a comparison with his 2020 remuneration is not possible.
[115] As Timo Krutoff did not join the Board of Management until 2022, a comparison with his 2021 remuneration is not possible.
[116] As Dr.-Ing. Petra Mayer did not join the Board of Management until 2022, a comparison with her 2021 remuneration is not possible.
[117] As Dr.-Ing. Markus Müller did not join the Board of Management until 2021, a comparison with his 2020 remuneration is not possible.
[118] The difference compared with the 2021 remuneration report is due to an adjustment to the EBIT of DEUTZ AG for 2021.

III. Remuneration for Supervisory Board members

A. Remuneration system in 2023

The remuneration system for the Supervisory Board was adjusted in the 2023 financial year. The remuneration system for the members of the Supervisory Board, which is governed by section 15 of the Company's Statutes, was submitted to the Annual General Meeting on April 27, 2023, and approved by the AGM with 99.73 percent of the votes. The remuneration of the Supervisory Board is structured so as to help to attract highly qualified people to the Supervisory Board and ensure that they remain with the Company. This means that the Supervisory Board can advise the Board of Management on the development of strategy and monitor the work of the Board of Management.

The annual remuneration of the Supervisory Board members consists of fixed basic remuneration, fixed remuneration for committee membership, and attendance fees for participating in meetings of the Supervisory Board and its committees. The basic remuneration and committee remuneration are paid annually after the end of the financial year, before the Annual General Meeting; the attendance fees are paid after each meeting attended.

With the coming into effect of the amendment to the Company's Statutes, each ordinary member of the Supervisory Board is paid fixed basic remuneration of €45,000 per year. The chairperson of the Supervisory Board receives €112,500 and the deputy receives €67,500. In addition, members of the Audit Committee receive €25,000 per year and members of the Human Resources Committee receive €20,000 per year, members of the Nomination Committee receive €10,000 per year and members of the Mediation Committee receive €5,000 per year. The chairpersons of each committee receive double these amounts, and their deputies one-and-a-half times these amounts. In addition, each member is paid an attendance fee of €2,000 for each Supervisory Board meeting and committee meeting attended.

Furthermore, DEUTZ reimburses the members of the Supervisory Board for any VAT they incur in connection with the performance of their mandate and ensures that appropriate liability insurance is taken out (D&O insurance).

B. Remuneration granted and owed in 2023

The remuneration granted and owed to the members of the Supervisory Board in 2023 is shown below. Remuneration granted is the remuneration for which the related (one-year or multiple-year) work has been performed in full. Remuneration owed is when DEUTZ has a legal obligation to the Supervisory Board member that is due but has not yet been fulfilled.

In respect of the remuneration components in 2023, »granted and owed« specifically refers to the following:

Remuneration granted and owed in 2023 (section 162 (1) sentence 2 no. 1 AktG)

Remuneration components
Fixed basic remuneration (promised for membership of the Supervisory Board in 2023)
Remuneration for committee membership (promised for membership of a committee in 2023)
Attendance fee (promised for attendance of meetings in 2023)

The remuneration granted and owed for the 2023 financial year amounts to a total of €1,112.7 thousand for all members of the Supervisory Board in the 2023 financial year, including pro rata temporis where applicable. The breakdown of the total remuneration by individual Supervisory Board member is shown in the following table:

	Fixed basic remuneration		Remuneration for committee membership		Attendance fee		Total remuneration
	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand
Dr. Dietmar Voggenreiter (chairman since February 12, 2022)	100.5	45.5	85.0	38.5	35.5	16.1	221.0
Sabine Beutert (deputy chairwoman since September 22, 2022)[ER119]	64.7	40.7	62.0	38.9	32.5	20.4	159.2
Sophie Albrecht (until April 27, 2023)	12.8	57.1	5.1	22.8	4.5	20.0	22.5
Dr.-Ing. Bernd Bohr (until April 27, 2023)	12.8	74.0	0.0	0.0	4.5	26.0	17.3
Yavuz Büyükdag (until Month Date, 2023)[ER]	18.5	75.5	0.0	0.0	6.0	24.5	24.5
Dr. Fabian Dietrich[ER]	43.2	55.5	12.6	16.2	22.0	28.3	77.8
Helmut Ernst (since April 27, 2023)	30.3	69.2	0.0	0.0	13.5	30.8	43.8
Hans-Peter Finken (until March 31, 2023)	16.8	73.6	0.0	0.0	6.0	26.4	22.8
Melanie Freytag (since April 27, 2023)	30.3	64.0	3.5	7.5	13.5	28.5	47.4
Patricia Geibel-Conrad	43.2	37.4	47.1	40.9	25.0	21.7	115.2
Ismail-Hilmi Kocer (since June 14, 2023)[ER]	24.7	67.3	0.0	0.0	12.0	32.7	36.7
Gottfried Laengert (since June 14, 2023)[ER]	24.7	62.9	2.5	6.4	12.0	30.6	39.2
Alois Ludwig (until April 27, 2023)	12.8	45.4	6.4	22.7	9.0	31.9	28.2
Dr.-Ing. Rudolf Maier	43.2	49.6	19.9	22.9	24.0	27.6	87.0
Bernd Maierhofer (since April 27, 2023)	30.3	69.2	0.0	0.0	13.5	30.8	43.8
Katja Olligschläger (since July 24, 2023)[ER]	19.8	71.3	0.0	0.0	8.0	28.7	27.8
Hans-Jörg Schaller (since June 14, 2023)[ER]	24.7	67.3	0.0	0.0	12.0	32.7	36.7
Corinna Töpfer-Hartung (until April 27, 2023)[ER]	18.5	54.4	6.5	19.1	9.0	26.5	34.0
Ali Yener (until Month Date, 2023)[ER]	18.5	66.4	3.4	12.1	6.0	21.5	**27.9**
Total	**590.2**		**254.0**		**268.5**		**1,112.7**

[119] ER = Employee representative.

C. Disclosures on the relative change in the remuneration of the Supervisory Board, the remuneration of the rest of the workforce, and the Company's earnings performance

The following table shows the year-on-year change in the remuneration granted and owed to the Supervisory Board members in the reporting year, the earnings performance of DEUTZ AG, and the remuneration of the workforce. The earnings performance of DEUTZ AG and the remuneration of its workforce are calculated in the same way as in the section on Board of Management remuneration.

	2023	2023 vs. 2022	2022 vs. 2021	2021 vs. 2020	2020 vs. 2019
Supervisory Board remuneration	Absolute value (€ thousand)	Year-on-year change (%)			
Dr. Dietmar Voggenreiter (chairman since February 12, 2022)	221.0	29.9	236.8	9.8	40.0
Sabine Beutert (deputy chairwoman since September 22, 2022)ER[120]	159.2	70.7	25.1	6.4	-4.1
Sophie Albrecht (until April 27, 2023)	22.5	-69.0	9.0	4.7	10.2
Dr.-Ing. Bernd Bohr (until April 27, 2023)	17.3	-73.7	-61.3	4.6	-2.7
Yavuz Büyükdag (until June 14, 2023)ER	24.5	-55.5	8.9	9.8	-6.1
Dr. Fabian DietrichER	77.8	41.4	8.9	9.8	-6.1
Helmut Ernst (since April 27, 2023)	43.8	–	–	–	–
Hans-Peter Finken (until May 31, 2023)ER	22.8	-58.6	8.9	9.8	-6.1
Melanie Freytag (since April 27, 2023)	47.4	–	–	–	–
Patricia Geibel-Conrad	115.2	35.6	5.6	5.9	-3.8
Ismail-Hilmi Kocer (since June 14, 2023)ER	36.7	–	–	–	–
Gottfried Laengert (since June 14, 2023)ER	39.2	–	–	–	–
Alois Ludwig (until April 27, 2023)	28.2	-68.1	22.9	-4.0	2.0
Dr.-Ing. Rudolf Maier	87.0	58.3	8.9	368.0	0.0
Bernd Maierhofer (since April 27, 2023)	43.8	–	–	–	–
Katja Olligschläger (since July 24, 2023)ER	27.8	–	–	–	–
Hans-Jörg Schaller (since June 14, 2023)AN	36.7	–	–	–	–
Corinna Töpfer-Hartung (until April 27, 2023)ER	34.0	-70.1	-5.6	5.2	-1.3
Ali Yener (until June 14, 2023)ER	27.9	-55.8	5.0	14.3	-7.9
Earnings performance of DEUTZ					
EBIT of DEUTZ AG	€72.7 million	-1.9	104.1	131.7[121]	-226.2
EBIT before exceptional items of the DEUTZ Group	€120.4 million	34.7	140.3	149.8	-194.8
Average remuneration of the DEUTZ AG workforce					
Workforce		12.2	3.5	-0.2	3.5

[120] ER = Employee representative
[121] The difference compared with the 2021 remuneration report is due to an adjustment to the EBIT of DEUTZ AG for 2021.

Auditors's report

To DEUTZ AG, Köln

We have audited the remuneration report of DEUTZ AG, Köln, for the financial year from January 1 to December 31, 2023, including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The executive directors and the supervisory board of DEUTZ AG are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDIT OPINION

In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1 to December 31, 2023, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

REFERENCE TO AN OTHER MATTER – FORMAL AUDIT OF THE REMUNERATION REPORT ACCORDING TO § 162 AKTG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

RESTRICTION ON USE

We issue this auditor's report on the basis of the engagement agreed with DEUTZ AG. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Cologne, March 13, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

SEPARATE COMBINED NON-FINANCIAL REPORT

About this report

Scope, report content and reporting period The content of this separate combined non-financial report relates to the 2023 financial year and summarizes the reports of DEUTZ AG as the parent company and the DEUTZ Group in accordance with sections 289b (3) and 315b (3) HGB (hereinafter referred to as the »non-financial report«). Unless indicated otherwise, all quantitative and qualitative disclosures pertain to the Group as a whole (»we«), including the Torqeedo Group. Disclosures that relate only to DEUTZ AG are labeled accordingly.

In accordance with Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ('EU Taxonomy Regulation'), any company that is required to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU must disclose in its non-financial statement how and to what extent its activities are associated with economic activities that qualify as environmentally sustainable in the sense of Article 3 and Article 9 of the EU Taxonomy Regulation. We make the relevant disclosures in our non-financial report. See also Information on the Taxonomy Regulation (EU) 2020/852, p. 143.

On January 12, 2024, we signed an agreement to sell our subsidiary Torqeedo.[122] As a result, this activity is presented as a discontinued operation in accordance with IFRS 5 in both our consolidated financial statements and our combined management report. With regard to our non-financial report, with the exception of the disclosures on the EU Taxonomy Regulation and the key figures contained therein for the 2023 reporting year, Torqeedo will continue to be included unless otherwise stated. See Product stewardship, p. 132, and Events after the reporting date, p. 224, for further information. With regard to the disclosures on the EU Taxonomy Regulation, Torqeedo's business activities are only taken into account in the calculation of taxonomy-eligible/compliant investment and operating expenses. See Information on regulation (EU) 2020/852 - Taxonomy Regulation, p. 143

This non-financial report makes reference to further information provided elsewhere in the annual report. References to disclosures outside the scope of the consolidated financial statements, the annual financial statements of DEUTZ AG, and the combined management report for 2023 do not form part of the non-financial report.

Reportable topics and framework In accordance with section 315c in conjunction with sections 289c to 289e HGB, this non-financial report summarizes the key topics identified as a result of the materiality assessment of environmental matters, treatment of employees, social responsibility, respect for human rights, measures to combat corruption and bribery, and other matters. See also Materiality analysis, p. 115.

Key topics	Aspects under the HGB
Product stewardship	■ Social responsibility ■ Environmental matters
Product quality	■ Environmental matters ■ Other
Corporate governance and compliance	■ Treatment of employees ■ Respect for human rights ■ Measures to combat corruption and bribery
Data protection	■ Respect for human rights ■ Other
HR management	■ Treatment of employees ■ Respect of human rights
Occupational health and safety	■ Treatment of employees ■ Respect for human rights
Supplier management	■ Respect for human rights ■ Measures to combat corruption and bribery ■ Environmental matters
Environmental and climate protection	■ Environmental matters

As a result of our last stakeholder survey conducted in 2022, we also identified material topics that can only partly be assigned to the aspects defined under HGB. See also the 2022 Non-financial report, p. 97. These topics are therefore included in the preceding table under the non-HGB-defined »Other« aspect. The ongoing war in Ukraine did not have any direct material impact on the topics defined as material or on the related KPIs in 2023.

The German Sustainability Code serves as the framework for this report. The content, for example, is based in part on the underlying aspects of the Code's criteria and in particular criteria 1–3, 5–9, 13–15, 17–18, and 20.

Risks pursuant to section 289c (3) nos. 3 and 4 HGB Using the net method, no material risks were found in relation to our own business activities, business relationships, products, or services or to aspects relating to the key topics pursuant to section 289c (3) nos. 3 and 4 HGB that are very likely to have a serious impact on those aspects subject to reporting requirements now or in the future. See Combined management report, risk report, p. 74 onward, for information on risks and opportunities.

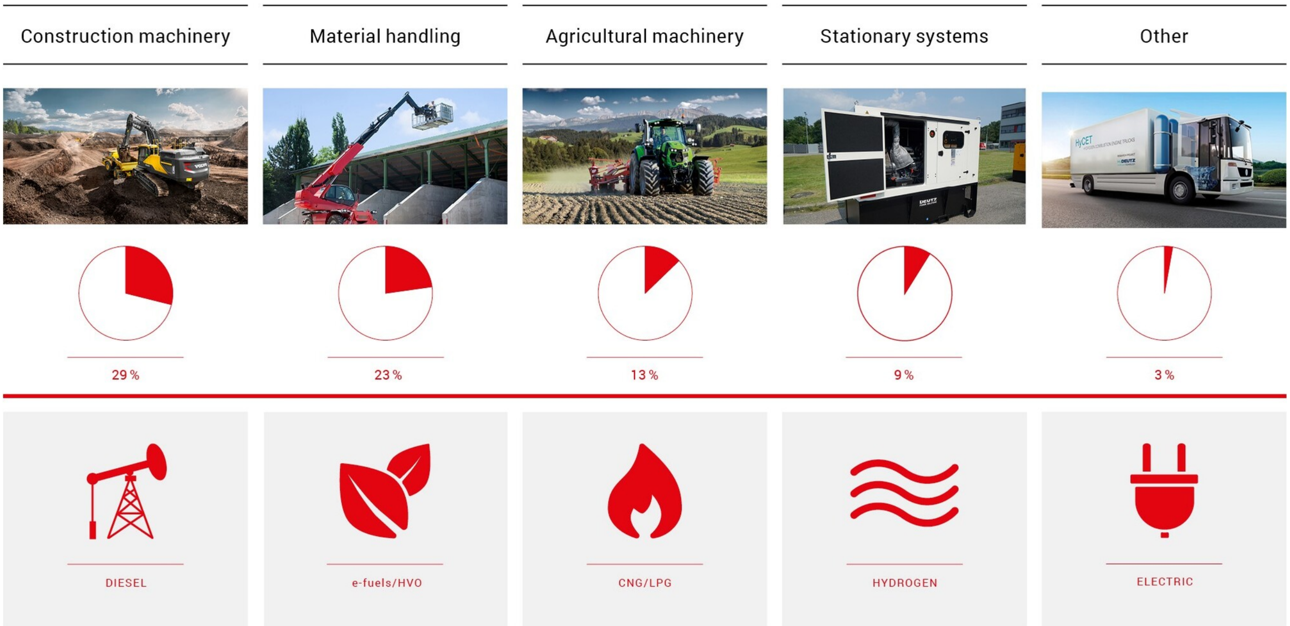
Content review On behalf of the Supervisory Board of DEUTZ AG, our non-financial report was voluntarily submitted for an external review with limited assurance pursuant to ISAE 3000 (Revised). See p. 157 for the limited assurance engagement and the independent practitioner's report.

[122] See press release dated January 19, 2024.

Business model

The core competencies of our Company, which was founded in 1864 and has around 5,300 employees around the world, are the development, production, and distribution of drive solutions for **off-highway** applications. Our product portfolio extends from diesel and gas engines to electric and hydrogen drives. Key areas of application for DEUTZ drives include construction equipment, agricultural machinery, **material handling** equipment such as forklift trucks and lifting platforms, commercial vehicles, and rail vehicles. We also offer a comprehensive range of analog and digital services through around 1,000 sales and service partners in over 120 countries. See Combined management report, Business model and segments, p. 36 onward, and Strategy and objectives, p. 37 onward.

Portfolio of technology-neutral drive systems for different application segments[123]



[123] Revenue share based on Group revenue 2023, continuing activities, excl. service revenue (23 percent).

Sustainability organization and management

DEUTZ Sustainable Development Committee (SDC)
Responsibilities and reporting structure

Member of the Board of Management responsible for sustainability
Dr. Sebastian Schulte, CEO

Supervisory Board

Sustainable Development Committee (SDC)

Strategy Development
Quality Management | Investor Relations

Non-Financial Reporting/Sustainability Communications
Investor Relations

Topic-specific responsibilities at DEUTZ AG level

Corporate citizenship	Corp. Governance und Compliance	Supplier management	Personnel development	Product stewardship	Occupational health and safety	Strategy	Environmental & climate protection
Head of Corporate Communications & Investor Relations	Chief Compliance Officer	Head of Sustainability and Compliance in Purchasing	Head of Human Resources	Head of Global Product Management	Head of Quality, Safety, Health and Environment	Head of Strategy and Transformation	Head of Quality, Safety, Health and Environment

Local representatives at the subsidiaries

Sustainability is firmly anchored at senior management level in our Company, and overall responsibility lies with the Chairman of the Board of Management. The Sustainable Development Committee (SDC), which comprises the heads of the relevant departments and the individuals responsible for the key sustainability topics, provides the information that is used as the basis for making decisions related to corporate sustainability in the DEUTZ Group. The DEUTZ AG strategy team has been a permanent member of the SDC since 2023. The aim is to link the further development of our overarching corporate strategy more closely to our sustainability work, and to take greater account of the interaction between the two areas.

Guided by the Group's Investor Relations function and the Quality Management team, the SDC sets sustainability-related targets, creates action plans for achieving them, and discusses the continuous improvement of sustainability efforts across the Group at regular intervals. Responsibility for implementing and monitoring strategic initiatives lies either with the relevant departmental heads or the individuals nominated by them. In view of the fact that the DEUTZ Group is highly decentralized, they are supported in their work by local representatives at the subsidiaries.

The SDC regularly reports to the Board of Management on progress with implementation of the sustainability strategy and on changes to its content. This reporting includes an update on the current situation with regard to the sustainability-related KPIs. The objective, as part of a preventive risk management approach, is to identify risks that might jeopardize the achievement of the targets at an early stage and to modify the action plan if necessary. See also Corporate governance and compliance, p. 118 onward.

The Supervisory Board, in its function as an oversight body, is updated by the Board of Management and/or the SDC management at least once a year on the Company's sustainability activities. In addition, in the 2023 reporting year, the Supervisory Board attended a seminar on carbon neutrality in the transport sector and a training session on the topic of sustainability reporting, especially with regard to the **CSRD**, as well as related tasks and responsibilities of the Supervisory Board.

Furthermore, the Chairwoman of the Audit Committee of the Supervisory Board was informed in detail about the status of sustainability-related reporting and the internal implementation of the Corporate Sustainability Reporting Directive.

Materiality analysis

We conducted a questionnaire-based stake-holder survey in 2022 to identify sustainability-related topics of importance to us. See also the 2022 Non-financial report, p. 97. In 2023, the SDC and the Board of Management once again confirmed the findings of the stakeholder survey. We thus continue to regard certain overarching topics, including the individual topics referenced above, as key to understanding the development, performance, and position of the Group and the impact of our business activities on the non-financial aspects defined in accordance with HGB. These topics are product stewardship, HR management (including occupational health and safety), **corporate governance** and **compliance**, supplier management, and environmental and climate protection. We report on our **corporate citizenship** activities on a voluntary basis in this report.

The content of our non-financial report is also enhanced through ongoing analysis of sustainability-related questionnaires completed by customers and rating agencies, for example. This ensures that any information that is routinely surveyed, but which we have not yet reported, is added to the report, thus continually enhancing the level of transparency in the interests of our stakeholders.

The new **Corporate Sustainability Reporting Directive (CSRD)** came into force at the beginning of 2023, and we at the DEUTZ Group will be implementing it from January 1, 2024, onward. By setting out specific requirements, for example that the materiality analysis must follow the principle of »double materiality«, and introducing the mandatory **European Sustainability Reporting Standards (ESRS)**, the Directive aims to ensure that all stakeholders can understand and compare companies' sustainability activities.

We conducted an external and internal stakeholder survey at the end of 2023 to identify sustainability-related topics of importance to us, in accordance with the new requirements. The results will be published in March 2025 along with our 2024 annual report.

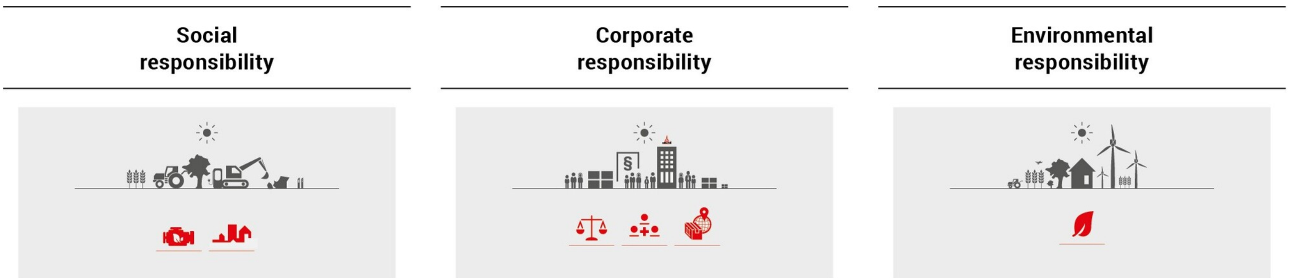
Sustainability strategy and objectives

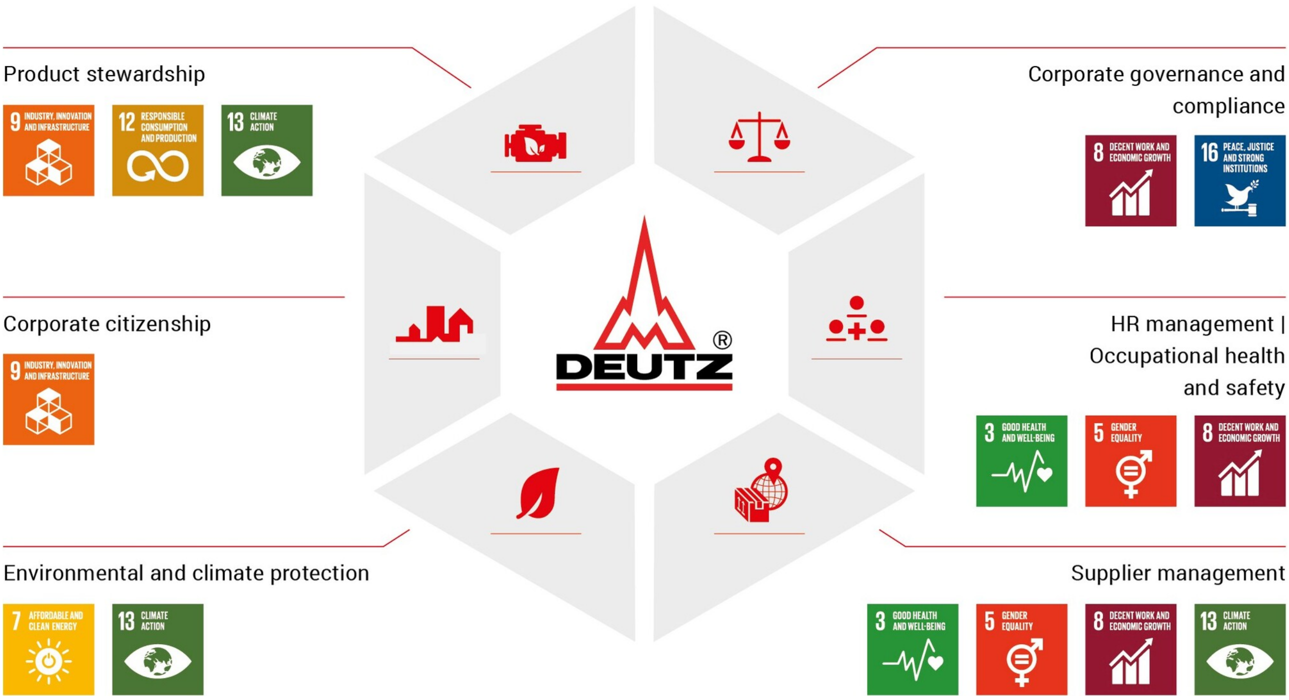
The name of the groupwide sustainability strategy, »Taking Responsibility«, reflects our ambition of achieving our financial objectives while fulfilling our environmental, social, and corporate governance responsibilities. Consequently, our sustainability activities are divided into three fields of action to which the key topics of relevance to us are assigned. All the quantitative targets we have set ourselves to achieve this are brought together in our Sustainability Vision. See »DEUTZ Sustainability Vision 2023 and 2026« at a glance, p. 117.

Because we are an integral part of global value chains, the DEUTZ Group has an influence on economic, environmental, and social developments.

We are aware of the responsibility that comes with this, and as a consequence signed up to the **United Nations Global Compact (»UNGC«)** in 2021. As a member of the UNGC, we have voluntarily undertaken – on the basis of ten universally accepted principles – to promote human rights, fair working conditions, environmental protection, and the fight against corruption and to support the achievement of the United Nations' general objectives, in particular its 17 **sustainable development goals** (»SDGs«). We focus on a total of eight of the 17 SDGs, which are incorporated into the strategic planning of groupwide sustainability activities, with the aim of continually raising our own contribution to their achievement.

«Taking Responsibility» – DEUTZ's sustainability strategy





Sustainability as a component of Board of Management remuneration In accordance with the **German Corporate Governance Code**, remuneration for the Board of Management must be aligned with the sustainable, long-term growth of the Company and contribute to the delivery of the business strategy. Our sustainability strategy forms an integral part of the overarching corporate strategy, which means that incentives need to be put in place to ensure that it is implemented rigorously. The Board of Management remuneration system includes a sustainability target, for example. The specific performance criteria in this context, which apply not only to all members of the Board of Management but also to other senior managers, are specified on an annual basis by the Supervisory Board.

These criteria currently relate to environmental and climate protection targets, alternative drives, **corporate governance**, occupational health and safety, **diversity**, personnel development, and supply chains. See also Remuneration report, p. 88 onward.

»Sustainability Linked Loan« We restructured the Group's funding in 2022. In addition to better overall terms and conditions, the new lending arrangements include an **ESG** component derived from our sustainability strategy. A continuous improvement in the **recordable incident rate (RIR)** and a reduction in CO_2 emissions by 2028 were the specific key performance indicators that were agreed.

»DEUTZ Sustainability Vision 2023 and 2026« at a glance

Key topics	Corresponding key figures[124]	Targets for 2023	Targets for 2026[125]	Status in 2023
Corporate governance and compliance	■ Proportion of workforce to have completed compliance training[126]	> 95 %	> 95 %	97.8
HR management	■ Proportion of women in the workforce[127]	> 10 %	12 %	13.9
	■ Proportion of women in management positions[128]	> 20 %	18 %[129]	14.9
	■ Ratio of trainees to total employees[130]	2.5–3.0 %	2.5–3.0 %	2.5 %
	■ Engagement[131]	78 %	80 %[132]	73 %
	■ Enablement[133]	69 %	75 %[134]	68 %
	■ Rate of staff turnover[135]	5–10 %	5–10 %	8.2 %
Occupational health and safety	■ Recordable Incident Rate[136]	8.5	7	6.0
Supplier management	■ Proportion of new production component suppliers to have had their compliance	90 %[137]	100 %[138]	73 %
	■ Number of existing suppliers to have had their compliance with the supplier code of conduct verified (cumulative numbers)	55[139]	25[140]	83
	■ Proportion of suppliers assessed against sustainability criteria[141]	50 %	80 %	73 %
	■ Proportion of suppliers that have passed business partner compliance checks[142]	20 %	–	19 %
Environmental and climate protection	■ CO_2 emissions from production sites (tonnes CO_2e)[143]	'-61%[144]	'-66 %[145]	'-73 %
	■ CO_2 emissions from production sites per manufactured engine (kg CO_2e)[146]	'-66 %[147]	'-70 %[148]	'-77 %
	■ Waste for disposal	'-10 %[149]	'-15 %[150]	'-28 %

124 The key figures defined as part of our sustainability strategy are not currently part of the internal management system.
125 The targets for 2026 were set in the 2022 financial year.
126 To be completed by all administrative employees of the DEUTZ Group.
127 Including staff on fixed-term contracts but excluding temporary workers.
128 Including staff on fixed-term contracts but excluding temporary workers, second level below the Board of Management.
129 The reason for this reduction is because even a small number of personnel changes in this narrow field has the potential to disproportionately affect the ratio.
130 Number of trainees at the sites in Cologne, Ulm, and Herschbach (Germany) in relation to the number of employees in Germany, including staff on fixed-term contracts but excluding temporary workers, Torqeedo, and Futavis.
131 Measured using a groupwide employee survey (all employees within the Group including staff on fixed-term contracts but excluding temporary workers).
132 Target for 2025, as the Group-wide employee survey is to be conducted every two years from now on.
133 Measured using a groupwide employee survey (all employees within the Group including staff on fixed-term contracts but excluding temporary workers).
134 Target for 2025, as the Group-wide employee survey is to be conducted every two years from now on.
135 Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers. The calculation includes both resignations and dismissals.
136 For the production sites in the DEUTZ Group, excluding joint ventures. The recordable incident rate (RIR) is the number of reportable accidents at work per year per one million hours worked. An accident is deemed reportable if it occurs during working hours on the Company's premises while an insured activity is taking place and results in an absence of more than three calendar days. The day of the accident itself is not counted, but weekends are included if a medical certificate has been issued by an occupational health practitioner. Working hours are defined as the recorded or calculated actual time spent working and/or traveling by the employees. The working hours of permanent employees are counted, as are those of temporary workers, employees with fixed-term contracts, part-time staff, interns, and student workers.
137 90 percent of the production component suppliers brought on board between 2020 and 2023.
138 100 percent of new production component suppliers added between 2024 and 2026.
139 2020 to 2023; existing suppliers as at the end of 2019. Verified by way of on-site audits.
140 2024 to 2026; existing suppliers as at the end of 2023. Verified by way of on-site audits.
141 Proportion of the top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year.
142 Existing suppliers with which DEUTZ's purchasing volume for the prior year exceeded €0.5 million.
143 CO_2e = carbon dioxide equivalents; CO_2 emissions from the production sites of the DEUTZ Group excluding joint ventures. CO_2 figures are reported in accordance with the Greenhouse Gas Protocol and are determined by multiplying the energy consumed by the relevant emissions factor.
144 Base year 2017.
145 Base year 2017.
146 Excluding joint ventures. CO_2e = carbon dioxide equivalents; CO_2 figures are reported in accordance with the Greenhouse Gas Protocol. The 'emissions per engine' figure is calculated by dividing total emissions by the number of engines made. CO_2 reporting covers Scope 1 (CO_2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline and hydrogen caused by combustion in our own facilities) and Scope 2 (CO_2 emissions relating to purchased energy (e.g. electricity, district heating)). Only internal combustion engines and electric drives are counted.
147 Base year 2017.
148 Base year 2017.
149 Base year 2019.
150 Base year 2019.

Corporate responsibility

Corporate governance and compliance

We understand good corporate governance and compliance to mean acting responsibly and in accordance with the laws of the countries in which DEUTZ operates. We also understand this to mean showing integrity and adopting an ethical and moral approach in day-to-day business conduct toward not only business partners and employees but also investors and other stakeholders of the Company. As this represents the foundations for a sustainable and successful system of corporate governance, the key tasks of our groupwide compliance organization include cementing the importance of integrity and compliance in the mind of every DEUTZ employee, effectively preventing or limiting the manifestation of compliance risks, and taking rigorous action against breaches of the rules. In addition, compliance includes ensuring that any legal requirements that must be made of third parties are also fulfilled.

Compliance organization We have established a groupwide compliance organization to ensure that we as a company and our employees act in accordance with the prescribed rules and regulations. At the heart of the organization is the internal compliance management system (CMS), whose function includes combating corruption and bribery, tackling money laundering, and ensuring compliance with export regulations and antitrust laws. As measures to combat corruption and bribery form an integral part of the CMS, these issues and the topics introduced above are explained together in the following section.

In accordance with the schedule of responsibilities, the Supervisory Board of DEUTZ AG has delegated overall responsibility for the groupwide compliance organization to the Chairman of the Board of Management of DEUTZ AG. He appoints the Chief Compliance Officer, and together they appoint individual compliance coordinators who are responsible for compliance in their respective departments. Twice a year, the coordinators submit a written report to the Chief Compliance Officer, who in turn reports to the Board of Management and the Audit Committee of the Supervisory Board. As well as information on changes to the legal situation, the reports also focus on compliance-relevant matters, possible risks associated with these matters, and the countermeasures in place to mitigate or eliminate the risks. The basic principles of the compliance organization are set forth in a groupwide compliance policy.

The Chief Compliance Officer and compliance coordinators hold regular meetings to plan the compliance activities that need to be initiated. The Compliance department also works closely with the Legal Affairs department, the Data Protection Officer, and Corporate Audit. The latter is involved in a supportive capacity in all key compliance activities and conducts ad hoc investigations, for example to uncover cases of corruption on behalf of the Chief Compliance Officer. It also carries out compliance audits to address other potential compliance violations or fraudulent acts. Corporate Audit's plan for these follows a risk-oriented approach that takes into account the Corruption Perceptions Index produced by Transparency International. There were no confirmed cases of corruption in the DEUTZ Group in 2023.

DEUTZ code of conduct and human rights code | UNGC 1–10 The successful and sustainable management of a company depends not only on the achievement of targets but also on the manner in which they are achieved. The DEUTZ code of conduct is the primary means of providing our employees with guidance on how to conduct themselves with integrity and in accordance with the law. The code contains mandatory rules for behavior that cover areas such as respect for human rights, working conditions and social responsibility, anti-competitive practices, and data protection. It also sets out our zero-tolerance approach to corruption and bribery. Organizational policies on specific topics supplement the code of conduct. They either summarize or provide more detail on laws and regulations as well as internal rules, and all employees are required to abide by them. Because of our global activities, our employees operate within different legal frameworks and value systems. To ensure that every employee follows standardized rules of behavior in spite of this, the code of conduct is applicable across the Group and available in seven languages.

As a member of the United Nations Global Compact, we attach particular importance to respect for human rights. With this in mind and to supplement our general code of conduct, we adopted a groupwide human rights code in 2023. It serves to document the human rights principles that are most relevant to us and underlines our commitment to international conventions and declarations such as the UN Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. In particular, we condemn all forms of hatred and anti-Semitism. This is why we joined the solidarity campaign »Never again is now« together with many other German companies during the reporting period.

We view compliance with the rights, obligations, and prohibitions contained in our human rights code as an essential part of our internal and external interactions. The human rights code therefore applies not just to us as a company but also to our employees, suppliers, and other business partners. Our aim is to ensure that human rights are upheld within our own sphere of influence and that we are not indirectly complicit in human rights abuses. For further information see also Supplier management, p. 129 onward.

The latest versions of our code of conduct and human rights code are available to download for employees on the intranet and for third parties on our website under Compliance.

Compliance training To support our employees in their efforts to avoid breaking the law or breaching regulations, they are required to complete annual compliance training in the form of e-learning courses or classroom-based training. At the start of the year, all of DEUTZ's administrative employees[151] are assigned training modules that they are asked to complete by November 30 of that year. The modules are assigned according to the employees' individual areas of responsibility and finish with tests that confirm whether the e-learning course has been completed and the content of the training has been assimilated. Disciplinary action may be taken if an employee fails to participate in the e-learning. and they will still have to complete it the following year but in a shorter period of time.

To take account of recent developments, for example new laws or regulations, the content of the training is regularly reviewed and expanded with new topic areas as needed. In addition to the fixed modules (basic principles of compliance, anti-corruption, antitrust law, export controls and embargoes, health and safety in the office, prevention of money laundering/financing of terrorism, and information security), the training program includes further modules that change on an annual basis. These cover subjects such as data protection for employees, the German General Equal Treatment Act (AGG) and non-discrimination, and how to handle trade secrets, and prevent insider trading. In 2023, a new module for dealing with conflicts of interest was rolled out.

In 2023, a total of 3,649 (97.8 percent) of all administrative employees within the Group successfully completed their e-learning. We therefore achieved or rather exceeded our target of increasing the proportion of the workforce to have successfully completed compliance training to more than 95 percent by 2023.

DEUTZ Group: Proportion of workforce to have completed compliance training[152]

%	2023	2022	2021	2020	2019
Proportion of workforce to have completed compliance training	**97.8**	97.4	99.1	97.3	98.1

Whistleblowing system To identify, at the earliest possible stage, behavior that violates laws or regulations and to immediately put a stop to any proven misconduct, we have established a publicly accessible whistleblowing system for the purposes of reporting suspected compliance violations. Every suspected violation is documented in a uniform way and treated in accordance with the groupwide compliance policy.

The whistleblowing system is available to employees and to third parties, such as suppliers, on the Company website under Compliance. Strict secrecy and confidentiality are guaranteed both for whistleblowers and for the individuals involved. This is maintained during the course of any investigation that is launched if, following a careful review of the evidence, there are concrete indications that a law or regulation has been violated. People can also report actual or suspected compliance violations, anonymously if they so wish, by email, post, or fax. All reports are treated in accordance with Group policy.

No confirmed human rights abuses were reported via the whistleblowing system in 2023.

Business partner compliance tool | UNGC 10 We expect not only our employees to act in compliance with the law but also our business partners. We have implemented an IT-based business partner compliance tool that enables us to respond appropriately and at an early stage to matters such as suspected money laundering, anti-competitive practices, corruption, or bribery on the part of our business partners. The tool provides a web-based self-declaration form that business partners are asked to fill out and then checks both the company itself and the members of its governing and supervisory bodies as well as the beneficial owners against up-to-date sanctions lists. On the basis of the information obtained, the business partners are classified using an internal DEUTZ risk model and, if required, action is taken to minimize risks.

Since the end of 2020, the business partner compliance tool has been used at our sites in Germany to conduct compliance checks on new business partners of DEUTZ AG. At the same time, work began on progressively applying these checks to existing business partners as well. The tool is set to be rolled out to DEUTZ companies based outside Germany soon. In 2023, the first rollouts took place at the Benelux companies and the French subsidiary.

In 2023, the business partner compliance tool was used to conduct checks on a total of 557 (2022: 348) business partners of DEUTZ AG. In two cases, this resulted in the end of an existing business relationship.

Risk management Dealing responsibly with risks is an important part of good corporate governance. The Board of Management holds primary responsibility for groupwide risk management. With the help of DEUTZ's internal risk management system, it is able to proactively identify groupwide risks so that it can respond rapidly to potentially relevant changes in the risk profile. Because all the departments are integrated into the risk management system, the monitoring of risks can be said to be comprehensive and it includes those that may arise in relation to corruption and bribery. Corporate Audit evaluates the system at regular intervals to verify whether it is functioning effectively.

[151] Here, the term administrative employees includes all individuals who are employed by the DEUTZ Group, including its foreign affiliates, as at November 30 of any given year and who can connect to the Group's IT infrastructure and have access to a PC. It excludes employees who left the Company during the year, were on parental leave, or were absent for more than 50 percent of the year due to long-term sick leave. The service companies of the Diesel Motor Nordic Group acquired in the 2023 reporting year and the engine dealer Mauricio Hochschild Ingeniería y Servicios S.A. were not yet integrated into the DEUTZ Group's IT infrastructure as at the reporting date.
[152] Only includes administrative employees.

The DEUTZ Group generally conducts risk inventories four times a year. The Treasury department is responsible for identifying, assessing, and hedging financial risks as part of this. See also the risk report in the combined management report, p. 74 onward. The identification and assessment of sustainability-related risks arising from the company's own business activities, business relationships and/or products and services that could have a negative impact on the non-financial aspects defined under the German Commercial Code (HGB) is carried out as part of a manual examination by the management of the Sustainable Development Committee (SDC) and should have been integrated into the Group's regular, system-based risk inventory in 2023. In view of the far-reaching changes in the course of CSRD implementation, including with regard to sustainability-related risk management, integration is now planned for 2024. Risks with regard to the achievement of sustainability-related key figures will continue to be examined manually for the time being and regularly reported to the Board of Management.

High-priority human rights risks and environmental risks in our own area of business As part of our implementation of the German Supply Chain Due Diligence Act (LkSG), we carried out extensive analysis to identify human rights risks and environmental risks in our own area of business in 2023. This involved reviewing our subsidiaries using a tool that is established within DEUTZ and identifies any reports pertaining to relevant risks, for example in connection with human rights issues or labor practices. The tool draws on publicly accessible information and predefined data sources. Based on the due diligence obligations set forth in section 3 LkSG, we also created a questionnaire, which we used to assess specific risks. In addition to DEUTZ AG, selected foreign subsidiaries were taken into account. With a view to 2024, we intend to extend the questionnaire-based risk analysis to all subsidiaries.

The results of the risk analysis and the remedial measures have been published in our declaration of principles regarding the Supply Chain Due Diligence Act, which is publicly accessible on our website under »Compliance«. For further information see Supplier management, p. 129 onward.

German Corporate Governance Code In addition to laws, regulations, and internal policies, the regulatory framework in which we operate encompasses other standards and guidelines such as the **German Corporate Governance Code.** For further information see p. 20 onward for the corporate governance declaration for DEUTZ AG and the Group and the corporate governance report. The declaration of conformity issued by the Board of Management and Supervisory Board is published on the Company website under Corporate Governance.

Stakeholder engagement and dialogue For us, a stakeholder is any person, organization, or company with which we maintain relations or are in dialogue or that has an interest in us and seeks dialogue with us. Our shareholders are an important stakeholder group. They routinely exercise their rights of membership and rights of codetermination at the Annual General Meeting, with each share granting one vote at the Annual General Meeting. The Annual General Meeting decides on matters such as the appropriation of profit and the formal approval of the actions of the Board of Management and Supervisory Board. It also elects the auditor as well as the shareholder representatives to the Supervisory Board. For further information see Composition of the Supervisory Board, p. 17. In addition, the Annual General Meeting rules on matters pertaining to the legal basis of the Company, such as amendments to the Statutes or corporate actions. It also passes advisory resolutions for the approval of the remuneration system for the Board of Management submitted by the Supervisory Board and for the details of the Supervisory Board's remuneration, and recommendatory resolutions for the approval of the remuneration report for the previous year.

With regard to general capital market communications, we undertake to comply with the transparency guidelines in the **German Corporate Governance Code**, always communicating with private shareholders, investors, financial analysts, and all other interested capital market players comprehensively, promptly, and openly. Each quarter, for example, a conference call for investors, analysts, and journalists is held to coincide with the publication of the Company's latest financial results. The Board of Management and the Investor Relations management team are also available for talks with interested parties from the capital markets at conferences, roadshows, and private meetings. In 2023, a Capital Markets Day was also held at the headquarters in Cologne. We communicate other current developments and significant events by means of press releases. We also proactively seek to engage in ad hoc dialogue with proxies, for example, in order to discuss matters such as their expectations or the business decisions that have been made and to jointly reflect on the underlying reasons. In addition, our Supervisory Board chairman as well as the Board of Management make themselves available to answers questions to properly registered investors and shareholders at the abovementioned Annual General Meeting at the very least.

Data protection

The collection, processing, and storage of data is essential for the day-to-day running of the business. In addition to data relating to machinery, processes, and other applications, it includes the personal data of employees, suppliers, customers, etc. As an engine manufacturer, DEUTZ operates in a business-to-business market. This means that while the processing of personal data is not a core focus, it is still necessary for certain activities.

Data breaches and the misuse of personal data have the potential to significantly damage relationships with employees or business partners. All stakeholders rely on us to protect their data against misuse. This is also why we believe that upholding data protection rights forms part of our corporate responsibility. It is therefore critical for us, not just from a legal perspective but also in our own interests, to handle data responsibly and to comply with the relevant laws and regulations. The DEUTZ code of conduct therefore also covers data protection.

Data protection organization The Data Protection department bears overall responsibility for the implementation of data protection laws, the monitoring of compliance with them, and ongoing improvements to the data protection organization. DEUTZ has appointed a Data Protection Officer (DPO), who is not bound by instructions from the Company's management and reports directly to the Chief Financial Officer of DEUTZ AG on matters such as audits, complaints, and progress in implementing the data protection measures. In addition to handling data protection matters, the DPO is also responsible for communicating with the regulatory body.

At operational level, each organizational unit within the DEUTZ Group appoints a Data Protection Manager (DPM). The DPM's job is to ensure that any processes in place in their department involving the processing of personal data are documented and evaluated. See also Documentation and evaluation processes, p. 122.

The subsidiaries of the DEUTZ Group generally bear individual responsibility for compliance with local data protection laws and internal requirements. However, DEUTZ AG's data protection organization provides support if necessary.

To give the departments the best possible support, the DPO is supported by a data protection coordinator (DPC). The primary task of the DPC is to train the DPMs in the proper use of the data protection software and to advise on the implementation of processes relevant to data protection law.

Data protection policy Any personal data collected and stored by DEUTZ is processed solely for the intended purpose, in a verifiable manner, carefully, and in accordance with the applicable data protection laws. An overarching organizational policy covering data protection ('data protection policy') summarizes the basic rules for handling the personal data of employees and third parties. It is based on the provisions of the European General Data Protection Regulation (GDPR) and describes how to collect, process, and use personal data in compliance with the law, as well as the tasks and responsibilities of the Data Protection Officer. The policy is mandatory for all employees of the DEUTZ Group. Specific data protection matters, such as the protocol for erasure and archiving, are detailed in supplementary organizational policies.

At the end of 2022, we extended our data protection policy, for example regarding the rights of data subjects and responsibilities. In 2023, we held global training sessions on our data protection policy.

For 2024, we plan to adopt a data protection code to supplement our internal data protection policy. The code is intended to provide all our stakeholders with guidance on how to conduct themselves in accordance with data protection law, define what we expect from our business partners in terms of data protection, and set out in greater detail the data protection aspects in our general DEUTZ code of conduct.

Data protection training To ensure as far as possible that employees handle data in compliance with the law and relevant policies, all administrative employees in the DEUTZ Group are required to regularly complete data protection training as part of the **compliance** e-learning program. For further information see Corporate governance and compliance, p. 118 onward. Employees of DEUTZ AG can also access various documents on the intranet, including practical guides and self-learning materials, that provide further information.

Violations of the organizational policies or of existing laws may result in disciplinary action, contractual measures, or consequences under criminal law. The procedure for reporting known or suspected breaches of data protection is described in the data protection policy. Employees can also submit reports using a form available on the intranet. The data protection team investigates all data protection reports and notifies the relevant regulatory body if necessary. There were no incidents in 2023 that needed to be reported to the regulatory body.

With the aim of establishing a continuous improvement process, certain data protection KPIs were defined in 2023 in order to measure the effectiveness of implemented data protection measures for internal purposes. In addition, the structure and functioning of the data protection organization were audited by Corporate Audit. The potential for improvement identified in that process also serves as a starting point for strategically enhancing our data protection organization.

Documentation and evaluation processes We use web-based data protection software with the aim of simplifying and standardizing our documentation and evaluation processes related to data protection. The software enables data processing activities to be comprehensively documented and evaluated at the same time, providing a basis for developing and initiating any necessary risk-mitigating measures.

In 2023, the focus on using the software to document new and existing data processing activities within the Group was maintained.

Assessment of data protection risk with regard to third parties The day-to-day running of the business requires us to work with various external partners, including customers and suppliers as well as companies to which certain processes and services are outsourced. The sharing and/or processing of personal data forms a routine part of this work. For us to fulfill all our responsibilities with regard to data protection, we must not only monitor our own data processing activities but also ensure that third parties ('processors') have adequate technical and organizational measures in place to protect personal data. In pursuit of this aim, we conduct **vendor risk assessments (VRAs)** on any supplier where necessary.

HR management

At the end of 2023, we employed a total of 5,283 people.[153] They are based in around 20 countries and therefore subject to different local conditions, requirements, and legal systems. Our human resources organization is essentially decentralized. This gives the subsidiaries the strategic and organizational freedom they need to tailor their HR management activities to their specific needs and thus respond flexibly to local circumstances.

Number of employees by region[154]

	2023	2022	2021
Europe	4,449	4,281	4,123
thereof Germany	3,568	3,434	3,273
Americas	452	398	339
Brazil	26	25	24
Australia	21	20	19
Asia-Pacific	29	30	37
India	7	6	0
Japan	6	5	0
Morocco	74	70	69
China	133	140	140
Total	**5,283**	**4,975**	**4,751**

Under our sustainability strategy, we have set various targets for HR management that relate to the entire DEUTZ Group, despite the largely decentralized organizational structure. We also strive to centralize and, at the same time, digitalize HR management wherever it makes sense to do so.

In 2023, we introduced various meeting formats in order to facilitate dialogue at global level in HR and to create a transparent organizational environment together with all those responsible for HR locally. The formats focused, for example, on the development of a common mission and vision, the standardization of performance management, and the implementation of a uniform, groupwide bonus structure for all employees who are not covered by collective pay agreements or who are on international assignments.

On the digitalization front, we began a process back in 2019 to introduce an SAP-based IT landscape for HR that would allow us to standardize the format of our employee master data, among other things. In the years since, the DEUTZ AG sites, the site in the USA, and the Spanish subsidiary DEUTZ Spain have been migrated to the new system and the medium-term objective is to bring the sites in China on board.

Representation of interests and codetermination | UNGC 3, 6
Pay-scale employees in Germany, who make up the majority (around 91 percent[155]) of the DEUTZ AG workforce, are subject to the collective pay agreement of the metalworking and electrical engineering industry. Their interests are represented by the works councils at the individual sites. A key task for these works councils is to monitor whether DEUTZ AG is fulfilling its responsibility to society as an employer. To enable them to perform this task, they are afforded the right to be informed about certain decisions and actions of the employer and to participate and have a say in them. HR matters such as working hours, pay, and occupational health and safety are among the key issues that are subject to this codetermination process. The works councils of DEUTZ AG therefore get involved in all employee-related matters regarding recruitment, remuneration, reassignment, and dismissal. Their primary objective is to agree mutually acceptable rules and arrangements for the matters at hand. The rights and obligations of the works councils in Germany are derived from the German Works Constitution Act (BetrVG). A dedicated works council represents the interests of the Spanish employees at the site in Zafra.

The particular interests of employees with disabilities or equivalent status are additionally monitored and protected by the disabled persons' representative and an inclusion officer. Performing a similar role to that of the works council, the disabled persons' representative ensures that DEUTZ AG adheres to the laws, collective pay agreements, and works agreements that are in place for disabled employees. In 2023, to the best of our knowledge, we employed a total of 128 people with disabilities or equivalent status.

An elected Senior Staff Committee represents the interests of our senior managers. Both the works council and senior managers also appoint representatives to the Supervisory Board, thereby exercising their right of codetermination.

Corporate culture and internal communications »Dual+« is the new strategy we formulated at the beginning of 2023 that clearly sets out the operational course for the Green and Classic segments and for the related service business. We are implementing this strategy in all regions and functions through our Powering Progress transformation program. See also Strategy and objectives, p. 37 onward. Part of this implementation involves a structural change in how we work together and changes to our corporate culture. In 2022, we therefore began working on our 5 Ts. Standing for trust, transparency, truth, team, and tenacity, they define how we want to work with each other, how we lead, and how we measure leadership. In 2023, an initial employee survey was conducted that explored questions such as how successfully the 5 Ts were being put into practice in day-to-day work. Numerous workshops were also held in which around half of our employees familiarized themselves with the new strategy and the associated way of working. Team members from different functions and departments, at various locations, and across

[153] Full-time equivalents (FTEs); including Torqeedo, excluding temporary workers.
[154] Full-time equivalents (FTEs); including Torqeedo, excluding temporary workers.
[155] Full-time equivalents (FTEs); including Torqeedo, excluding temporary workers.

hierarchies discussed what Dual+ and our 5 Ts mean in practice for their work and what the best way is for them to incorporate the transformation-related content into their role. This resulted in a multitude of ideas and suggestions for improvement that were fed back to the Board of Management.

In 2022, to reinforce the perception of the Company being one team and to encourage a more open and more modern corporate culture, the DEUTZ Board of Management had given the entire workforce the option of addressing them by their first names.

We use various communication channels to keep our workforce up to date to the fullest possible extent. They include letters to staff, the Company intranet, Board of Management video updates, and our DEUTZ Mobile app, which can currently be downloaded by all employees of DEUTZ AG and our Spanish subsidiary DEUTZ Spain on their personal or work smartphones and/or tablets. The app provides access to a wide range of information on or related to DEUTZ and is continually being improved and added to. In 2023, for example, we introduced a new »Ask the Board of Management« section, which gives any employee the opportunity to anonymously yet openly put questions directly to the members of the DEUTZ Board of Management. The »Like« button can be used by employees to indicate their agreement and at regular intervals – at least once a month – responses to the most liked questions are provided in the form of comments. The plan in the medium term is to make the DEUTZ Mobile app available at other sites as well.

Analog formats are also used. For example, a works meeting is held at the DEUTZ AG sites at least once a year, at which the Board of Management and works council inform employees of current developments.

The DEUTZ code of conduct is the primary means of providing employees with guidance on how to conduct themselves with integrity in their day-to-day work. It contains mandatory rules for behavior, whose aims include creating a working environment that is free of discrimination, bullying, and harassment. The code of conduct applies across the Group and must be adhered to by all employees. See also Corporate governance and compliance, p. 118 onward.

Diversity and equal opportunities | **UNGC 1, 3–6** Diversity in society, influenced by globalization and by demographic and societal shifts, is also reflected in the world of work. We firmly believe that having a diverse set of employees with different skills and talents opens up opportunities for innovative and creative solutions. This is one reason why we strive to ensure a respectful, non-discriminatory, and prejudice-free working environment for all employees – regardless of their age, ethnicity, nationality, gender, gender identity, physical and mental capabilities, religious beliefs and worldview, sexual orientation, or social background. The groupwide DEUTZ code of conduct and our human rights code are key tools for providing employees with guidance not only on compliance with laws and regulations but also on how to conduct themselves with integrity in their day-to-day work. Applicable to all employees, they contain mandatory rules for behavior aimed at creating a working environment that is free of discrimination, bullying, and harassment. In the event of confirmed violations of the provisions of our codes, we take appropriate legal and/or disciplinary measures in accordance with internal rules. See also Corporate governance and compliance, p. 118 onward.

In 2021, to lend weight to our efforts to establish an equality-friendly management culture, we signed up to the Diversity Charter and thus pledged our commitment to cultivating an organizational culture characterized by mutual respect and appreciation. In 2023, this saw us take part in Germany's **Diversity** Day again and we raised rainbow flags, a symbol of tolerance and respect for diversity, at our headquarters from late May to late June.

We also attach a high priority to increasing the proportion of women in our Company. Recruitment decisions should therefore be made solely on the basis of the candidate's professional suitability and there should be equal pay for women and men. This means that an employee's remuneration is essentially determined by their personal and professional qualifications and by the responsibilities assigned to them. For the approximately 95 percent of DEUTZ AG employees covered by a binding collective pay agreement, gender-specific differences in salaries for equal tasks are excluded from the outset.

We regularly participate in a cross-mentoring program that is run specifically to help female management trainees advance in their careers. Under the scheme, the mentee works in tandem with a mentor from a different company in order to gain insight into the structures and processes that are in place at another organization. In addition, our female employees had the opportunity to strengthen their internal women's network at the »Meet & Eat with Petra« sessions, which were held on multiple dates in 2023. During these lunches, attended by member of the Board of Management Dr. Petra Mayer and other female colleagues, they were able to share ideas and experiences and make new contacts – regardless of which department or role they worked in or where they were in their career.

Back in 2019, as part of our sustainability strategy, we had undertaken to increase the proportion of women in the workforce as a whole and in management positions to more than 10 and more than 20 percent respectively by the end of 2023. At the beginning of 2022, we then set ourselves an increased target of 12 percent for the proportion of women in the workforce as a whole and a lower target of 18 percent for the proportion of women in management positions, in both cases to be achieved by 2026. The reason for the reduction was because it had already become clear by that point that the target for 2023 would not be achieved as even a small number of personnel changes in this narrow field has the potential to disproportionately affect the percentage share.

DEUTZ Group: Proportion of women

%

	2023	2022	2021	2020	2019
Proportion of women in the workforce[156]	**13.8**	12.9	13.0	12.1	11.4
Proportion of women in management positions[157]	**15.3**	15.4	11.4	11.4	12.4

In 2023, women made up 13.8 percent of the total workforce, so the target for 2023 and the medium-term target for 2026 were both exceeded. At 15.3 percent, the percentage of women in management positions was, as expected, below the figure that had been targeted for 2023. It was also lower than in the prior year, despite the absolute number of women in management positions rising by around 30 percent. This was because the overall number of managers increased much more sharply, in part due to the addition of consolidated entities

Employee motivation and empowerment A company's success and capacity for innovation depends to a large extent on its employees' motivation and satisfaction (engagement) and empowerment (enablement), and not just on their ability to do their job. We endeavor to provide our employees with a working environment that motivates and empowers them at every stage of their working life. Some of the measures offered by DEUTZ AG in this context are as follows: fair pay, the agreement of individual targets, paid vacation, flexible working time models for balancing work with family life, the option of working remotely, a children's day care center at the headquarters in Cologne, a wide variety of healthcare and sports programs, an equality-friendly management culture, a bonus-driven ideas management scheme, and a comprehensive training and development program.

The bonus-driven ideas management scheme allows any employee at DEUTZ AG to put forward ideas for discussion, such as how to improve product quality, enhance the portfolio of drive systems and services, make the working environment more efficient, and optimize existing processes. Not only does this help to foster a culture of innovation in the Company, but it can also increase employees' motivation and give them a greater sense of empowerment, for example because they can suggest ways to improve their working conditions. Our employees submitted a total of 695 ideas in 2023.

We introduced two new formats to our internal training and development program in 2023. They were TALENTS@DEUTZ and a mentoring scheme that is designed for the entire workforce, unlike the cross-mentoring program, which is only for female management trainees. The mentoring scheme sees DEUTZ managers act as mentors and share their work and career-related knowledge, networks, and expertise with young employees, the mentees, over a period of twelve months. Regular tandem meetings allow mentors and mentees to compare notes in person, and they can shadow each other in their day-to-day work. We designed TALENTS@DEUTZ specifically for aspiring individuals looking to take on their first management role or a management role with greater responsibility, for employees who have gained initial managerial experience and want to advance to a more senior position in the long term, and for employees who are targeting a specialist career as an expert in their field. The program is divided into three phases. The first is the nomination phase, in which an employee is either nominated by their manager or proactively applies themselves. In the second phase, the candidates go through a selection process in which they are assessed against certain performance criteria and metrics to identify those with the most talent and potential. The third and final phase is the two-year development program. Tailored to particular target groups and individuals, it aims to build on the participants' existing strengths and leverage their potential, expand their internal and external networks, broaden their knowledge, and encourage them to share their experiences. The nomination phase was completed at the beginning of 2024 and the development phase will start in the second quarter of the year once we have identified and selected the first participants.

Employee survey In 2019, in order to be able to measure the engagement (motivation) and enablement (empowerment) of our workforce, we carried out a groupwide employee survey for the first time and set ourselves the target of keeping the results of the survey at the same level or better until 2023. In 2023, we shortened the frequency of the survey from every three to every two years, adjusted the definitions of engagement and enablement that underpin the results, and revised the format and content of the survey to provide greater anonymity and a higher number of more in-depth questions. Not only did this help us achieve a higher participation rate, but it now also allows us to benchmark ourselves externally. However, this does mean that comparison between the results from the 2019 and 2023 surveys is no longer possible.

[156] Including staff on fixed-term contracts but excluding temporary workers.
[157] Including staff on fixed-term contracts but excluding temporary workers. The second level below the Board of Management, i.e. all female managers who report directly to a manager in the top level of senior management and have managerial responsibility.

The employee survey carried out in 2023[158] found that 73 percent of our employees were motivated (engagement) and 68 percent felt empowered to do their work (enablement). 84 percent of the participating employees were proud to work at DEUTZ and 79 percent would recommend us to others as a good employer.

Our results are higher than the average achieved by other companies. However, we are determined to do even better and have set ourselves the target of achieving an engagement score of 80 percent and an enablement score of 75 percent in the next employee survey in 2025. We will use the insights gained from the most recent survey as a starting point for devising initiatives to help us on our way. Initial workshops for the development of specific measures have already taken place.

Training We attach great importance to training, and our success in this area is regularly confirmed by external organizations. In 2023, for example, the Cologne Chamber of Industry and Commerce recognized the training center at our headquarters in Cologne, the Factory for Talents, for its outstanding achievements in vocational training for the 13th year in succession. Meanwhile, the German Chamber of Industry and Commerce honored a DEUTZ apprentice for achieving the best final exam results in their field. The University of Konstanz also recognized us as a »Training provider committed to integration« last year. We have been part of its »Integration@Work: skills shortage & integration of apprentices in the workplace« research project since 2022. As part of the project, regular surveys are conducted among selected apprentices over the three years of their apprenticeship. The aim is to understand when integration in the workplace – and thus the apprenticeship – is successful, and what obstacles there are, particularly for apprentices who are recent immigrants.

DEUTZ AG: Ratio of trainees to total employees[159]

%	**2023**	2022	2021	2020	2019
Ratio of trainees to total employees	2.5	2.4	2.7	3.2	2.6

In 2023, a total of 34 apprentices embarked on careers at DEUTZ AG and the ratio of trainees to total employees at the end of 2023 was 2.5 percent. This kept us on track to achieve our target of maintaining the ratio of trainees to total employees at between 2.5 percent and 3.0 percent in each year up to 2026.

Staff turnover We believe that a certain degree of staff turnover is beneficial to the Company's culture. Although efforts should of course be made to retain the services of experienced workers, new employees bring with them new perspectives that can help a business to develop and improve its ability to innovate. Our HR activities are therefore aimed at ensuring the groupwide rate of staff turnover remains within a range of 5 to 10 percent up to 2026.

DEUTZ Group: Rate of staff turnover[160]

%	**2023**	2022	2021	2020
Rate of staff turnover	8.2	9.6	10.5	6.3

In 2023, the rate of staff turnover for the DEUTZ Group was 8.2 percent and therefore within the targeted range.

[158] 3,206 employees participated in the survey (participation rate: 67 percent), including staff on fixed-term contracts but excluding temporary workers.
[159] Number of trainees at the sites in Cologne, Ulm, and Herschbach (Germany) in relation to the number of employees in Germany, including staff on fixed-term contracts but excluding temporary workers, Torqeedo, and Futavis.
[160] Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers; number of employees calculated as full-time equivalents (FTEs). The calculation includes both resignations and dismissals.

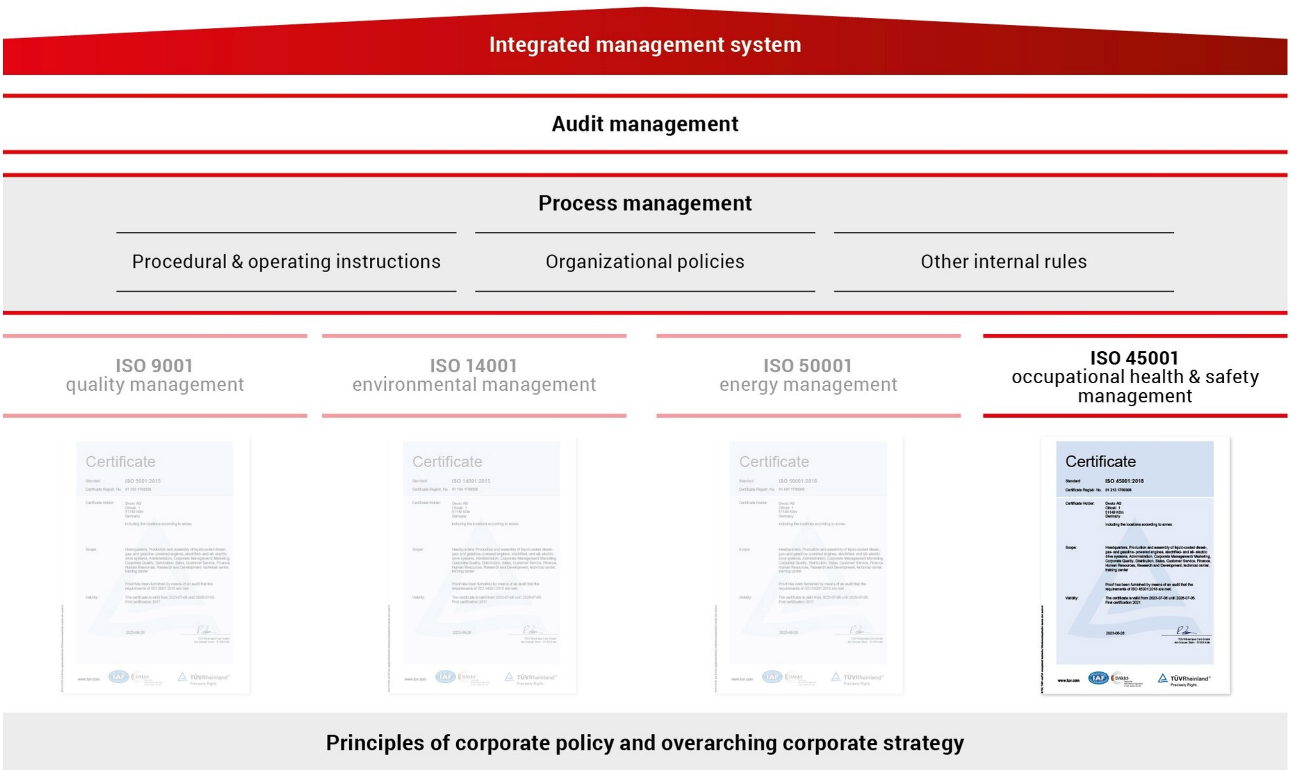
Occupational health and safety

Financial considerations must never be allowed to compromise the health and safety of staff, because every individual has the fundamental right to health and physical well-being. We recognize that providing a safe working environment that is conducive to health is part of our responsibility as an employer. Across the Group, we therefore comply with the statutory requirements on occupational health and safety that apply from country to country and implement measures based on local circumstances.

At present, occupational health and safety within the DEUTZ Group is still largely managed at local level. This means that, unless indicated otherwise, the following information essentially relates to the sites of DEUTZ AG, where the majority of the Group's workforce – around 63 percent[161] – is based. However, we aim to set up a centralized organization and implement standardized health and safety measures on a groupwide basis. In pursuit of this aim, we put together a global safety board in 2023 comprising the occupational health and safety representatives of the German and non-German Group companies[162]. Their common objective is, in the medium term, to define minimum global standards for occupational health and safety and to establish standardized best practice processes. In 2023, the global safety board's discussions focused on the current accident situation and on tracking departmental KPIs and the achievement of related targets.

ISO 45001 certification | UNGC 1 In 2021, the **integrated management system (IMS)** that had been established in Germany was extended to cover occupational health and safety. See also Product quality, p. 135 onward, for further information on the IMS. This entailed a matrix certification process, in accordance with the global ISO 45001 standard, that started with the Cologne sites. ISO 45001 sets out the requirements for an effective system for managing occupational health and safety. After the German sites in Ulm and Herschbach were assessed by the certification auditors in 2022, a recertification process took place at the headquarters in Cologne in 2023. The production site in Zafra, Spain, has held ISO 45001 certification since 2019. Based on the number of people employed at production sites across the Group, the ISO 45001 certification covered around 73 percent of the Group's workforce as at December 31, 2023.[163]

The management of occupational health and safety at DEUTZ AG is organized by DEUTZ SICHERHEIT Gesellschaft für Industrieservice mbH as part of general safety management. This company's overarching objective is to protect the health of employees over the long term while ensuring, as a consequence, that they can continue to perform to the required level.



[161] Percentage calculated on the basis of full-time equivalents (FTEs); including Torqeedo, excluding temporary workers.
[162] Excluding joint ventures.
[163] Percentage calculated on the basis of full-time equivalents (FTEs); including Torqeedo, excluding temporary workers.

In addition to general preventive measures, for example those initiated as a result of accidents, its main tasks include the ongoing analysis and evaluation of potential hazards and the specification of suitable countermeasures to minimize risk. Regular training is provided to the key players in occupational health and safety to ensure that their knowledge is up to date and in keeping with the times.

In order to raise awareness of occupational health and safety among our workforce, all managers must provide their staff with relevant annual training. Furthermore, all of DEUTZ's administrative employees are required to complete a training module on health and safety in the office as part of their annual compliance e-learning courses.[164] For further information see Corporate governance and compliance, p. 118 onward, for further information on the e-learning courses.

Risk assessments and health and safety inspections | UNGC 1 Internal risk assessments and subsequent inspections play an integral role in how workplace safety is managed at DEUTZ AG and our Spanish subsidiary, DEUTZ Spain. The frequency with which these take place depends on the extent and type of the risk presented by the machinery or workspace. Any issues identified are documented in action plans that specify a timeframe for remedial measures to be taken. In addition to internal audits, the employers' liability insurance association carries out health and safety inspections at regular intervals at our DEUTZ sites in Germany.

The occupational safety measures at our foreign production sites that do not have a certified occupational health and safety management system are designed in accordance with local requirements.

Management of hazardous substances | UNGC 1 We use hazardous substances in our engine production that could cause harm to people and the environment if they are not handled properly. DEUTZ AG manages hazardous substances in such a way that the related hazards are either avoided entirely through the use of substitutes or reduced to a minimum as a result of technical and organizational measures. These include training courses and manuals that provide employees with guidance on how to handle hazardous substances safely. Whereas the priority with regard to hazardous substances had previously been on systematic documentation and the establishment of approval processes, the focus since 2022 has primarily been on purchasing. The aim is to ensure, across the Group, that only approved hazardous substances are able to be purchased.

Occupational healthcare center and cooperating company doctors Measures to protect employees' health are managed and offered centrally by the occupational healthcare center at the headquarters in Cologne and the company doctors at the Ulm site that cooperate with the center. In addition to regular consultation times, the offering includes mandatory check-ups and medicals, advice on nutrition, ergonomics, and addiction, a range of vaccinations, and a managed process of returning to work after illness or injury that is run in conjunction with the HR department. Furthermore, a Health Day was held at the headquarters in Cologne and at the Ulm site in 2023.

Recordable incident rate The recordable incident rate (RIR)[165] is one of the means of measuring and monitoring the effectiveness of the measures described above.

DEUTZ Group: Recordable incident rate (RIR)

	2023	**2022**	**2021**	2020	2019
RIR	6.0	8.8	9.4	7.4	11.2

As part of our Sustainability Vision for 2023, we set ourselves the target of improving the RIR to 8.5 by the end of 2023 and, in the medium term, to 7 by 2026.

The DEUTZ Group's RIR improved year on year from 8.8 to 6.0 in 2023, thus reaching the target we had set ourselves. This positive trend is proof that the preventive measures and the regular provision of training is gradually paying off.

As in the previous years, there were no fatal accidents in 2023.

[164] Here, the term administrative employees includes all individuals who are employed by the DEUTZ Group, including its foreign affiliates, as at November 30 of any given year and who can connect to the Group's IT infrastructure and have access to a PC. It excludes employees who left the Company during the year, were on parental leave, or were absent for more than 50 percent of the year due to long-term sick leave. The service companies of the Diesel Motor Nordic Group acquired in 2023 and the engine dealer Mauricio Hochschild Ingeniería y Servicios S.A. were not yet integrated into the DEUTZ Group's IT infrastructure as at the reporting date.

[165] For the production sites in the DEUTZ Group, excluding joint ventures. The recordable incident rate (RIR) is the number of reportable accidents at work per year per one million hours worked. An accident is deemed reportable if it occurs during working hours on the Company's premises while an insured activity is taking place and results in an absence of more than three calendar days. The day of the accident itself is not counted, but weekends are included if a medical certificate has been issued by an occupational health practitioner. Working hours are defined as the recorded or calculated actual time spent working and/or traveling by the employees. The working hours of permanent employees are counted, as are those of temporary workers, employees with fixed-term contracts, part-time staff, interns, and student workers.

Supplier management

DEUTZ maintains business relationships with around 5,600 suppliers in more than 60 countries. With a purchasing volume of nearly €1.3 billion worldwide, our supply chain makes a significant contribution to our value creation process. As our subsidiaries are mainly sales companies, overall responsibility for supplier management[166], including the approval of production component suppliers, lies predominantly with DEUTZ AG as the executive parent company. Despite this, the purchasing-related targets we have set ourselves as part of our sustainability strategy apply not only to DEUTZ AG but to the DEUTZ Group as a whole.

Standardization of Group purchasing We intend to gradually centralize Group purchasing so that, in the medium term and as far as is reasonably practical, all subsidiaries will be subject to the same principles as apply at DEUTZ AG. In 2021, as a first step, we set up a groupwide organizational structure for purchasing and established the Purchasing Excellence department, which assumed global responsibility for the purchasing function's strategy, governance, processes, methods, and tools. We also set up a platform that is able to provide a transparent overview of our global supplier base. Our companies in China and Morocco were integrated into this platform in 2022, with the remaining affiliated companies integrated during the reporting period. Furthermore, we adopted a groupwide purchasing guideline in 2023 to ensure that purchasing activities across the Group follow agreed standards. We also introduced a new meeting format for international dialogue in 2023 with the aim of facilitating collaboration across our multi-site purchasing organization. In addition to operational topics, all projects aimed at sustainable procurement are also presented. One of the most important building blocks here is the Supply Chain Due Diligence Act, which requires global cooperation. However, the importance of sustainable procurement is growing independently of the law and the fundamental embedding of available information on sustainability aspects in decision-making processes must take place gradually and across all departments.

Implementation of the Supply Chain Due Diligence Act The **Supply Chain Due Diligence Act (LkSG)** entered into force in Germany on January 1, 2023. It is intended to prevent, minimize, or eliminate risks relating to human rights and the environment. Under the direction of the purchasing department, we established a cross-departmental task force in 2021 that has since been working on implementing the resulting requirements. These requirements include conducting regular risk analyses to identify risks, particularly those related to human rights and the environment, and developing and implementing preventive and remedial measures aimed at minimizing risk. There is also a legal requirement to publish a declaration of principles. It must outline how we meet our duty of care and contain the findings of the aforementioned risk analysis conducted across our business and our supply chain. See also Corporate governance and compliance, p. 118 onward for further information on the results of the risk analysis. We made our first declaration at the end of 2023, which included the expectations, based on the findings of the risk analysis, we place on our suppliers. The declaration has been published on our website and will be updated at least once a year in the future.

Code of conduct for suppliers | UNGC 2–6, 10 The DEUTZ code of conduct for suppliers (Supplier Code) is a key instrument in our efforts to communicate sustainability aspects to our supply chain. The code sets out mandatory groupwide requirements, for example with regard to ensuring compliance with occupational health and safety standards and environmental standards as well as respecting human rights. Among other objectives, the code thus helps to ensure that we do not make ourselves complicit in human rights abuses as defined in the second principle of the **UN Global Compact**. It also expresses our expectation that suppliers should impose the same requirements on their supply chain that we impose on them.

We comprehensively revised our Supplier Code at the end of 2022. The expectations that the code sets out were expanded and formulated in greater detail in line with national and international laws and guidelines, such as Germany's Supply Chain Due Diligence Act (LkSG), the **Universal Declaration of Human Rights**, the **UN Guiding Principles on Business and Human Rights**, and the Organisation for Economic Co-operation and Development **(OECD) Guidelines** for Multinational Enterprises. Moreover, content that had previously taken the form of recommendations was turned into mandatory requirements that a supplier has to fulfill in order to work with DEUTZ. The new Supplier Code was published at the beginning of 2023.

In order to ensure and monitor the effectiveness of the Supplier Code to the greatest possible extent, we conduct **site audits** of both existing and new suppliers to assess their compliance with the requirements set out in the code. The Supplier Code, which is referenced in all standard supplier contracts and in the general purchasing conditions, specifies that we reserve the right to conduct such audits.

In the sustainability strategy we adopted in 2019, we set ourselves the target of conducting **site audits** of a total of 55 existing suppliers between 2020 and the end of 2023 regarding their compliance with the Supplier Code, as well as of 90 percent of all new production component suppliers taken on during this period. By 2026, the target is to have audited a further 25 existing suppliers and for 100 percent of newly added production component suppliers to have been audited. In 2023, site audits were conducted at a total of 40 existing suppliers. This brings the number of existing suppliers that have undergone site audits in the period from 2020 to the end of 2023 to 83. We have therefore achieved our target of 55. The proportion of new suppliers that were audited in 2023 was 100 percent. The cumulative total of new suppliers that have been audited came to 73 percent and was therefore well below the 90 percent target. The failure to meet the target is due to the fact that the majority of the new suppliers added can be considered insignificant in terms of revenue. For reasons of proportionality, we therefore refrained

[166] The information in this section relates to direct suppliers that have a contractual relationship with DEUTZ.

from conducting a comprehensive sustainability audit and only carried out the general compliance and risk checks. See also Business partner compliance, S. 130.

DEUTZ Group: Number of suppliers to have undergone site audits regarding their compliance with the Supplier Code

	2023	2022	2021	2020
Number of suppliers audited	40	23	16	4

DEUTZ Group: Proportion of new production component suppliers audited regarding their compliance with the Supplier Code

%	2023	2022	2021	2020
Proportion of new suppliers audited	25	0	83	0

Suspected violations of the Supplier Code can be reported at any time via a publicly accessible whistleblowing system. See also Corporate governance and compliance, p. 118 onward.

Monitoring and assessing the sustainability performance of suppliers | **UNGC 2–7, 10** We have created a tool that draws on publicly accessible information to ensure that potential sustainability risks in our supply chain are monitored on an ongoing basis. Using predefined data sources, such as those provided by the World Health Organization (WHO), the tool identifies any reports that pertain to relevant risks, for example in connection with human rights issues or labor practices, selects them, and automatically forwards them to the appropriate employees in the purchasing department. These reports are also incorporated into the system-based assessment of the general risk of working with that supplier.

Furthermore, we use EcoVadis, a web-based assessment platform for global supply chains, in order to gain a rounded picture of the sustainability performance of our biggest suppliers by revenue. The assessment criteria cover environmental and ethical topics, labor rights, human rights, and sustainable sourcing. We added a second web-based assessment platform in 2023 in order to maximize the coverage.

We set ourselves the target of having audited the sustainability performance of 50 percent of our top 150 suppliers – as measured by our purchasing volume in the prior year – by the end of 2023 and 80 percent of them by 2026. At the end of 2023, the corresponding proportion of audited suppliers was 73 percent, considerably above our target of 50 percent.

DEUTZ Group: Proportion of suppliers audited against sustainability criteria

%	2023	2022	2021	2020
Proportion of suppliers audited	73	62	55	31

In the next step, we plan to establish a process that will make it possible to systematically capture and document the assessment findings and any weaknesses identified. This documentation will then be used as a starting point for the definition of remedial measures in collaboration with the suppliers. See also Supplier management system, p. 131.

Business partner compliance | **UNGC 1–6, 10** As part of a preventive risk management approach, business partners are audited in respect of their sustainability performance using the aforementioned assessment platforms. We introduced a business partner compliance tool at the end of 2020 that is used to audit our business partners for potential misconduct – e.g. in connection with money laundering, unfair competitive practices, corruption and bribery. See also Corporate governance and compliance, p. 118 onward.

Our original target for 2023 was to have used – or be using – the business partner compliance tool to conduct checks on 90 percent of all existing suppliers with which our purchasing volume for the prior year exceeded €0.5 million.At the beginning of 2023, we tightened up this KPI to only include suppliers that had undergone and actually completed the business partner compliance checks and are therefore no longer going through the audit process. The target for 2023 was adjusted to 20 percent as a result.

As at December 31, 2023, 62 percent of our existing major suppliers[167] were undergoing business partner compliance checks and 19 percent of our existing suppliers had already undergone and completed such checks. We therefore fell only slightly short of our 2023 target of 20 percent.

DEUTZ AG: Proportion of suppliers that have undergone and completed business partner compliance checks[168]

in %

	2023	2022	2021	2020
Share of suppliers audited	19	2	11	0

Materials Compliance | **UNGC 7–8** We purchase components and raw materials for use in engine production that contain an extensive range of compounds, substances, and minerals. As a result, we are subject to international regulations including the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (**REACH**), the directive restricting the use of certain hazardous substances in electrical and electronic equipment (**RoHS**), and provisions governing the use of **conflict minerals**.

The **Materials Compliance** function is tasked with ensuring compliance with the aforementioned regulations. Its main responsibilities include continually monitoring developments at regulatory and policy level and determining whether the engines that we produce fulfill the criteria of all the many environmental laws and regulations. The function is also responsible for optimizing processes with regard to the materials and substances that are used. This includes introducing conformity checks in the product development process and in the purchased parts approval process. To achieve these aims, it works closely with Component Purchasing for Series Production and the Supplier Quality department and stipulates the criteria for the selection of production component suppliers with regard to materials compliance. We use an online database for materials declarations with the aim of monitoring supplier compliance with these criteria and improving the management of processes.

As we do not procure minerals directly, we can only assume this responsibility together with our business partners. In order to avoid minerals from conflict-affected and high-risk areas in the supply chain and counteract illegal or unethical procurement practices, we have put in place a corporate policy on conflict minerals as a supplement to the Supplier Code. Among other sources, this policy reflects the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Since 2022, it has been mandatory for the corporate policy on conflict minerals to be included in all new supplier contracts. We carry out surveys on the use of conflict minerals at regular intervals to ensure compliance with this policy to the greatest possible extent. These surveys use the Conflict Minerals Reporting Template, which was developed by the **Responsible Minerals Initiative (RMI)** to support companies in their efforts to provide their customers with accurate information on the countries of provenance of certain minerals and the smelting plants and refineries they use.

Supplier management system We systematically manage our suppliers using a »supplier cockpit« that enables us to monitor the performance of key suppliers primarily – for now – from a purchasing, logistics, and quality perspective. Combining the two assessment platforms we previously used separately into the »supplier cockpit« will allow us to take the results of the aforementioned assessment platform, the business partner compliance tool, and the risk analyses under the Supply Chain Due Diligence Act (LkSG) into account in our supplier assessments. We launched a medium-term digitalization process in 2021 to facilitate this. One of its aims is to ensure that, from the outset, the assessment of suppliers takes particular account of aspects such as respect for human rights, measures to combat corruption and bribery, and compliance with certain environmental and social standards. In 2024, we plan to provide specialist training for employees in the purchasing department which should enable them to give sufficient consideration to this information when selecting suppliers while also utilizing it in their purchasing negotiations. The first preparatory information events already took place in 2023.

[167] Existing suppliers with which our purchasing volume for the prior year exceeded €0.5 million.
[168] Existing suppliers with which our purchasing volume for the prior year exceeded €0.5 million.

Social responsibility

Product stewardship

An ever-growing global population, finite natural resources, and the steady march of climate change as a result of global warming present fundamental challenges for the future of mobility, and not just in the on-road sector. The 2015 Paris Agreement aims to limit global warming to well under 2 degrees Celsius compared with pre-industrial levels. The German government is among those that has toughened its climate-related targets as a result, amending the Federal Climate Change Act in 2023. The aim now is for Germany to have cut its greenhouse gas emissions by 65 percent by 2030 (compared to 1990), for it to be greenhouse gas neutral by 2045, and for it to actually have a net negative greenhouse gas footprint by 2050.

The off-highway sector also needs to play its part in the achievement of these targets by reducing, as far as possible, the amount of harmful CO_2 emissions that it produces. As a leading manufacturer of engines for off-highway applications, we at DEUTZ believe we have a responsibility to society to make products that proactively move us toward a carbon-neutral future in the off-highway sector, thereby contributing to the achievement of the Paris climate goals. This is why one of the targets in our Dual+ strategy is to offer a climate-neutral portfolio of products and technologies by no later than 2050.

In addition to our own ambition to play an active role in the transition to more sustainable drive systems, the ongoing development of our drive portfolio is also influenced by other legislation aimed at reducing emissions and limiting noise pollution. To establish whether an engine meets the legal requirements, it has to undergo mandatory certification processes. These are carried out by bodies such as Germany's Federal Motor Transport Authority or equivalent foreign authorities like the US Environmental Protection Agency. With regard to conventional diesel-powered internal combustion engines, DEUTZ continually assesses older engine series that are coming to the end of their lifecycle, particularly if they cannot be converted to meet future emissions standards. This means that engines that do not comply with current standards or cannot be upgraded to achieve compliance will be progressively withdrawn from the portfolio.

Open to new technologies Different applications with varying power requirements call for a range of drive solutions. Construction equipment and agricultural machinery, for example, need a great deal more power and energy than forklift trucks or lifting platforms. For this reason, we are pursuing various technological approaches in the further development of our engine portfolio. These range from innovations in internal combustion technology, including the use of sustainable fuels such as hydrogen, HVO and eFuels, right through to drive electrification.

With effect from January 1, 2022, in order to provide transparency around how we are working toward green mobility, we put a new reporting structure in place with the introduction of the Green and Classic segments. All activities connected with the development and production of our non-diesel drives have since been assigned to the Green segment. In 2023, this included hydrogen-powered drives and gensets, electric drive systems, and the related service business, the battery management service provider Futavis, and the DEUTZ subsidiary Torqeedo, which focuses on electric boat drives. See also Business model and segments, p. 36 onward, and Strategy and objectives, p. 37 onward.

DEUTZ Green In mid-2023, we commenced a series of organizational changes to the Green segment that are aimed at grouping together the development and sales activities relating to alternative drives in order to maintain an even sharper focus on the needs of the market and customers. The strategic realignment also affects the investment in the Torqeedo Group, the sale of which to Yamaha Motor Co., Ltd. was announced in January 2024.[169] See Events after the reporting period, p. 224, for more information on the sale of Torqeedo.

When introducing the new segment reporting structure, we had raised the prospect of the proportion of consolidated revenue generated by our Green segment reaching between 5 and 10 percent by 2025. We currently no longer consider this KPI to be suitable for measuring our progress in building a green portfolio, which is why it is no longer reported as part of our sustainability strategy. This is partly due to the aforementioned sale of the Torqeedo Group, whose revenue accounted for around 89 percent of total segment revenue in 2023 as a whole, and partly due to the fact that demand for alternative drive solutions is taking longer than anticipated to ramp up.

Hydrogen-powered drive solutions | UNGC 7–9 We firmly believe that the internal combustion engine will continue to have a dominant role in various mobile machinery applications in the years ahead. Indeed, it will need to do so to help facilitate a smooth transition to more sustainable drive systems. For this reason, our development activities are also being directed toward developing more climate-friendly internal combustion engines that can be run on alternative, sustainable energy sources. One such energy source is hydrogen.

Our hydrogen engine, which meets current emissions thresholds for zero-emission heavy commercial vehicles, is due to go into production as scheduled at the end of 2024.

At first, our TCG 7.8 H2 hydrogen engine will be used in stationary applications such as generators. We received our first large order, for 100 hydrogen-powered gensets (H2 gensets), from China at the end of 2023. This order represents a major strategic milestone in many regards, as it shows that we can fulfill market requirements with our full range of products, and not just with our conventional drive portfolio, and will allow us, and our customers, to gain invaluable experience with this technology. The H2 gensets will initially be powered by gray hydrogen, which is a by-

[169] Subject to the customary regulatory approvals.

product of industrial processes. This can reduce carbon emissions per generator by up to 800 tonnes per year compared with conventional electricity generation. The installation of these generators represents a first step toward the creation of the necessary hydrogen technology infrastructure, which can be switched to climate-neutral green hydrogen at a later point in time.

In principle, the hydrogen engine is a viable option for all current DEUTZ applications, including mobile applications, and our intention is for it to deliver on this promise. We are collaborating, for example, with several railway technology providers on the development of a production-ready hydrogen engine for locomotives.

With regard to the commercial vehicle sector, we joined the Hydrogen Combustion Engine Trucks (HyCET) research project consortium in 2022. This four-year project, funded by the Federal Ministry for Digital and Transport, aims to demonstrate the sustainability potential of trucks with hydrogen combustion engines in transportation logistics. As part of the multi-partner project led by the BMW Group, two 18-tonne trucks will be developed and fitted with our TCG 7.8 H2 hydrogen engines. Following successful trials on our test rigs, we delivered the hydrogen engines to our consortium partners in 2023 as planned. The next step, in 2024, is to put the converted trucks through their paces in real life conditions. In addition to environmental benefits, the hydrogen engine also offers economic benefits for freight forwarders and logistics firms. This is partly because of the CO_2 toll introduced for certain diesel-powered trucks at the end of 2023, which will see a surcharge of €200 per tonne of CO_2 emissions levied on top of the existing road toll for heavy goods vehicles. Heavy commercial vehicles classed as zero-emission will initially remain exempt from the surcharge and their operating costs should be comparatively lower as a result.

Another pilot project is scheduled to start this year at the DEUTZ site in Zafra, Spain, which entails the development of a proprietary ecosystem for the supply of hydrogen and its conversion back into electricity, with the aim of offering it to customers in the medium term.

Electric drive systems | **UNGC 7–9** The E-DEUTZ strategy, initiated back in 2017, is to continue playing an instrumental role in the development of green off-highway drive solutions. It aims to create a scalable product portfolio of electric drive systems that are classed as climate-neutral.

In 2023, we successfully brought our 360-volt drive system – developed in accordance with the leading safety standard ISO 26262 – to production readiness and continued with the pilot projects that we had launched with our customers in previous years. These projects focused, for example, on the development of electric versions of concrete pumps, tracked dumpers, crawler cranes, and mini excavators.

In addition, the second generation of our scalable battery system saw us add further variants with a range of capacities to our portfolio of battery products, which we updated from a technical standpoint in particular with regard to their power output and energy density. In 2024, several prototypes of our improved E-DEUTZ high-voltage batteries are scheduled for delivery to our customer Kärcher for use in sweepers.

When machines or vehicles no longer meet the required technical or legal standards after many years of use, the question often arises as to whether they should be replaced or whether it makes more sense to have them modernized by means of a retrofit. Conversion of diesel-powered aircraft tugs to carbon-neutral electric operation is an example of the work that we do with customers in this area. This not only extends the lifecycle of the vehicle and provides an environmentally friendly alternative to purchasing a new vehicle, but also lowers the subsequent operating costs. Testing of these electric vehicles is scheduled to begin in the first half of 2024.

In 2023, our subsidiary Futavis collaborated with a major logistics customer to develop a further high-volt battery for use in temperature-controlled transportation and bring it to production readiness. The battery can be used to power air conditioning units to cool trailers, for example. Production commenced in early 2024 following intensive field testing in 2023, in which the battery traveled for around 400,000 kilometers.

Over the coming years, the multi-site E-DEUTZ development team will focus on continually refining the production-ready 360-volt drive system for customer applications with low to medium power requirements. This means regularly enhancing or adding to its functionality and therefore versatility in line with the latest technological advances – for example, by using more powerful electric motors, a split drive (a drive comprising multiple motors), or batteries with higher energy densities.

Mobile rapid charging station | **UNGC 7–9** Electric drive systems are restricted in their autonomy and take longer to »refuel« (recharge) than conventional internal combustion engines. But help is at hand in the form of the DEUTZ PowerTree, a mobile rapid charging station for electric construction vehicles. Built into a ten-foot container, the PowerTree's integrated battery storage system means that machines can be charged on site even when there is no access to mains power. Downtime is reduced to a minimum thanks to a rapid-charge function that is capable of delivering up to 150 kW.

eFuels | **UNGC 7–9** Commercial vehicles, tractors, and construction equipment are used for heavy-duty applications and for extended operating periods, so they need a fuel with a high energy density and short refueling times. **eFuels** may be the answer. They are **synthetic fuels** that are made on a renewable basis using electricity, water, and carbon dioxide (CO_2). If the electricity used to make them is produced entirely from renewable sources and the necessary CO_2 is taken from the atmosphere or from biomass, they can power an internal combustion engine on a fully carbon-neutral basis and thus offer an opportunity for decarbonization. Compared to electrified solutions, eFuels also have the advantage that they can be refueled quickly via an existing global infrastructure.

With the aim of promoting the production of eFuels as an alternative fuel and increasing their acceptance, we joined the eFuel Alliance in 2021, an interest group of companies committed to the industrial production of synthetic fuels from renewable energy sources. We also actively support research projects for the industrial production of eFuels, which are to be tested on non-electrifiable work machines and generators.

Our entire diesel engine range was already approved for the use of eFuels in mid-2021.

HVO | **UNGC 7–9** In addition to the use of eFuels, operating combustion engines with hydrotreated vegetable oil (**HVO**) is a more environmentally friendly alternative to conventional diesel engines. HVO is an advanced biofuel that consists of 100 percent renewable raw materials. The majority of these come from waste materials such as used cooking oil, animal fats and residues from vegetable oil processing, which is why HVO production does not compete with food production. Another advantage is that HVO is available in large quantities and is compatible with all modern diesel engines.

At the end of 2022, we approved our entire TCD engine range for the use of alternative diesel fuels. This means that all DEUTZ engines that meet the **EU Stage V emissions standard** are approved for HVO operation, which makes a direct contribution to climate protection, as its use improves the carbon footprint of our engines by up to 90 percent. Compared to fossil diesel, there is also a significant reduction in the emission of other pollutants such as particulates or nitrogen oxides and, due to its higher purity, significantly less contamination in the engine.

At the beginning of 2024, we opened an HVO filling station on the factory premises at our headquarters in Cologne-Porz to refuel our diesel-powered vehicles. Our gensets, which are used in emergency power generators at our plant, for example, also run on this alternative fuel. By switching to HVO, we are providing further proof that diesel engines can also make a contribution to climate protection in the short term and without great effort.[170]

Innovative diesel engines | **UNGC 7–9** The TCD 5.2 is another example of how the environmental aspect is always a priority in the development of our drive portfolio. This diesel engine with four cylinders and a displacement of 5.2 liters was developed to production readiness as planned in 2023 and, looking ahead, is intended to replace larger six-cylinder engines. Its most notable feature is that it does not use exhaust gas recirculation and is instead equipped with an efficient nitrogen oxide (**NOx**) aftertreatment system and a catalytic soot filter for reducing particulate emissions. The absence of exhaust gas recirculation means the engine can be made more powerful, which allows its capacity and thus also fuel consumption to be reduced. Combustion efficiency is improved as well, reducing fuel consumption even further. The TCD 5.2 can be run on alternative fuels such as biodiesel and is also primed for hybrid-electric operation thanks to the 48-volt electric drive option. See also Research and development, p. 42 onward, for more information on the development of the diesel engine portfolio.

Environmentally friendly and resource-efficient services | **UNGC 7–9** We are playing our part in mitigating climate change by continually reducing the fuel consumption and emissions of our engines and developing carbon-neutral drive solutions. But we go further than that. We also offer our customers a variety of services that help to reduce pollution and conserve resources. One example is the provision of reconditioned engines and spare parts under our DEUTZ **Xchange** program. Old engines are professionally reconditioned and wearing parts are replaced with genuine DEUTZ components. At the end of the process, the engines are as good as new and identical to the original ones in every respect. This extends the lifecycle of engines and provides, as with the retrofits described above, a cost-effective and, above all, environmentally friendly alternative to purchasing a brand-new engine.

Digital solutions are a priority for us in the expansion of our service portfolio, as they can provide an eco-friendly alternative to analog-only formats. These digital services include S-DEUTZ Telematics, which allows the customer to plan service events with greater efficiency thanks to digital engine condition checks with integrated diagnostics and fault interpretation. The technician at the service outlet is able to use the digitally collected data to plan ahead and make sure that the parts and tools needed to fix a fault are available at the right time. In addition, it allows for planned maintenance and unplanned repairs to be combined, reducing the number of visits to the service outlet.

[170] In Germany, HVO is currently only approved and available for commercial vehicles.

Product quality

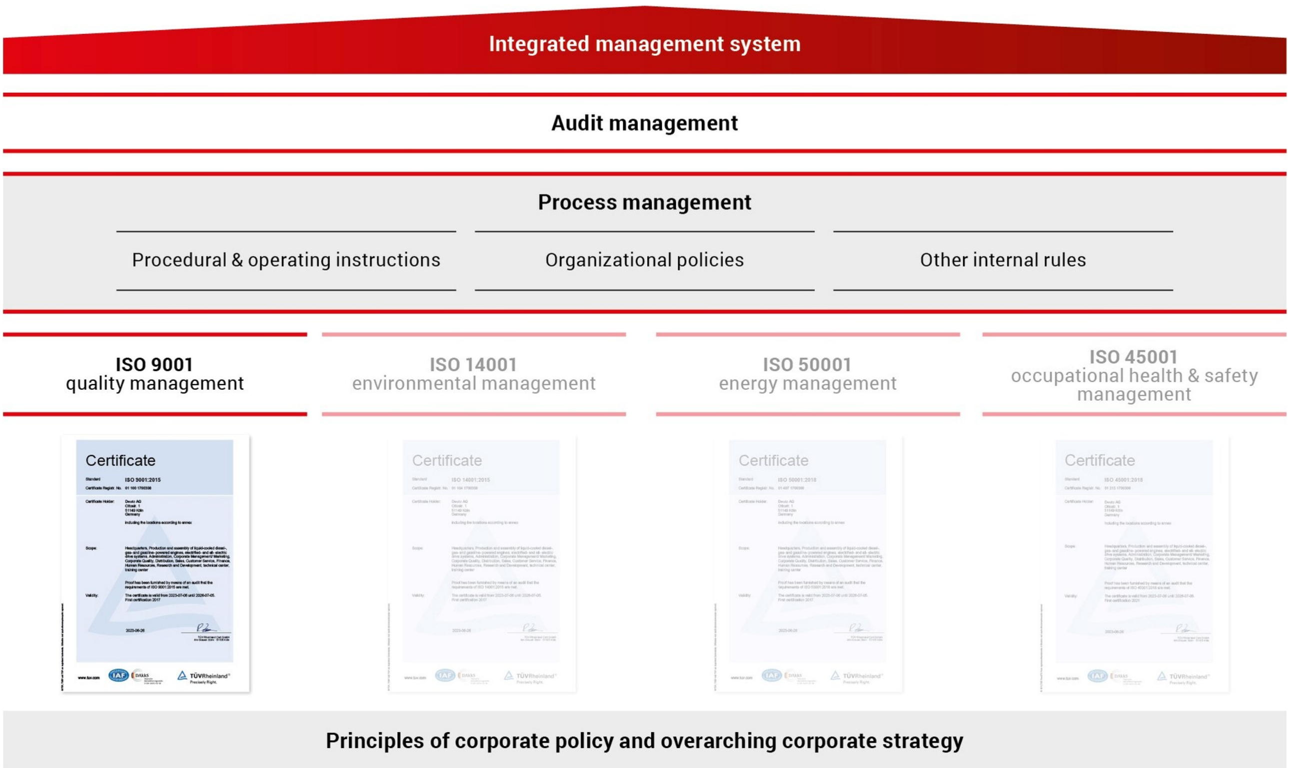
The success of a company depends to a large extent on the satisfaction of its customers. After all, this is crucial if these relationships are to continue or be stepped up. Customer satisfaction is, of course, directly influenced by having an innovative product offering that is firmly focused on customers' needs and expectations. However, the quality of the products and/or services is equally important.

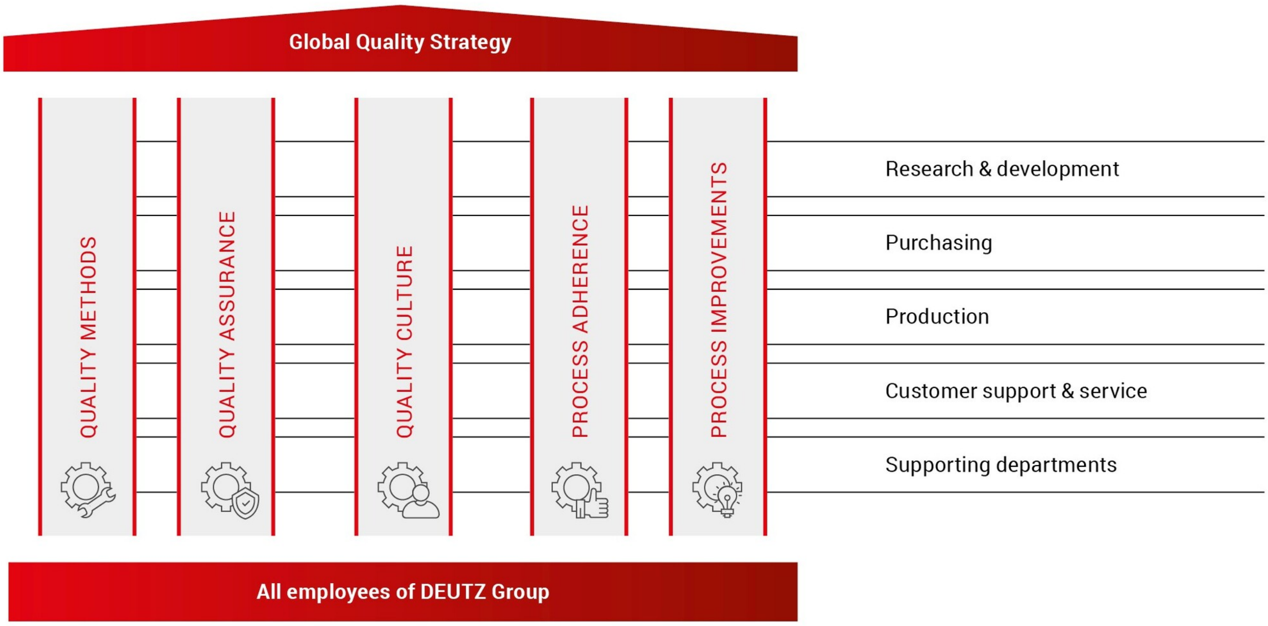
We act as a strategic partner for our customers and play a key role in their value chains. This means that defective products, for example, may result in production delays at the installation stage for customers or even cause end customers to experience malfunctions while subsequently using the application in the field. At the same time, quality defects and the resulting complaints may lead to additional financial costs and investments in resources for us as well. Consequently, a high standard of product and service quality ensures not only that our customers can remain competitive and well positioned in their markets but also that we can maintain our long-term position.

Quality management as part of the integrated management system DEUTZ AG's integrated management system (IMS) specifies the rules and processes for certain organization-wide functions and thus provides the basis for collaboration between all employees. The IMS is grounded in the general principles of the corporate policy as well as the overarching corporate objectives. Its functioning is subject to regular review by means of internal system and process audits.

Quality management forms part of the integrated management system and sets out a central strategy covering the entire DEUTZ Group. It is designed to ensure that all processes, from the development to the delivery of our engines, adhere to strict quality guidelines. The Corporate Quality Department bears overall responsibility for the continuous improvement of quality management. This is achieved, for example, through harmonization of processes and methods and through permanent, standardized monitoring of all quality management processes. The ongoing analysis and internal audits that this involves are aimed at identifying potential for improvement so that appropriate measures can be devised to enhance quality across the Group on a continual basis.

The Corporate Quality Department is led by the Head of Quality, Safety, Health, and Environment, who reports directly to the Chairman of the Board of Management.





ISO 9001 certification The central plank for quality management systems is the DIN EN ISO 9001 international standard for quality management systems. An independent auditor conducts regular reviews to verify whether the relevant quality requirements are being met. As at the end of 2023, all DEUTZ Group production sites had been certified either independently or as part of the Group certification. For 2023, a recertification audit conducted by the TÜV product standards regulator confirmed that we continue to meet the requirements of DIN EN ISO 9001.

Quality strategy Across all units, we pursue the overarching objective of preventing defects from occurring in the first place. This is preferable to having to rectify them further down the line, which can tie up resources and be expensive. For this reason, we have a wide-ranging quality and process management system in place to address the risks resulting from quality defects. The system covers everything from development, purchasing, and production to aftersales care and the handling of complaints. There is also a particular focus on the ongoing optimization of process efficiency.

The assessment of product quality requires the use of quality targets that can be further broken down into quality criteria and quality specifications. Product-related quality targets may cover, for example, durability, delivery quality, quality in the field, delivery reliability, and the length of time taken to rectify defects. Various key figures are identified and calculated throughout the value chain so that the achievement of these targets can be measured. As well as the **zero-hour defect** rate and rate of **defects in the field**, these include metrics for measuring the performance of our suppliers, such as adherence to delivery schedules and supply quality.

To monitor the quality situation, we have established a quality dashboard that provides round-the-clock access to all relevant key figures and to which all relevant Group companies are connected.

- **Quality in development** The basis for high-quality products is to a large extent created during the development stage. In order to meet customers' expectations of reliable products that offer high performance and durability in the field, we make use of both preventive and reactive methods. Examples of the preventive development methods include clearly setting out the product specifications in a document at the beginning of each project and using failure mode and effects analysis (FMEA). The latter is a systematic, prevention-focused form of analysis that identifies and evaluates risks and/or sources of risk in technical systems so that measures to minimize the risks can then be taken. The reactive methods include reliability projections, analysis of data from the field to ensure any design errors made in the past are not repeated, and the identification of the most important zero-hour defects and field defects. We use various quality tools for these purposes, one of which is the cause-and-effect diagram. This provides a means of systematically tracking down the potential causes of a problem that has occurred or may occur and visualizing the interrelationships. The root cause of the defect, e.g. the material, the machine, the method, or the manpower, can then be identified, investigated, and resolved in a targeted manner.

- **Quality in purchasing** Component defects not only have the potential to cause issues at the assembly stage of the production process but can also lead to malfunctions further down the line. A single engine contains well over 300 individual parts, more than 90 percent of which we source from external suppliers. The quality of an engine therefore depends to a large extent on the quality of the supplied components.

  We use a supplier cockpit to evaluate and categorize the performance of our suppliers. The evaluation covers four areas – purchasing, logistics, quality, and development – although we are working toward assessing and taking account of sustainability criteria to a greater extent as well in the future. Currently, the evaluation draws on various key figures such as delivery reliability, defect rate, sample quality, and complaints about manufacturing. The information obtained is used as the basis for continuous supplier development. In order to ensure that suppliers comply with our quality requirements, we regularly conduct **on-site audits**, which already cover certain sustainability-related aspects. See also Supplier management, p. 129 onward.

- **Quality in production** Quality management in the production units of the DEUTZ Group is largely organized at local level. For example, each of our production sites, including those outside Germany, has its own quality department, and there are also quality departments for the different areas, such as assembly and production.

  Various quality assurance methods and tools are used to ensure that our products have a high level of maturity. These include the **lean** management system See also Production and logistics in the combined management report, p. 44 onward. and the use of quality gates. The latter are checkpoints in the production process that require predefined and measurable quality criteria to be met before approval can be given to proceed to the next phase of production. This means that if there is a documented failure to meet the predefined quality criteria, it will not be possible to commence the subsequent assembly phase.

  In addition, we use statistical process control (SPC) as a prevention-based tool to maintain process stability in mechanical fabrication at the shaft center and at the production facility in Zafra, Spain. SPC involves the real-time measurement or monitoring of production and/or process parameters. If statistically preselected warning and intervention limits are exceeded, a decision as to whether to intervene in the process is made on the basis of statistical probabilities. The objective in doing so is to improve product quality.

  In order to continually improve production processes, data from production and assembly processes is analyzed on an ongoing basis, internal **audits** are conducted to identify potential for improvement, and quality control loops are put in place. These loops, with the aid of certain indicators, serve to combine the processes of target definition, measurement of target achievement, and formulation of appropriate measures for improvement.

- **Complaints management** In the event of product complaints or defects, we endeavor to resolve them swiftly and effectively and, at the same time, to take action that will permanently remedy the issues identified so that repeat occurrences are avoided. Cross-functional teams handle product complaints using the 8D problem resolution method. This eight-stage process begins with a description of what caused the problem and runs through various other steps before immediate measures are taken to rectify the fault. It also targets a continuous process of improvement. The aforementioned cause-and-effect diagram is used to identify the cause of the defect. See also Quality in development, p. 136.

Quality awareness Quality management is an ongoing process that is seen as a core task for the Company and needs to be put into practice every day by every employee. Cross-departmental workshops are held regularly as a means of strengthening quality awareness and the Company's zero-error culture. The focus here is on imparting knowledge and establishing a 'lessons learned' culture that is geared toward continuous improvement. In addition, all employees have the opportunity to participate in training on the application of the tools and methods used in quality assurance.

Corporate citizenship

In our Powering Progress program, we focus on more than simply improving our commercial performance. See also Sustainability strategy and objectives, p. 116 onward. We also endeavor to make a positive and sustainable contribution to society, particularly in the regions in which our operations are located. A groupwide donation and sponsorship strategy and an accompanying organizational policy provide a mandatory framework for our activities in these areas. As well as defining responsibilities and decision-making processes, they set out the principles for our corporate citizenship activities and aim to ensure their effectiveness and legal integrity – particularly with regard to potential conflicts of interest and measures to combat corruption and bribery – by laying down binding rules.

As part of the »Passion« area of action under our Powering Progress program, we held a cross-departmental workshop in 2022 to examine the question of how the DEUTZ Group can build on its engagement as a corporate citizen in a targeted way. We used the findings from the workshop to update our donation and sponsorship strategy in 2023, broadening the focus from the promotion of education, innovation, and environmental projects to also include sport and cultural activities.

In 2023, DEUTZ AG and DEUTZ Spain donated a total of around €70,000. This money was distributed to a variety of organizations, such as the German Sports Aid Foundation, which supports competitive sport in Germany, an association in Cologne, where our headquarters are located, whose work focuses on education and youth support, and – prompted by the earthquake in Turkey and Syria – the relief organization Malteser Hilfsdienst e.V. We also made in-kind donations, for example to a charity that offers after-school care for children and young people, including cultural, creative, and sports activities, homework supervision, tuition, and preparation for the world of work. Another in-kind donation was a **genset** supplied by our Moroccan subsidiary Magideutz to an earthquake-hit region of Turkey. Furthermore, we and our employees play an active role in local sports events and support local sports clubs by sponsoring them.

Nicolaus August Otto Award We regard innovation and a pioneering spirit as the driving force behind progress of any kind, and nowhere is this reflected more than in the corporate values that we put into practice across the Group. In addition, we aim to support advances in wider society by promoting innovative ideas in fields such as alternative drives, mobility, and pioneering spirit. That is why, in 2019, we established the Nicolaus August Otto Award, named for the founder of DEUTZ AG and co-inventor of the four-stroke engine. The award is presented annually and endowed with prize money of €30,000.

In 2023, the Nicolaus August Otto Award was bestowed on Professor Wan Gang, who formerly headed up the New Energy Automobile Engineering Center and later became Minister for Science and Technology of the People's Republic of China. He was given the award in recognition of his research and other pioneering work, including at Clausthal University of Technology and at Audi AG.

Nurturing young people We regard education as the foundation of a sustainable society. This is why our subsidiary DEUTZ Spain started work on the DEUTZ Business School (DBS) at its site in Zafra in 2017. The objective was, and still is, to support economic development in a region where educational institutions such as the business school are rare. The DBS aims to equip young people with the knowledge and skills they need to meet current and future requirements of business and of the labor market. In addition to university lecturers, the teaching is also provided by managers from DEUTZ Spain who are certified lecturers. The programs on offer are geared toward the needs of companies in all sectors. They focus on dual vocational training, university courses in lean management, and language courses with official certification. Around 1,000 students gained a certificate after completing DBS courses in 2023.

Our training center at the headquarters in Cologne also engages in corporate citizenship activities. See also HR management, p. 123 onward. For more than 20 years, we have been working with the charity IN VIA to provide training and labor market integration support at the center. The participants are young people who have difficulties finding a job after leaving school. Over a period of ten months, they are prepared for working life and receive basic training in metalwork and warehouse logistics.

In addition, we open our doors to even younger visitors each year as part of our involvement in the Germany-wide Girls' Day and Boys' Day initiatives.

Environmental responsibility

Environmental and climate protection

We believe that we have a responsibility to society to play our part in protecting the environment and mitigating climate change around the world by developing innovative drive solutions for our customers. Furthermore, we strive to fulfill our responsibility in this area by continuously optimizing the processes and activities associated with our own business operations with regard to their impact on the environment and society.

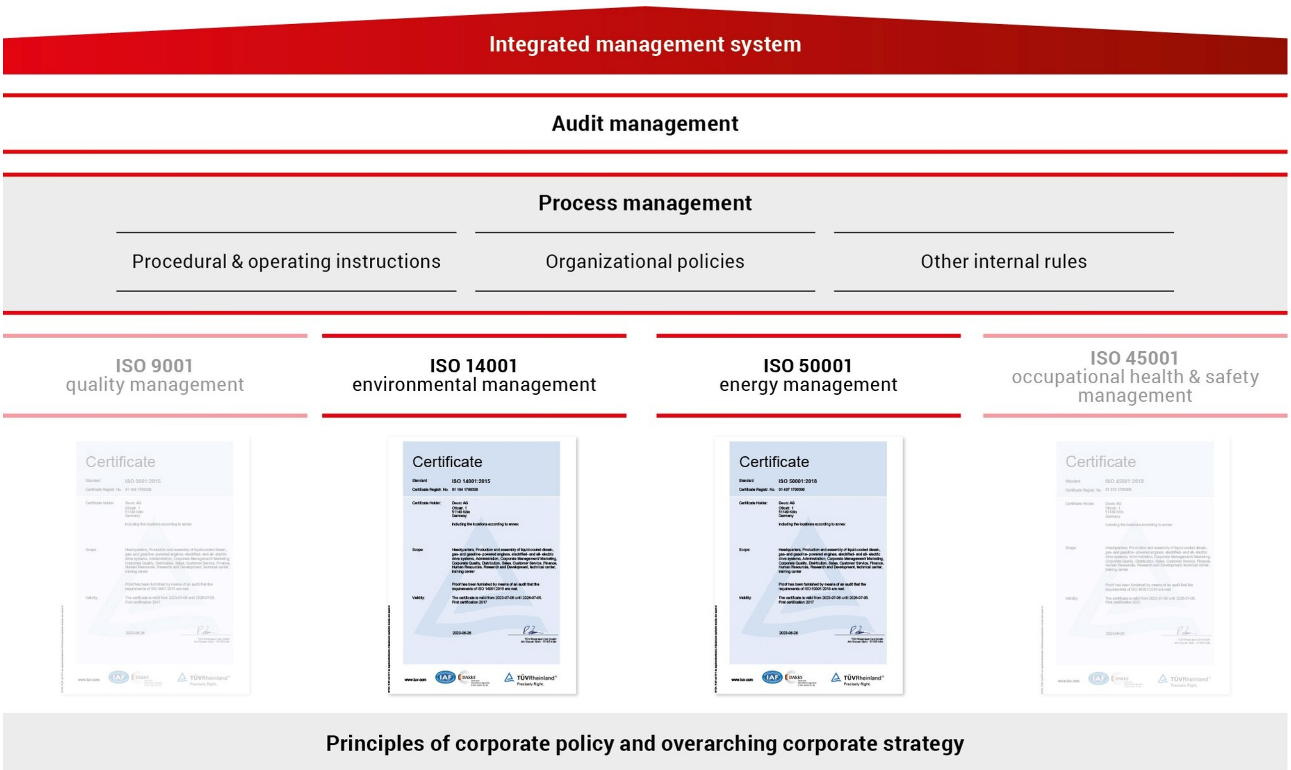
Our production sites across the Group are largely managed at local level due to differing circumstances at each location, which is why the following remarks refer in the main to the DEUTZ AG network of production sites. Despite our decentralized organizational structure, we have set a number of targets as part of our sustainability strategy that – unless otherwise specified – relate to the production sites[171] of the Group as a whole.

Our activities in connection with implementing the **Corporate Sustainability Reporting Directive** (CSRD), which we are required to apply from January 1, 2024, include drawing up a groupwide climate strategy and bringing our existing environmental KPIs and related objectives into line with specific requirements on environmental, social, and corporate governance issues in accordance with the **European Sustainability Reporting Standards** (ESRS).

ISO 14001 and ISO 50001-certification The integrated management system (IMS) used by DEUTZ AG and our Spanish subsidiary DEUTZ Spain covers areas such as environmental protection and energy. See also Product quality, p. 135 onward, for further information on the IMS.

The environmental management system, which is intended to help to continually improve our overall environmental performance, meets the criteria of the international standard DIN EN ISO 14001:2015. The energy management system, meanwhile, meets the requirements of the energy management standard DIN EN ISO 50001:2018. It enables the continuous monitoring of consumption and energy flows, which in turn facilitates the effective planning and implementation of optimization measures. The conformity of the IMS with regard to the various scopes is reviewed annually by an independent certification body and was recertified in the reporting year. All ISO certificates can be viewed on our website.

The ISO 14001:2015 and ISO 50001:2018 certifications cover around 80 percent of the DEUTZ Group's 2023 sales volume.[172]



[171] Excluding joint ventures.
[172] Including Torqeedo.

Controls and legal conformity | **UNGC 7** The activities of certain operational areas of the business, such as research and development, mechanical metalworking, the assembly line, and the paintshop, carry a risk of having harmful effects on the environment. An internal team of specialists together with external experts and certification bodies inspect these areas regularly to enable possible hazards and potential for improvement to be identified at an early stage. The inspections focus on verifying compliance with our own objectives and specifications and with statutory requirements. An approval procedure ensures that the use of hazardous substances in production that could be detrimental to the safety of employees, or harmful to the environment if they are improperly handled, is minimized wherever possible. See p. 129 onward, Supplier management, for further information on materials compliance.

Measures to reduce energy consumption | **UNGC 7–9** In 2023, with the aim of progressively optimizing energy consumption, we continued to focus on increasing the energy efficiency of existing buildings and facilities and on the optimization of existing systems. This included measures to improve the heating network at our head office in Cologne-Porz and the compressed air system at the Cologne-Kalk plant. In addition, we are continuing to gradually expand the use of **cold tests** for testing certain diesel engines. Unlike in conventional hot testing, cold testing involves running diagnostic programs with hardly any fuel being used. Both hot and cold tests replicate the real-life operation of an engine to check whether it is functioning properly. Furthermore, 2023 saw the continuation of the phased replacement of conventional lighting with LED lighting and the optimization of switch-off management, which involves machinery being turned off automatically when not in use.

A progressive reduction of electricity consumption is not all that we are striving to achieve, however. We also intend to promote the generation of power from alternative or renewable energy sources, which is why all of DEUTZ AG's German production sites only purchase green electricity. Having brought a number of photovoltaic systems on stream at various sites in 2022, for example on parking lot roofs at the site in Zafra (Spain), and at our subsidiary Magideutz in Sapino (Morocco), we made preparations in 2023 to install a further system in Cologne-Porz. The new system is scheduled to start up in 2024.

DEUTZ Group: Energy consumption at the production sites[173]

MWh	2023	2022	2021	2020	2019
Electricity	83,895	86,838	85,629	72,678	87,334
Natural gas	22,142	28,169	33,558	29,158	35,989
District heating	9,395	9,825	13,984	11,262	10,969
Heating oil[174]	12,734	2,563	2,954	2,317	2,685
Diesel fuel[175]	17,423	23,606	22,590	18,951	20,764
CNG[176]	0	0	0	108	72
LPG[177]	404	137	160	245	390
Gasoline[178]	367	667	50	0	0
Hydrogen[179]	632	133	41	0	0
Total	**146,992[180]**	**151938[181]**	**158,966**	**134,720**	**158,205**

In 2023, overall energy consumption at the DEUTZ Group production sites decreased by 3.3 percent year on year to 146,992 megawatt hours. This fall is mainly attributable to the significant reduction in the consumption of electricity, natural gas, and diesel, which went down for various reasons, including cost-cutting measures and the mild weather.

[173] Excluding joint ventures.
[174] At 10.5 kWh/liter (mean).
[175] At 9.85 kWh/liter (mean).
[176] At 10.0 kWh/m3 for CNG (H) (mean) and 8.2 kWh/m3 for CNG (L) (mean).
[177] At 12.8 kWh/kg (mean).
[178] At 8.55 kWh/liter (mean).
[179] At 33.3 kWh/kg und 3 kWh/Nm³.
[180] As a result of differing accounting periods, the total for 2023 includes an extrapolated figure for the Atlanta production site for December 2023.
[181] Due to differing of accounting periods, the total published in the 2022 non-financial report included an extrapolated figure for the Atlanta production site for December 2022. The total figure for 2022 was retrospectively adjusted in line with actual consumption.

CO_2 emissions | UNGC 7–9 The majority of the scope 1 emissions[182] from our production sites across the Group are generated in connection with testing in the area of research and development and as part of production quality controls. This testing involves using rigs to replicate the real-life operation of engines, which of course produces emissions. The majority of the scope 2 emissions[183] are generated in connection with production processes and other business operations. To reduce the emissions, existing systems and processes (e.g. quality control processes) are being progressively optimized. One example of this is the aforementioned **cold test**.

DEUTZ Group: CO2 emissions from production sites[184]

Tonnes CO2e[185]	**2023**	2022	2021	2020	2019
CO2 emissions (scope 1)[186]	12,680	12,845	13,590	11,565	13,590
CO2 emissions (scope 2)[187]	1,196	6,413	6,467	33,159	38,828
Total CO2 emissions	**13,876[188]**	**19,259**	**20,057**	**44,724**	**52,418**

DEUTZ Group: CO_2 emissions from production sites per manufactured engine[189]

CO_2e (kg)[190]	**2023**	2022	2021	2020	2019
Emissions per engine	**70.4[191]**	95.7	104	331	250

Reflecting the decrease in overall energy consumption and successfully implemented savings measures, CO_2 emissions from our production sites fell by -28 percent in 2023 compared with 2022. Over the same period, CO_2 emissions per manufactured engine went down by -26.4 percent.

Under our sustainability strategy, we set ourselves the target for 2023 of reducing the CO_2 emissions of our production sites and per manufactured engine[192] by 61 percent and 66 percent, respectively. The equivalent targets for 2026 are for reductions of 66 percent and 70 percent respectively.[193]

In the 2023 reporting year, the production sites' CO_2 emissions fell by -72.9 percent and the CO_2 emissions per manufactured engine by -76.5 percent compared with 2017. This means that we significantly exceeded our targets for 2023 and would have already achieved our targets for 2026 too.

[182] CO_2 emissions from the production sites of the DEUTZ Group, including Torqeedo, excluding joint ventures. Scope 1 and scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's scope 2 guidance); scope 1: CO2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline, and hydrogen caused by burning these fuels in our own facilities; scope 2: CO2 emissions relating to purchased energy, for example electricity and district heating.
[183] CO2 emissions from the production sites of the DEUTZ Group, including Torqeedo, excluding joint ventures; scope 1 and scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's scope 2 guidance); scope 1: CO2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline, and hydrogen caused by burning these fuels in our own facilities; scope 2: CO2 emissions relating to purchased energy, for example electricity and district heating.
[184] CO_2 emissions from the production sites of the DEUTZ Group, including Torqeedo, excluding joint ventures; scope 1 and scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's scope 2 guidance).
[185] CO_2e=carbon dioxide equivalents.
[186] Scope 1: CO_2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline, and hydrogen caused by burning these fuels in our own facilities.
[187] Scope 2: CO_2 emissions relating to purchased energy, for example electricity and district heating.
[188] The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2023 will be cancelled in the first half of 2024.
[189] Including Torqeedo, excluding joint ventures. The key figure »emissions per manufactured engine« is calculated by dividing total emissions by the number of engines made. CO2 reporting covers scope 1 (CO_2 emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline, and hydrogen caused by burning these fuels in our own facilities) and scope 2 (CO_2 emissions relating to purchased energy (e.g. electricity and district heating)). Only internal combustion engines and electric motors are counted as products, i.e. no other components such as batteries, gear wheels, or conrods for non-DEUTZ engines. Scope 1 and scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's scope 2 guidance).
[190] The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2023 will be cancelled in the first half of 2024.
[191] The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2023 will be cancelled in the first half of 2024.
[192] Including Torqeedo, excluding joint ventures.
[193] The targets for 2026 were set at the beginning of 2022.

Calculation of scope 3 emissions and product carbon footprint In 2022, we calculated our scope 3 emissions internally for the first time on the basis of data from 2021, which accounted for 99.9% of our total emissions according to the calculation at that time. We had originally planned to disclose the scope 3 emissions for 2023 in this report. However, we have postponed our carbon accounting, including the recalculation of our scope 3 emissions, to 2024 as part of the preparations for the project to implement **CSRD**. We will therefore only will publish our scope 3 emissions when we publish our CSRD-compliant sustainability report for 2024. In this report, we will also set out our climate strategy, which we will develop on the basis of the results of carbon accounting and the emissions hotspots that we identify in this process.

In 2023, we carried out a **product carbon footprint** (PCF) review for our TCD 6.1 engine in collaboration with a customer, having already carried out PCF reviews for our TCD 2.9 engine and for the 360-volt system from the E-DEUTZ program in 2022.

Becoming climate neutral by 2026 | UNGC 7–9 Our primary objective is to proactively push ahead with the use of alternative, carbon-neutral drive systems in the **off-highway** sector. This raises the prospect of significantly reducing the carbon footprint of the applications in which they are deployed. We are also playing our part in lowering emissions and achieving the Paris climate goals by endeavoring to continually optimize our processes. That is why we have set the target in our Dual+ strategy to make our business climate-neutral along the entire process chain and to offer a completely climate-neutral portfolio of products and technologies by no later than 2050. We intend to achieve this by carrying out various initiatives. See also Product stewardship, p. 132 onward, and Strategy and objectives, p. 37 onward.

Waste | UNGC 7–9 The majority of the waste produced at our production sites is directly related to the manufacturing of engines and metal products as well as to their painting and subsequent shipping. The types of waste that occur therefore comprise recyclable metal fragments and bits of wood, plastic, and paper, plus liquids that are used to treat, clean, and cool the metal surfaces of engine components. Because these liquids contain oil, they mainly constitute waste for disposal.

In order to reduce the amount of waste for disposal, old machinery is replaced on an ongoing basis, which tends to automatically lead to a reduction in the volume of waste that occurs. We also continually strive to reduce the volume of packaging material used in our internal logistics.

DEUTZ Group: Volume of waste from the production sites[194]

Tonnes	2023	2022	2021	2020	2019
Waste for disposal	4,551	4,926	5,061	4,312	6,337
Waste for recycling	16,399	17,328	17,366	11,892	14,160
Total waste	**20,949**	**22,254**	**22,427**	**16,204**	**20,498**

We were able to reduce the amount of waste generated at our production sites by a total of 5.9 percent in 2023 compared to 2022; the volume of waste sent for disposal declined by -7.6 percent. The corresponding decrease compared to 2019 amounted to 28.2 percent. By 2023, we aimed to have reduced waste for disposal from our production sites[195] by 10 percent compared with 2019. We thus exceeded this target. Our target for 2026[196] is a reduction of 15 percent compared with 2019, although we would have already achieved this target in the reporting year.

[194] Volume of waste from the DEUTZ Group's production sites, excluding joint ventures.
[195] Excluding joint ventures.
[196] The targets for 2026 were set at the beginning of 2022.

Information on Regulation (EU) 2020/852 – Taxonomy Regulation

Global warming means that sustainability is becoming ever more important and this can now increasingly be seen in the financial sector too, not least since the European Commission introduced its **Sustainable Finance Action Plan**. Both the **Paris Agreement** and the European **Green Deal**, which aims to make Europe the first climate-neutral continent by 2050, to protect, maintain, and improve the European Union's natural capital, and to protect people's health and wellbeing against environmental risks and impacts, place particular emphasis on sustainable investment. This is because capital markets can play a key supporting role in achieving environmental objectives by channeling private financial resources into sustainability-oriented investments (sustainable finance). If these goals are to be achieved, it is critically important to harness the full potential of the internal market. One of a number of packages of measures in this area, Regulation (EU) 2020/852 (EU Taxonomy Regulation) came into force in July 2020. It provides a classification system that is designed to establish a common understanding of the sustainability of economic activities and will be refined on an ongoing basis.

The EU Taxonomy Regulation is primarily focused on environmental objectives. These objectives are (1) climate change mitigation, (2) climate change adaptation, (3) the sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) the protection and restoration of biodiversity and ecosystems.

Disclosures on the taxonomy alignment and taxonomy eligibility of economic activities related to the first two of these environmental objectives are required for the 2023 reporting year. Regarding the additions to the EU Taxonomy Regulation made in 2023, both in respect of environmental objectives (1) and (2) and in respect of all economic activities listed in the EU Taxonomy Regulation for environmental objectives (3) to (6), only disclosures on taxonomy eligibility are required for the 2023 reporting year. See Key performance indicators, calculation rules, and technical screening criteria, p. 143 onward, for further information on taxonomy eligibility and taxonomy alignment.

KEY PERFORMANCE INDICATORS, CALCULATION RULES, AND TECHNICAL SCREENING CRITERIA

Pursuant to Article 8 of the EU Taxonomy Regulation and Article 10 (4) of the Delegated Act (Commission Delegated Regulation (EU) 2021/2178), the key performance indicators to be disclosed for 2023 are the proportions of consolidated revenue, capital expenditure (CapEx), and operating expenses (OpEx) that we have generated from taxonomy-eligible and taxonomy-aligned economic activities.

The definition of a taxonomy-aligned economic activity is still an economic activity that is described in the climate legislation or in environmental legislation supplementing the EU Taxonomy Regulation. It must also meet certain technical screening criteria and must be carried out in accordance with the criteria for the minimum safeguards pursuant to Article 18 of the EU Taxonomy Regulation. The following rules apply with regard to taxonomy alignment:

1. The economic activity makes a substantial contribution to one or more of the six environmental objectives. With regard to climate change mitigation, for example, an economic activity makes a substantial contribution if
    - the activity itself is associated with very low or no greenhouse gas emissions;
    - the activity supports the transition to a climate-neutral economy by 2050 and there is no alternative to it;
    - the activity enables another economic activity to protect the climate.
2. The economic activity does not significantly harm any of the other environmental objectives (»do no significant harm« (DNSH), pursuant to Article 17 of the EU Taxonomy Regulation and the Delegated Act).
3. The minimum safeguards have been implemented.

The aforementioned minimum safeguards relate to human rights (including labor rights), bribery and corruption, taxation, and fair competition. The underlying frameworks are the **OECD** Guidelines, the **fundamental conventions of the International Labour Organization (ILO)**, the International Bill of Human Rights, and the **UN Guiding Principles on Business and Human Rights**.

In order to meet the minimum protection criteria, the following six requirements regarding human rights due diligence must, among other things, be implemented in the company:

1. A responsible approach to business is firmly enshrined in the management systems, policies, and strategies.

2. The negative effects of a company's own business activities, supply chains, and business relationships are identified and evaluated.

3. Negative and/or disadvantageous effects are stopped, avoided, or reduced.

4. The implementation of measures, and the outcomes, are tracked.

5. The way in which negative effects are dealt with is communicated.

6. Where appropriate, remedial action is initiated or supported.

Revenue-related KPI[197] The proportion of total revenue generated from taxonomy-eligible/taxonomy-aligned economic activities is the amount of consolidated revenue – pursuant to point 1.1.1 of Annex I of Article 8 of the EU Taxonomy Regulation – that is derived from products and services associated with taxonomy-eligible and taxonomy-aligned economic activities, divided by consolidated revenue for 2023 pursuant to IAS 1.82(a). As in the previous year, revenue consist of contracts with customers. See also the consolidated financial statements, p. 159 onward.

KPI related to capital expenditure (CapEx-KPI) The taxonomy-eligible/taxonomy-aligned CapEx KPI is calculated by dividing taxonomy-eligible/taxonomy-aligned capital expenditure by total CapEx. This encompasses additions to property, plant and equipment and intangible assets during the reporting period before depreciation, amortization, and any remeasurements, including those resulting from remeasurements and impairment for the year concerned and excluding fair value changes. The CapEx KPI also encompasses the acquisition of property, plant and equipment pursuant to IAS 16, paragraph 73, letter e), (i) and (iii), including right-of-use assets in accordance with IFRS 16 Leases, paragraph 53, letter (h), and additions to intangible assets pursuant to IAS 38, paragraph 118, letter e), (i). Goodwill is not included in the CapEx KPI because it is not defined as an intangible asset pursuant to IAS 38.[198] The deviation from the statement of changes in non-current assets results from the fact that the transaction data in the statement of changes in non-current assets for the Group includes discontinued operations.[199]

Capital expenditure is taxonomy-aligned if it can be assigned to the following three categories a), b), or c):

a) Capital expenditure related to assets or processes that are associated with taxonomy-aligned economic activities.

b) Capital expenditure that is part of a capital expenditure plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned (not currently applicable to DEUTZ).

c) Capital expenditure that is related to the purchase of output from taxonomy-aligned economic activities and individual measures pursuant to the EU Taxonomy Regulation that enable certain target activities to become low-carbon or that lead to greenhouse gas reductions. Capital expenditure is also deemed taxonomy-aligned if the products purchased or the individual measures correspond to the description of the particular economic activity and the technical screening criteria and adhere to the minimum safeguards.

KPI related to operating expenses (OpEx-KPI) The taxonomy-eligible/taxonomy-aligned OpEx KPI is defined as the OpEx KPI associated with taxonomy-eligible/taxonomy-aligned economic activities divided by total OpEx. This covers direct, non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditure relating to the day-to-day maintenance and repair of property, plant and equipment. The taxonomy-eligible/aligned OpEx KPI also covers operating expenses that are part of a capital expenditure plan (CapEx plan) to expand taxonomy-aligned economic activities or to transform taxonomy-eligible economic activities into taxonomy-aligned economic activities. Expenditure related to day-to-day operations is not included.

[197] Key Performance Indicator.
[198] See p. 165 onward for further details of the accounting standards
[199] See Statement of changes in non-current assets in the notes to the consolidated financial statements, p. 188 ff.

The OpEx KPI consists of the following items:

- Research and development expenditure that is recognized as an expense during the reporting period; in accordance with IAS 38.126, all non-capitalized expenses and amortization and impairment on development expenditure already capitalized that can be directly assigned to the research and development activities.
- The volume of non-capitalized leases was determined in accordance with IFRS 16 and includes expenses for short-term leases.[200]
- Maintenance and repair costs relating to ongoing maintenance of property, plant and equipment were determined on the basis of the maintenance and repair costs allocated to the internal cost centers. The relevant cost items are included in various line items in the income statement. Building renovation work that helps to reduce carbon emissions is also included here. As a rule, the cost items are staff costs, costs for services, the cost of materials for maintenance, and costs for regular and unscheduled maintenance and repair work.

To ensure that nothing was counted more than once for the purposes of the OpEx and CapEx KPIs, we first determined all capital expenditure and operating expenses in category c) and then determined the remaining capital expenditure and operating expenses in category a). Any unassigned capital expenditure is non-taxonomy-eligible. Our capital expenditure and operating expenses can be assigned to categories a) and c) only. Revenue is recorded at the level of the individual companies to ensure that it is not counted more than once.

TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN THE DEUTZ GROUP

Business model Our core competencies are primarily the development and production of drive systems for off-highway applications. The main applications include construction equipment, agricultural machinery, **material handling** equipment such as forklift trucks and lifting platforms, commercial vehicles, and rail vehicles. Our operating activities are divided into the Classic and Green segments. 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 drives. See also Business model and segments, p. 36.

In view of our business model, the economic activities that are taxonomy-eligible and taxonomy-aligned are essentially those relating to alternative drive solutions. Examples are the DEUTZ hydrogen engine, which is being used in applications such as stationary equipment for the generation of electricity, and the activities relating to the electrification of our engine portfolio under the E-DEUTZ name. The latter include the manufacture of electric drive systems (e.g. for use in construction-site vehicles and ground support equipment), the manufacture of modular battery systems, the manufacture of battery management systems and components by the DEUTZ subsidiary Futavis, and, for now, the manufacture of batteries and electric drives for boats by the DEUTZ subsidiary Torqeedo. In addition to these activities from which we generate external revenue, we also identified investing activities that exclusively result in taxonomy-eligible and taxonomy-aligned CapEx. These activities relate to interdisciplinary topics and individual measures in connection with optimizing energy and heat efficiency within operations.

Identification of taxonomy-eligible and taxonomy-aligned economic activities in the DEUTZ Group As the first step in identifying taxonomy-eligible and taxonomy-aligned economic activities, we assessed which of our business activities might potentially be relevant. We did this by referring to Annexes I and II of Delegated Act 2021/2139 (in its current version) supplementing the EU Taxonomy Regulation. In addition, we analyzed and compared Delegated Acts 2023/2485 and 2023/2486 supplementing the EU Taxonomy Regulation, which were published in November 2023.

[200] See also Leases, Note 27, p. 210 onward.

The following table shows the taxonomy-eligible economic activities – pursuant to Annex I of Delegated Act 2021/2139, including the amendments and additions from November 2023 – in the DEUTZ Group that can be assigned to the environmental objective of (1) climate change mitigation and the environmental objective (4) transition to a circular economy. The analysis of economic activities does not reveal any activities for us that take into account the environmental objective (2) climate change adaption.

Overview and classification of the taxonomy-eligible activities of the DEUTZ Group

Activity		Economic activity at DEUTZ
CCM 3.2.	Manufacture of equipment for the production and use of hydrogen	Manufacture of hydrogen engines that produce electricity in combination with a generator in stationary equipment
		Manufacture of hydrogen engines used to power rail vehicles
		Manufacture of hydrogen engines used to power boats.
		Further development with external partners of hydrogen engines for other future applications
		Test rig operation with hydrogen engines in the development unit at the Cologne-Porz site
		Preparation for test rig operation with hydrogen engines in the assembly unit at the Cologne-Porz site
CCM 3.4.	Manufacture of batteries	Futavis subsidiary: manufacture of battery management systems and
		Torqeedo subsidiary: manufacture of battery modules, battery management systems, and battery casings in collaboration with supplier
		Manufacture of the E-DEUTZ battery system for off-highway applications
CCM 3.6.	Manufacture of other low carbon technologies	Manufacture of electric drive systems, e.g. for use in construction-site vehicles and ground support equipment
		Torqeedo subsidiary: manufacture of electric boat drives
CCM 6.5.	Transport by motorbikes, passenger cars and light	Use (including leasing) of company cars with an electric, hybrid, or hydrogen
CCM 7.2.	Renovation of existing buildings	Renovation of existing buildings in order to reduce energy demand at the DEUTZ Spain site in Zafra (Spain)
CE 3.2.	Renovation of existing buildings	Renovation of a new logistics center
CCM 7.3.	Installation, maintenance and repair of energy efficiency equipment	Replacement of conventional lighting with LED lighting at the sites in Cologne-Porz and Zafra (Spain)
		Energy-related optimization of building elements such as windows and doors
CCM 7.4.	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Installation and operation of electric charging stations (PowerTree rapid charging station) at the Cologne-Porz site
		Installation of electric charging stations at the site in Zafra (Spain)
CCM 7.5.	Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	Maintenance and expansion of the energy monitoring system to include new electricity meter points at the Cologne and Ulm sites in order to measure consumption and energy flows at additional points
CCM 7.6.	Installation, maintenance and repair of renewable energy technologies	Installation of a photovoltaic system on top of a factory building at the Cologne-Porz site
CCM 9.1.	Close to market research, development and innovation	Use of HVO in internal combustion engines
		Operation of internal combustion engines on test rigs where the brakes are linked to an electric drive that generates electricity
		Approval of a development test area for the use of HVO in internal combustion engines
		Construction of an inhouse HVO filling station at the Cologne-Porz site

The dynamic development of the EU Taxonomy Regulations may lead to adjustments in economic activities in the future.

The second step was to analyze the economic activities identified as taxonomy-eligible (listed above) to assess their taxonomy alignment. See Key performance indicators, calculation rules, and technical screening criteria, p. 143 onward, for details of the requirements for taxonomy alignment

1. Substantial contribution

Substantial contribution In an in-depth analysis, we identified a substantial contribution to at least one of the six environmental objectives and, specifically, to the environmental objective of (1) climate change mitigation.

On the basis of the data recorded for 2021, we calculated a greenhouse gas footprint (scopes 1, 2, and 3) and a product carbon footprint for our electric 360-volt drive system and, for comparison purposes, for our TCD 2.9 diesel engine in 2022 in order to provide evidence of the substantial contribution of the core activities 3.2/3.4 and 3.6 to climate change mitigation. In 2023, a **product carbon footprint** was also calculated for the DEUTZ TCD 6.1 diesel engine. The table »Overview and assignment of taxonomy-eligible economic activities in the DEUTZ Group« indicates the extent and nature of the substantial contributions. A substantial contribution from economic activity 7.2 results from the extensive renovation of existing building infrastructure. Furthermore, a substantial contribution from economic activity 7.3 is achieved through optimization of the thermal and energy performance of the glazing of production buildings and replacement of conventional lighting with LED lighting. The substantial contribution from economic activity 7.4 is achieved through the installation and operation of electric vehicle charging stations, while economic activity 7.6's substantial contribution results from the installation of photovoltaic systems.

2. Adherence to the DNSH criteria We believe that we have a responsibility to society to play our part in protecting the environment and mitigating climate change around the world by developing innovative drive solutions for our customers. Furthermore, we strive to fulfill our responsibility in this area by continuously optimizing the processes and activities associated with our own business operations with regard to their negative impact on the environment and by continuously improving our management of resources. To this end, we have also established an environmental management system certified in accordance with the international DIN EN ISO 14001:2015 standard. See also Environmental and climate protection, p. 139 onward.

To assess whether the economic activities assigned to environmental objective (1) do no significant harm to the other environmental targets, a review was conducted pursuant to the current version and scope of Commission Delegated Regulation (EU) 2021/2139, appendices A to D, as well as on the basis of the specific requirements for each economic activity.

2.1. Adherence to the DNSH principle for environmental objective (2) adaption to climate change We conducted a climate risk analysis with the assistance of an external consultancy and a climatologist in order to identify the physical climate risks that are material to our taxonomy-eligible economic activities. The analysis covered the following sites, reflecting the location of our taxonomy-eligible economic activities: Cologne, Ulm, Aachen, Wessling (all Germany) and Zafra (Spain). Future climate-related risks in the categories temperature, wind, water, and solid matter were evaluated for these sites. We took into account both chronic climate risks, i.e. those that persist over a long period of time, and acute (short-term) but severe climate risks. Four different emissions scenarios were used for the future climate outcomes: RCP2.6, RCP4.5, RCP6.0, and RCP8.5. The analysis was carried out for the current and future climate. The necessary data was taken either from the ERAS reanalysis (weather maps) or official climate models from the Intergovernmental Panel on Climate Change (IPCC) or it was compiled and processed using external hazard and risk data sets. In addition, we consider potential risks at our direct supplier locations in order, for example, to adequately take supply risks into account when selecting and evaluating suppliers. No material physical climate risks impacting on the economic activities identified as taxonomy-eligible were ascertained.

2.2. Adherence to the DNSH principle for environmental objective (3) sustainable use and protection of water and marine resources To identify risks in connection with preserving water quality, avoiding water stress, achieving a good environmental status for watercourses and bodies of water, and avoiding the deterioration of the water status, we developed an evaluation form that sites can use to conduct a self-assessment relating to water pollution control, water supply, water disposal, and water consumption. The content of the evaluation form was based on the mandatory environmental impact assessment in accordance with the German Environmental Impact Assessment Act (UVPG). No negative impact resulting from the economic activities was ascertained.

2.3. Adherence to the DNSH principle environmental objective (4) transition to a circular economy The vast majority of the components that we use in our production processes are designed to last for a very long time and to be capable of being refurbished/overhauled, thereby extending their useful life. The components are recyclable and still have significant value at the end of their useful life because they contain materials such as steel, aluminum, or copper. After being recycled by a third party, the recovered materials can be used as a secondary resource in the production of new goods. For example, old batteries are added to a register of old electrical goods maintained by Stiftung Elektro-Altgeräte-Register before important raw materials are recovered from them using efficient metallurgical, chemical, and mechanical recycling processes.

Sustainable waste management is a key component of our environmental management system. Our waste, such as metal, wood, paper, cardboard, cardboard packaging, and plastic, is sold on our behalf to third parties so that it can be recycled and reused.

2.4 Adherence to the DNSH principle for environmental objective (5) pollution prevention and control We purchase components and raw materials for use in engine production that contain an extensive range of pure substances and minerals and that could cause harm to people and the environment if they are not handled properly. Some of these substances and minerals are subject to international regulations, including the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (**REACH**) and the directive restricting the use of certain hazardous substances in electrical and electronic equipment (**RoHS**).

An engine has an average of well over 300 parts, and a variety of different substances are contained in these parts or are used in their manufacturing process. The Materials Compliance function makes sure that the engines produced are continually assessed for compliance with the many environmental laws and regulations and that processes are incrementally optimized with regard to the materials and substances used. This includes introducing conformity checks in the product development process. In addition, we define materials compliance criteria to be applied when selecting production component suppliers. In 2020, we introduced an online database for materials declarations with the aim of monitoring supplier compliance with these criteria and improving the management of processes. Over time, all the materials that we process and use will be recorded in the database. This means it will include the full range of substances and minerals, and not just those that are subject to the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (REACH) and to the directive restricting the use of certain hazardous substances in electrical and electronic equipment (RoHS).

We intend to use the information on materials declarations held in our database not only to ensure compliance with the law and relevant policies but also to take steps that will help to avoid pollution caused by the use of chemicals and their placement in the market. See also Supplier management, p. 129 onward. We manage hazardous substances in such a way that the related hazards are either avoided entirely through the use of substitutes or reduced to a minimum as a result of technical and organizational measures. See also Occupational health and safety, p. 127 onward.

2.5 Adherence to the DNSH principle for environmental objective (6) protection and restoration of biodiversity and ecosystems The evaluation form referred to in 2.2. based on the Environmental Impact Assessment Act (UVPG) also forms the basis for the analysis here and, in addition to criteria for assessing the sustainable use of water resources, also includes those that concern the protection of ecosystems and the preservation of biodiversity. No significant adverse effects on the protection of ecosystems and biodiversity resulting from the economic activities were ascertained. None of the sites evaluated that are relevant to our taxonomy-eligible economic activities are near to areas with fragile biodiversity.

3. Adherence to the minimum safeguards A responsible approach to business, including in relation to human rights, bribery and corruption, taxation, and fair competition, is a high priority for us and therefore firmly enshrined in our management systems, policies, and strategies. This is also reflected in the content of various internal organizational policies and our groupwide codes of conduct for employees, suppliers, and other business partners. The codes are based on the German Supply Chain Due Diligence Act (LkSG), the UN Universal Declaration of Human Rights, the ILO's fundamental conventions, the **OECD-Guidelines** for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ten principles of the **United Global Compact** (UNGC) and other sources.

Regular classroom-based courses and annual compliance training are provided to ensure that our employees understand the content of the code of conduct and that they act in accordance with pertinent laws and regulations. The various modules include anti-corruption, antitrust law, health and safety in the office, and the German General Equal Treatment Act (AGG) and non-discrimination. See also Corporate governance and compliance, p. 118 onward. With regard to taxation, we have established a system for managing tax compliance that is designed to ensure lawful conduct in relation to tax matters and to minimize and avoid financial risk, reputational risk, and consequences under criminal law that could arise in the event of unlawful behavior.

As a member of the United Nations Global Compact, we attach particular importance to respect for human rights and measures to combat corruption. We have adopted a human rights code in order to emphasize our zero-tolerance approach to human rights abuses. The code applies to our employees, suppliers, and business partners alike. See also Corporate governance and compliance, p. 118 onward, and Supplier management, p. 129.

To identify, as far as possible, any behavior that violates laws or regulations and to immediately put a stop to any proven misconduct, we have provided a publicly accessible whistleblowing system on our website for the purposes of reporting suspected violations of our codes of conduct. Every suspected violation is documented in a uniform way and treated in accordance with the groupwide **compliance**-policy. See also Corporate governance and compliance, p. 118.

We have various instruments at our disposal that allow us to identify and evaluate any negative effects on our business activities, supply chains, and business relationships. For example, we conduct quarterly risk inventories for our business activities that also cover risks relating to human rights, bribery and corruption, taxation, and fair competition. With regard to our business partners, we have established a business partner compliance tool with which we check for aspects such as potential misconduct, e.g. in connection with money laundering, unfair competitive practices, and corruption and bribery. See also Corporate governance and compliance, p. 118 onward. In addition, we use a tool that draws on publicly accessible information so that we can monitor suppliers on an ongoing basis. Compliance with our supplier code of conduct is also checked during on-site audits. See also Supplier management, p. 129.

If any negative or detrimental effects were to be identified, e.g. regarding human rights, bribery and corruption, taxation, and fair competition, we would take action to stop or reduce them and to avoid them in the future. Implementation of the measures above, and the outcomes, would be tracked. Using a suitable channel, we would also communicate the way in which negative effects are dealt with and, where appropriate, would initiate or support remedial action for confirmed violations, including those relating to human rights, bribery, and corruption. In relation to negative effects attributable to our suppliers, we published our first declaration of principles pursuant to LkSG at the end of 2023. Going forward, we will publish an updated declaration on our website at least once a year. The declaration includes a description of how we fulfill our due diligence obligations regarding human rights and the environment, the results of the regular risk analyses, and the implementation of preventive and remedial measures aimed at minimizing risk. See also Supplier management, p. 129.

Based on the information in this section, we conclude that we satisfy the criteria for the minimum safeguards. Moreover, we have not identified any violations relating to the aforementioned topics in connection with our business activities. Consequently, there have been no convictions in court in respect of such violations.

Our taxonomy-aligned economic activities encompass those taxonomy-eligible economic activities that verifiably satisfy all criteria in Article 3 of the EU Taxonomy Regulation. See also Key performance indicators, calculation rules, and technical screening criteria, p. 143.

The following tables show our proportion of total revenue, total CapEx, and total OpEx associated with the economic activities that are taxonomy-eligible pursuant to the EU Taxonomy Regulation and, based on the analysis and checking process described above, can be considered taxonomy-aligned.

We do not engage in any economic activities related to nuclear power and the use of natural gas, and therefore does not disclose information using the relevant reporting forms.

Proportion of revenue in 2023 attributable to goods or services that are associated with taxonomy-aligned economic activities

2023 financial year	Year			Substancial contribution criteria						DNSH criteria (do no significant harm)									
	Code[201]	Revenue	Proportion of revenue, 2023	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Bio-diversity	Minimum safeguards	Taxonomy-aligned (A.1.) or taxonomy-eligible proportion of revenue (A.2.), 2022	Enabling activity category	Tran-sitional activity category
Economic activities		Currency €	%	Y; N; N/EL[202]	Y; N; N/EL[203]	Y; N; N/EL[204]	Y; N; N/EL[205]	Y; N; N/EL[206]	Y; N; N/EL[207]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture off batteries	CCM 3.4	2,208,425	11.00	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.73	E	
E-charging station installation	CCM 7.4	1,859,300	9.00	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-	E	
Revenue from environmentally sustainable activities (taxonomy-aligned) (A.1)		**4,067,725.0**	**20.00**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**73.00**		
Of which: enabling			100.00 %	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	10000.00	E	
Of which: transitional			0.00 %	0%						Y	Y	Y	Y	Y	Y	Y	0.00		T
A.2. Taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL; N/EL[208]	EL;N/EL[209]	EL;N/EL[210]	EL;N/EL[211]	EL;N/EL[212]	EL;N/EL[213]										
Manufacture of other low-carbon technologies	CCM 3.6	218,500.00	1.00	EL	N/EL	N/EL	N/EL	N/EL	N/EL								**0.16**		
Revenue from taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**218,500.00**	**1.00**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**2.55**		
A. Revenue from taxonomy-eligible activities (A.1 + A.2)		**4,286,225.0**	**21.00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**2.55**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Revenue from taxonomy-non-eligible activities		**2,063,237,828.7**	**9979.00**																
TOTAL		**2,063,237,828.7**	**10000.00**																

[201] Abbreviation for the relevant objective to which the economic activity can make a substantial contribution (CCM = climate change mitigation).
[202] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[203] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[204] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[205] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[206] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[207] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[208] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[209] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[210] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[211] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[212] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[213] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.

Proportion of revenue / total revenue

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
	%	%
CCM	0.2	0.01
CCA	0	0
WTR	0	0
CE	0	0
PPC	0	0
BIO	0	0

Proportion of CapEx in 2023 attributable to goods or services that are associated with taxonomy aligned economic activities

2023 financial year	**Year**			Substantial contribution criteria						DNSH criteria (do no significant harm)									
Economic activities	**code[214]**	**CapEx**	**Proportion of CapEx, 2023**	**Climate change mitigation**	**Climate change adaption**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaption**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Taxonomy-aligned (A.1.) or taxonomy-eligible proportion**	**Enabling activity category**	**Transitional activity category**
		Currency €	%	Y; N; N/EL[215]	Y; N; N/EL[216]	Y; N; N/EL[217]	Y; N; N/EL[218]	Y; N; N/EL[219]	Y; N; N/EL[220]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of equipment for the production and use of hydrogen	CCM 3.2	1,091,538.00	0.92	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.19	E	
Manufacture of batteries[221]	CCM 3.4	689,474.51	0.58	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.15	E	
Lighting with LED lamps, thermal optimization of buildings	CCM 7.3	1,548,642.00	1.30	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.40	E	
E-charging station installation	CCM 7.4	59,985.00	0.05	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.01	E	
Maintenance and expansion of the energy monitoring system (electricity meter) to determine consumption	CCM 7.5	9,549.00	0.01	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.01	E	
Installation of a photovoltaic system	CCM 7.6	724,731.00	0.61	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.19	E	
Close to market research, development and innovation	CCM 9.1	4,242.00	0.00	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.05	E	
CapEx from environmentally sustainable activities (taxonomy-aligned) (A1)		**4,128,161.51**	**3.47**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**3.00**		
Of which: enabling			100.00%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100.00	E	
Of which: transitional			0.00%	0%						Y	Y	Y	Y	Y	Y	Y	0.00		T
A.2. Taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL;N/EL[222]	EL;N/EL[223]	EL;N/EL[224]	EL;N/EL[225]	EL;N/EL[226]	EL;N/EL[227]										
Manufacture of other low-carbon technologies[228]	CCM 3.6	1,816,062.33	1.52	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8.01		
Use of company cars with an electric, hybrid, or hydrogen drive	CCM 6.5	218,444.00	0.18	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.16		
Renovation of existing buildings	CCM 7.2 CE 3.2	896,073.00	0.75	EL	N/EL	N/EL	N/EL	EL	N/EL								-		
CapEx from taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**2,930,579.33**	**2.45**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								11.94		
A CapEx from taxonomy-eligible activities (A.1 + A.2)		**7,058,740.84**	**5.92**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**14.94**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx from taxonomy-non-eligible activities		**112,207,207.84**	**94.08**																
TOTAL		**119,265,948.68**	**100.00**																

[214] Abbreviation for the relevant objective to which the economic activity can make a substantial contribution (CCM = climate change mitigation; CE = circular economy).
[215] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[216] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[217] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[218] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[219] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[220] N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
[221] The allocation of Torqeedo's CapEx figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.
[222] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[223] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[224] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[225] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[226] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[227] EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
[228] The allocation of Torqeedo's CapEx figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.

Proportion of CapEx / total CapEx

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
	%	%
CCM	3.47	2.45
CCA	0	0
WTR	0	0
CE	0	0.75
PPC	0	0
BIO	0	0

Proportion of OpEx in 2023 attributable to goods or services that are associated with taxonomy aligned economic activities

2023 financial year	Year			Substantial contribution criteria						DNSH criteria (do no significant harm)									
Economic activities	Code[229]	OpEx	Proportion of OpEx, 2023	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular economy	Biodi-versity	Minimum safeguards	Taxonomy-aligned (A.1.) or taxonomy-eligible proportion of revenue (A.2.), 2022	Enabling activity category	Transitional activity category
		Currency €	%	Y; N; N/EL[230]	Y; N; N/EL[231]	Y; N; N/EL[232]	Y; N; N/EL[233]	Y; N; N/EL[234]	Y; N; N/EL[235]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of equipment for the production and use of hydrogen	CCM 3.2	17,331,535.00	11.59	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.13	E	
Manufacture of batteries[236]	CCM 3.4	9,808,440.92	6.56	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.73	E	
E-charging station installation	CCM 7.4	319,455.00	0.21	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.00	E	
OpEx from environmentally sustainable activities (taxonomy-aligned) (A1)		**27,459,430.92**	**18.36**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**8.86**		
Of which: enabling			100.00	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100.00	E	
Of which: transitional			0.00	0%						Y	Y	Y	Y	Y	Y	Y	0.00		T
A.2. Taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL;N/EL[237]	EL;N/EL[238]	EL;N/EL[239]	EL;N/EL[240]	EL;N/EL[241]	EL;N/EL[242]										
Manufacture of equipment for the production and use of hydrogen	CCM 3.6	14,208,091.70	9.50	EL	N/EL	N/EL	N/EL	N/EL	N/EL								17.45		
Use of company cars with an electric, hybrid, or hydrogen drive	CCM 6.5	38,031.48	0.03	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.03		
Renovation of existing buildings	CCM 7.2 CE 3.2	6,663,704.07	4.46	EL	N/EL	N/EL	N/EL	EL	N/EL								0.00		
OpEx from taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**20,909,827.25**	**13.99**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								17.48		
A. OpEx from taxonomy-eligible activities (A.1 + A.2)		**48,369,258.17**	**32.35**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								26.34		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx from taxonomy-non-eligible activities		**101,139,965.81**	**67.65**																
TOTAL		**149,509,223.98**	**100.00**																

229 Abbreviation for the relevant objective to which the economic activity can make a substantial contribution (CCM = climate change mitigation; CE = circular economy).
230 N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
231 N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
232 N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
233 N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
234 N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
235 N/EL = not eligible; activity that is taxonomy-non-eligible in respect of the relevant environmental objective.
236 The allocation of Torqeedo's OpEx figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.
237 EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
238 EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
239 EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
240 EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
241 EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.
242 EL = eligible; activity that is taxonomy-eligible in respect of the relevant objective.

Proportion of OpEx / total OpEx		
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
	%	%
CCM	18.36	13.99
CCA	0	0
WTR	0	0
CE	0	4.46
PPC	0	0
BIO	0	0

Quantitative breakdown of CapEx (€)

Delegated Act 2021/2178		Annex I Art. 1.2.3.2. a	
Economic activity	**Additions to property, plant and equipment**	**Additions to property, plant and equipment**	**Additions through right-of-use assets**
3.2	1,091,538.00	0.00	0.00
3.4	642,246.78	0.00	47,227.80
3.6	1,627,151.40	0.00	188,911.20
6.5	218,444.00	0.00	0.00
7.2	896,073.00	0.00	0.00
7.3	1,548,642.00	0.00	0.00
7.4	59,985.00	0.00	0.00
7.5	9,549.00	0.00	0.00
7.6	724,731.00	0.00	0.00
9.1	4,242.00	0.00	0.00
Total	**6,822,602.18**	**0.00**	**236,139.00**

Quantitative breakdown of OpEx (€)

Delegated Act 2021/2178	Annex I Art. 1.2.3.3. a
R&D costs	39,930,467.67
Building renovation measures	6,663,704.07
Non-capitalized leases	104,361.63
Maintenance and repair	1,670,724.80
Total	**48,369,258.17**

Independent practitioner's report*

To DEUTZ AG, Köln

We have performed a limited assurance engagement on the combined separate non-financial report of DEUTZ AG, Köln, (hereinafter the "Company") for the period from 1 January 2023 to 31 December 2023 (hereinafter the "Combined Separate Non-financial Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Combined Separate Non-financial Report in accordance with §§ (Articles) 315 c in conjunction with 289 c to 289 e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "Information on Regulation (EU)2020/852 - Taxonomy Regulation" of the Combined Separate Non-financial Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Combined Separate Non-financial Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Information on Regulation (EU)2020/852 - Taxonomy Regulation" of the Combined Separate Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

AUDIT FIRM'S INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

Our responsibility is to express a conclusion with limited assurance on the Combined Separate Non-financial Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Separate Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report, is not prepared, in all material respects, in accordance with §§ 315 c in conjunction with 289 c to 289 e HGB and the EU Taxonomy Regulation and the elegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Information on Regulation (EU)2020/852 - Taxonomy Regulation" of the Combined Separate Non-financial Report. In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

* PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

Im Rahmen unserer Prüfung haben wir u.a. folgende Prüfungshandlungen und sonstige Tätigkeiten durchgeführt:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Separate Non-financial Report about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Separate Non-financial Report
- Identification of likely risks of material misstatement in the Combined Separate Non-financial Report
- Analytical procedures on selected disclosures in the Combined Separate Non-financial Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Combined Separate Non-financial Report
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Combined Separate Non-financial Report

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

ASSURANCE OPINION

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Separate Non-financial Report of the Company for the period from 1 January 2023 to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315 c in conjunction with 289 c to 289 e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Information on Regulation (EU)2020/852 - Taxonomy Regulation" of the Combined Separate Non-financial Report.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt, den 13. März 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke Wirtschaftsprüferin [German public auditor]	ppa. Benjamin Wolf

INDEX FOR 2023 CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE DEUTZ GROUP[243]

€ million

	Note	2023	2022
Revenue	1	**2,063.2**	**1,892.1**
Cost of sales	2	-1,616.4	-1,524.5
Research and development costs	3	-109.6	-97.5
Selling expenses	4	-129.8	-112.3
General and administrative expenses	4	-77.6	-59.7
Other operating income	5	24.0	33.6
Other operating expenses	6	-25.8	-26.2
Impairment of financial assets and reversals thereof		0.4	-4.4
Profit/loss on equity-accounted investments	7	-5.5	-3.7
Other net investment income	7	0.6	0.2
EBIT		**123.5**	**97.6**
Interest income	8	1.8	1.3
Interest expense	8	-16.4	-6.3
Other financial income	8	-0.7	-0.9
Financial income, net	8	**-15.3**	**-5.9**
Net income before income taxes		**108.2**	**91.7**
Income taxes	9	-1.3	3.7
Net income of continuing operations		**106.9**	**95.4**
Net income of discontinued operations[244]	10	**-25.0**	**-15.2**
Net income		**81.9**	**80.2**
thereof attributable to shareholders of DEUTZ AG		81.9	80.2
Earnings per share (basic/diluted, in €)	11	**0.66**	**0.66**
thereof from continuing operations		**0.86**	**0.79**
thereof from discontinued operations		**-0.20**	**-0.13**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

€ million

	Note	2023	2022
Net income		**81.9**	**80.2**
Amounts that will not be reclassified to the income statement in the future	12	**-6.3**	**21.1**
Remeasurement of defined benefit plans		-6.3	21.1
Amounts that will be reclassified to the income statement in the future if specific conditions are met	12	**-7.3**	**-3.1**
Currency translation differences		-5.4	0.3
thereof profit/loss on equity-accounted investments		-3.2	-1.1
thereof translation differences from discountinued operations		0.0	0.0
Effective portion of change in fair value from cash flow hedges		0.7	-3.7
Fair value of financial instruments		-2.6	0.3
Other comprehensive income, net of tax	12	**-13.6**	**18.0**
Comprehensive income		**68.3**	**98.2**
thereof attributable to shareholders of DEUTZ AG		68.3	98.2

[243] The previous year's figures were adjusted in accordance with the provisions of IFRS 5.
[244] For further details please refer to the notes on accounting policies under »Non-current assets held for sale and discontinued operations« as well as to Note 10 »Net income from discontinued operations« and Note 21 »Assets of discontinued operations classified as held for sale and liabilities directly associated with assets of discontinued operations«.

BALANCE SHEET FOR THE DEUTZ GROUP

€ million

Assets	Note	Dec. 31, 2023	Dec. 31, 2022
Property, plant and equipment	13	379.3	394.7
Intangible Assets	14	159.9	169.3
Equity-accounted investments	15	41.4	50.6
Other financial assets	16	26.7	14.4
Non-current assets (before deferred tax assets)		**607.3**	**629.0**
Deferred tax assets	17	127.4	101.3
Non-current assets		**734.7**	**730.3**
Inventories	18	433.9	451.6
Trade receivables	19	201.9	186.2
Other receivables and assets	19	49.8	50.7
Receivables in respect of tax refunds		4.1	1.7
Cash and cash equivalents	20	90.1	54.9
Assets held for sale of discontinued operations[245]	21	75.7	0.0
Current Assets		**855.5**	**745.1**
Total assets		**1,590.2**	**1,475.4**

Equity and liabilities	Note	Dec. 31, 2023	Dec. 31, 2022
Issued capital		**322.5**	**309.0**
Additional paid-in capital		40.3	28.8
Other reserves[246]		-6.7	0.6
Retained earnings and accumulated income		387.1	330.4
Equity attributable to shareholders of DEUTZ AG		**743.2**	**668.8**
Equity	22	**743.2**	**668.8**
Provisions for pensions and other post-retirement benefits	23	87.7	86.0
Deferred tax liabilities	17	5.8	2.0
Other provisions	24	23.9	28.4
Financial debt	25	65.9	77.2
Other liabilities	26	19.6	2.2
Non-current liabilities		**202.9**	**195.8**
Provisions for pensions and other post-retirement benefits	23	10.7	11.1
Other provisions	24	73.8	81.7
Financial debt	25	187.6	141.9
Trade payables	26	256.0	291.5
Liabilities arising from income taxes		6.4	4.9
Other liabilities	26	90.6	79.7
Liabilities associated with assets of discontinued operations[247]	21	19.0	0.0
Current liabilities		**644.1**	**610.8**
Total equity and liabilities		**1,590.2**	**1,475.4**

[245] For further details please refer to the notes on accounting policies under »Non-current assets held for sale and discontinued operations« as well as to Note 10 »Net income from discontinued operations« and Note 21 »Assets of discontinued operations classified as held for sale and liabilities directly associated with assets of discontinued operations«.
[246] Other reserves include a currency translation adjustment from discontinued operations of minus €0.3 million.
[247] See footnote 245.

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

€ million

	Issued capital[248]	Additional paid-in capital[249]	Retained earnings / accumu-lated income[250]	Fair value reserve[251,252]	Currency translation reserve[253]	Equity attributable to share-holders of DEUTZ AG	Total[254]
Balance at Jan. 1, 2022	**309.0**	**28.8**	**246.9**	**-1.0**	**4.7**	**588.4**	**588.4**
Dividend payments to shareholders			-18.2			-18.2	-18.2
Net income			80.2			80.2	80.2
Other comprehensive income			21.1	-3.4	0.3	18.0	18.0
Comprehensive income			101.3	-3.4	0.3	98.2	98.2
Changes to basis of consolidation			0.4			0.4	0.4
Balance at Dec. 31, 2022	**309.0**	**28.8**	**330.4**	**-4.4**	**5.0**	**668.8**	**668.8**
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			81.9			81.9	81.9
Other comprehensive income			-6.3	-1.9	-5.4	-13.6	-13.6
Comprehensive income			75.6	-1.9	-5.4	68.3	68.3
Balance at Dec. 31, 2023	**322.5**	**40.3**	**387.1**	**-6.3**	**-0.4**	**743.2**	**743.2**

[248] The items of equity are explained in Note 22 of the notes to the consolidated financial statements.
[249] The items of equity are explained in Note 22 of the notes to the consolidated financial statements.
[250] The items of equity are explained in Note 22 of the notes to the consolidated financial statements.
[251] On the balance sheet these items are aggregated under ‘Other reserves’.
[252] Reserves from the measurement of cash flow hedges and reserves from the measurement of financial instruments.
[253] On the balance sheet these items are aggregated under ‘Other reserves’.
[254] The items of equity are explained in Note 22 of the notes to the consolidated financial statements.

CASH FLOW STATEMENT FOR THE DEUTZ GROUP[255]

€ million

	Notes	2023	2022
EBIT		**123.5**	**97.6**
Income taxes paid		-21.6	-9.9
Depreciation, amortization and impairment of non-current assets		108.7	93.6
Gains/losses on the sale of non-current assets		0.0	0.4
Profit/loss and impairment on equity-accounted investments		6.1	3.7
Other non-cash income and expenses		-0.5	0.7
Change in working capital		-58.1	-81.2
Change in inventories		-9.4	-65.7
Change in trade receivables		-15.5	-48.4
Change in trade payables		-33.2	32.9
Change in other receivables and other current assets		-2.7	-7.0
Change in provisions and other liabilities (excluding financial liabilities)		-3.9	-20.2
Cash flow from operating activities – continuing operations		**151.5**	**77.7**
Cash flow from operating activities – discontinued operations		-12.7	-20.0
Cash flow from operating activities – total		**138.8**	**57.7**
Capital expenditure on intangible assets, property, plant and equipment		-65.0	-55.9
Expenditure on investments		-0.2	-3.8
Acquisition of subsidiaries		-31.1	-5.4
Proceeds from the sale of non-current assets		0.3	0.2
Cash flow from investing activities – continuing operations		**-96.0**	**-64.9**
Cash flow from investing activities – discontinued operations		-1.9	-2.3
Cash flow from investing activities – total		**-97.9**	**-67.2**
Dividend payments to shareholders	22	-18.9	-18.2
Interest income		1.9	0.3
Interest expense		-15.6	-6.7
Cash receipts from borrowings		55.9	89.5
Repayment of loans	25	-9.1	-20.0
Principal elements of lease payments		-15.3	-14.3
Cash flow from financial activities – continuing operations		**-1.1**	**30.6**
Cash flow from financial activities – discontinued operations		-3.5	-3.0
Cash flow from financial activities – total		**-4.6**	**27.6**
Cash flow from operating activities – total		138.8	57.7
Cash flow from investing activities – total		-97.9	-67.2
Cash flow from financing activities – total		-4.6	27.6
Change in cash and cash equivalents		**36.3**	**18.1**
Cash and cash equivalents at Jan. 1		**54.9**	**36.1**
Change in cash and cash equivalents		36.3	18.1
Change in cash and cash equivalents related to exchange rates		-1.1	0.1
Change in cash and cash equivalents related to the basis of consolidation		0.0	0.6
Cash and cash equivalents at Dec. 31	20	**90.1**	**54.9**

[255] The previous year's figures were adjusted in accordance with the provisions of IFRS 5. For further details please refer to the notes on accounting policies under »Non-current assets held for sale and discontinued operations« as well as to Note 10 »Net income from discontinued operations« and Note 21 »Assets of discontinued operations classified as held for sale and liabilities directly associated with assets of discontinued operations«.

Notes to the consolidated financial statement

Basis of presentation

PARENT COMPANY

The parent company of the DEUTZ Group is DEUTZ AG. Its registered office is located at Ottostrasse 1, 51149 Cologne, Germany, and the Company is entered under no. HRB 281 in the commercial register at the local court in Cologne. The Board of Management approved these consolidated financial statements for publication by adoption of a resolution dated February 26, 2024.

DEUTZ AG shares are listed in the Deutsche Börse SDAX segment and are publicly traded on the Xetra electronic trading platform and on all German stock exchanges.

DEUTZ is one of the world's leading manufacturers of drive systems for off-highway applications. Its portfolio extends from diesel and gas engines to hybrid, electric, and hydrogen drives that are used in various applications, including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, and rail vehicles. The business is broken down into the main application segments of Construction Equipment, Material Handling, Agricultural Machinery, and Stationary Equipment. Comprehensive aftersales service rounds off the product range offered. The Group's activities are divided into two operating segments: DEUTZ Classic and DEUTZ Green. The Classic segment encompasses activities related to the development, production, distribution, and servicing of diesel engines as well as the equity-accounted joint venture with Chinese construction equipment manufacturer SANY. The Green segment consists of all activities unrelated to diesel engines. Firstly, this includes electric drives, hydrogen-powered drive solutions, and mobile rapid charging stations. Secondly, the Green segment includes Futavis, a development services provider that specializes in high-voltage battery management systems. In its operating segments, DEUTZ focuses on value creation processes involving the development, design, production, and sales of liquid-cooled and air-cooled engines and electrified drive systems.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The DEUTZ Group's consolidated financial statements prepared for the parent company DEUTZ AG are based on uniform accounting policies. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations as adopted by the European Union (EU) and are consistent with the statutory obligations applicable to publicly traded parent companies subject to disclosure requirements pursuant to section 315e (1) of the German Commercial Code (HGB) in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated July 19, 2002 concerning the application of international accounting standards, as amended (IAS Regulation).

The consolidated financial statements are generally prepared using the cost method. Specific exceptions are derivative financial instruments and other financial instruments that are measured at fair value. The consolidated financial statements are prepared in euros. Unless otherwise stated, all figures are in millions of euros rounded up or down to one decimal place.

APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1) Amendments to accounting policies
The accounting policies on which the consolidated financial statements are based are fundamentally the same as the policies applied in 2022 with the exceptions set out below.

»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 entity, resulting in the disclosure of entity-specific information rather than generic disclosures. IFRS Practice Statement 2 has been amended accordingly. There has been no material impact on the consolidated financial statements since initial application.

»Accounting Policies, Changes in Accounting Estimates and Errors« (Ammendments 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 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 has not had any material impact on the consolidated financial statements.

»International Tax Reform – Pillar Two Model Rules« (Amendments to IAS 12) In May 2023, the IASB published amendments to IAS 12 to provide a temporary exception to the accounting for deferred taxes arising from the introduction of global minimum tax. However, affected entities must disclose the extent to which they are affected by the minimum tax rules.

The Group falls within the scope of the OECD pillar two model rules. The country in which DEUTZ AG is based (Germany) has adopted the pillar two legislation and it comes into effect on January 1, 2024. As the pillar two legislation was not yet in force as at the reporting date, the Group is not currently subject to a tax expense in this regard. The Group is applying the exception to accounting for deferred taxes arising from pillar two income taxes.

Under the legislation, the Group must pay top-up tax in each country; the amount to be paid is the difference between the GloBE effective tax rate and the minimum rate of 15 percent. Based on the latest review of the available data, no company is subject to additional minimum tax.

Owing to the complexity of applying the legislation and calculating the GloBE income, the quantitative impact of the adopted legislation cannot yet be reliably estimated. Pillar two may therefore have tax implications even for companies with an effective tax rate of more than 15 percent. We are currently working with tax specialists to help us to implement the Pillar II legislation.

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 has not had any impact on the 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 has not had any impact on the consolidated financial statements.

2) Published standards, interpretations, and amendments that have already become part of EU law but are not yet mandatory

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have published the following standards and amendments to standards that have already become part of EU law via the comitology procedure. However, the application of these standards was not yet mandatory in 2023 and DEUTZ has not opted to apply these interpretations or amendments to standards before the mandatory application date.

»Classification of Liabilities as Current or Non-Current« (Amendments to IAS 1) In January 2020, the IASB made changes to IAS 1, introducing a comprehensive definition of liabilities in order to ensure a more accurate presentation of an entity's financial position. Essentially, the amendments clarify that the classification of liabilities as current or non-current has to be based on the contractual rights in place as at the balance sheet date. They also provide a more precise definition of the settlement of a liability. On December 20, 2023, the date on which these amendments become effective was put back to January 1, 2024. Initial application of these amendments is not expected to have any material impact on the consolidated financial statements.

»Non-current Liabilities with Covenants« (Amendments to IAS 1) In October 2022, the IASB published amendments to IAS 1 that affect the amendments to IAS 1 that had been published in January 2020 concerning the classification of liabilities as current or non-current. The latest amendments seek to clarify which conditions affect the classification of a liability. Conditions with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. By contrast, conditions with which an entity does not have to comply until after the reporting date do not affect the classification. Additional information on this matter has to be disclosed in the notes in the annual report. The amendments are effective for financial years commencing on or after January 1, 2024. They are not expected to have any impact on the DEUTZ Group's consolidated financial statements.

»Sale or Contribution of Assets between an Investor and its Associate or Joint Venture« (Amendments to IFRS 10 and IAS 28) The IASB issued these amendments in September 2014. They clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business as defined by IFRS 3 »Business Combinations«. The amendments have been postponed indefinitely owing to inconsistencies between the standards.

»Lease Liability in a Sale and Leaseback« (Amendments to IFRS 16) The IASB published amendments to IFRS 16 in September 2022 that seek to clarify how a seller-lessee subsequently measures sale and leaseback transactions. The gain or loss arising from the transaction in relation to the retained right of use is not recognized. The amendments are effective for financial years commencing on or after January 1, 2024. They are not expected to have any impact on the DEUTZ Group's consolidated financial statements.

3) Published standards, interpretations, and amendments that have not yet been adopted by the EU

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have published the following standards and interpretations that have not yet been adopted by the EU and have not yet been applied by the DEUTZ Group.

»Supplier Finance Arrangements« (Amendments to IAS 7 and IFRS 7) In May 2023, the IASB published amendments to IAS 7 and IFRS 7. The amendments require entities to include additional disclosures about finance arrangements with suppliers in the notes to the financial statements. They must also disclose how these arrangements affect their liabilities, cash flows, and liquidity risk and what the consequences will be for them if the arrangements are no longer available to them. The amendments are effective for financial years commencing on or after January 1, 2024. Initial application of these amendments is not expected to have any material impact on the consolidated financial statements.

»Lack of Exchangeability« (Amendments to IAS 21) The IASB published amendments to IAS 21 in August 2023. The amendments specify when a currency is exchangeable and how to determine the exchange rate when it is not. A currency is exchangeable when, as at the measurement date, it can be exchanged in any amount for another currency for a specified purpose without undue delay through a market or exchange mechanism in which a transaction would create enforceable rights and obligations. If the currency is not exchangeable, the spot rate as at the measurement date must be estimated. This would be the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing. When a currency is not exchangeable, the entity must disclose information in the notes on how the currency's lack of exchangeability affects the entity's financial position and financial performance. The amendments are effective for financial years commencing on or after January 1, 2025. They are not to be applied retrospectively. Where the functional currency differs from the presentation currency, the cumulative amount of translation differences must be recognized in equity. The amendments are not expected to have any material impact on the consolidated financial statements.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

To a certain extent, the preparation of the 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 liabilities as at the balance sheet date, and the reporting of income and expenses. Estimates and assumptions giving rise to a material risk in the form of adjustments to the carrying amounts of assets or liabilities over the next financial year are explained below. Adjustments to estimates are recognized in income when better knowledge becomes available.

Impairment of non-financial assets The DEUTZ Group conducts tests at each balance sheet date to determine whether there are any indications that non-financial assets, except goodwill, may be impaired. Goodwill must be tested for impairment at least once a year and on an ad hoc basis if there are any indications of impairment. In order to determine the recoverable amount, the management must estimate future cash flows expected to be derived from the asset or from the cash-generating unit and select an appropriate discount rate to determine the present value of these cash flows.

Deferred tax assets The DEUTZ Group is obliged to pay income taxes in various countries. It therefore needs to make estimates on the basis of which tax provisions and deferred taxes can be recognized. When determining the amount of deferred tax assets, the management must make judgments – which may involve material uncertainties – regarding the expected timing and amount of future taxable income as well as future tax planning strategies. DEUTZ mainly recognizes deferred tax assets on losses carried forward. They are recognized for all unused tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the loss carryforwards can actually be set off. Planning forecasts over a period of five years are used to determine the future taxable profit that is likely to be available.

As at December 31, 2023, the carrying amount of deferred tax assets recognized in respect of tax loss carryforwards amounted to €94.8 million (December 31, 2022: €80.0 million). Further details can be found in Note 17.

Pension benefits The expense for defined benefit plans is determined using actuarial calculations. These actuarial calculations are based largely on assumptions regarding discount rates, mortality, and future increases in pensions. These estimates are subject to material uncertainty owing to the long-term nature of these plans.

Because of changes in economic and market conditions, the costs and liabilities actually incurred may differ significantly from the estimates made on the basis of actuarial assumptions. The rate of pension increases, the longevity of those entitled to pension benefits, and the discount rate used can have a material impact on the amount of the defined benefit obligation and, consequently, on future pension costs.

Development expenditure is capitalized in accordance with the accounting policies described below. In order to determine the amounts to be capitalized, management makes assumptions about the amount of future cash flows expected to be generated from the development projects, the discount rates to be applied, and the period over which the cash is expected to flow into the Company. As at December 31, 2023, the carrying amount of capitalized development expenditure was €82.8 million (December 31, 2022: €74.4 million).

Pending or potential legal disputes DEUTZ AG and other companies in the DEUTZ Group are subject to a variety of regulations under tax, competition, and patent law as well as to other legal and statutory requirements. Existing and potential legal disputes are recorded and analyzed on an ongoing basis at DEUTZ; they are assessed in terms of their legal and financial impact and an appropriate amount is recognized in the risk provisions in the accounts. At present, it is not possible to predict the outcome of pending cases with any degree of certainty beyond the provisions already recognized. We do not expect them to have a significant adverse impact on the DEUTZ Group's financial position or financial performance. The overall position as regards the legal risks facing the DEUTZ Group is explained in more detail in Note 30.

Business combinations When acquirees are consolidated for the first time, the identifiable assets and liabilities (including contingent liabilities) are recognized at their fair value as at the date of acquisition. The measurement of intangible assets is particularly subject to uncertainties. They are measured using accepted valuation methods on the basis of estimates of future cash flows, expected growth rates and exchange rates, discount rates, and useful lives.

Leases The lessee's incremental borrowing rate is used to measure lease liabilities because it is not possible to ascertain the interest rate implicit in the lease. The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow – over a similar term and with a similar level of security – the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. This incremental borrowing rate is determined using observable inputs: interbank rate, intragroup interest margin for contributions and short-term funding, interest rates for mortgage bonds, and country risk premium. The average duration is also calculated. As lease liabilities are fully repaid over the lease term, it is assumed that the duration in each case is equivalent to half of the lease term.

Leases with an indefinite term are assumed to have a term of five years, which is equivalent to the Group's medium-term planning period. However, this does not apply to leases that have an annual termination option that can be exercised by either the lessee or the lessor, such option giving rise to only an immaterial termination penalty or other immaterial disadvantages for the lessee. These leases are treated as short-term leases.

Basis of consolidation

All subsidiaries, joint ventures, and associates are included in the consolidated financial statements.

Subsidiaries are all entities directly or indirectly controlled by DEUTZ AG. DEUTZ AG has control over an entity when it is exposed to variable returns from its involvement with the entity and has power over the entity. It has power when it has existing rights that give it the current ability to direct the relevant activities of the entity in order to materially affect the variable returns. Control usually results from indirectly or directly holding the majority of the voting rights. Subsidiaries are consolidated from the point at which the parent company acquires control. Consolidation ends when the parent company no longer has control. In addition to DEUTZ AG, the consolidated financial statements include nine German subsidiaries (2022: ten) and 29 foreign subsidiaries (2022: 25).

The long-standing service partner Mauricio Hochschild Ingeniería Servicios S.A., Santiago (Chile), was included in the consolidated financial statements of DEUTZ AG for the first time as at July 31, 2023.

The Diesel Motor Nordic Group, which is headquartered in Järfälla (Sweden), was included in the consolidated financial statements for the first time as at October 2, 2023. The group comprises three companies: Diesel Motor Nordic AB, Järfälla (Sweden), Diesel Motor Nordic Oy, Helsinki (Finland), and Diesel Motor Nordic AS, Risskov (Denmark).

Details of the acquisitions during the reporting year can be found under ‘Acquisitions’ in these notes to the financial statements.

DEUTZ Beteiligung GmbH, Cologne, acquired all shares in the limited partnership Ad Strüver KG (GmbH & Co.), Hamburg, on May 1, 2023. At the same time, the assets of the latter company were transferred to DEUTZ Beteiligung, Cologne, and Ad Strüver KG (GmbH & Co.), Hamburg, ceased to exist on May 1, 2023.

In 2023, accounting in accordance with IFRS 5 »Non-current Assets Held for Sale and Discontinued Operations« was applied. The companies in the Torqeedo Group, which had previously been fully consolidated, were accounted for and recognized as a discontinued operation as at December 31, 2023. The Torqeedo Group companies are Torqeedo GmbH, Oberpfaffenhofen/Wessling, Torqeedo Inc., Illinois (USA), and Torqeedo Asia-Pacific Ltd., Bangkok (Thailand). For further details please refer to the notes on accounting policies under »Non-current assets held for sale and discontinued operations« as well as to Note 10. »Net income from discontinued operations« and Note 21. »Assets held for sale of discontinued operations and liabilties associated with assets of discontinued operations«.

Joint ventures are companies over which control is exercised jointly by DEUTZ and other entities on the basis of a contractual agreement. Associates are entities over whose business and financial policies DEUTZ AG is able to exert a significant influence but are neither subsidiaries nor joint ventures. Associates and joint ventures are both accounted for in the consolidated financial statements using the equity method.

In the year under review, as had also been the case in 2022, the consolidated financial statements included one foreign joint venture and two foreign entities in accordance with the rules governing associates.

Principles of consolidation

The separate financial statements of the individual entities included in the consolidated financial statements have been prepared using uniform accounting policies in accordance with the regulations on consolidation. The consolidated financial statements comprise the financial statements of DEUTZ AG and of its subsidiaries prepared each year for the twelve months ended December 31.

The acquisition method has been used to account for business combinations since January 1, 2010. The acquisition cost is measured at the fair value of the assets transferred, the liabilities incurred or assumed (including conditional liabilities), and the equity instruments issued at the acquisition date, irrespective of the amount of any non-controlling interests. The determined acquisition cost is then allocated to the identifiable assets and liabilities (including contingent liabilities) that were measured at their fair value as at the date of acquisition in accordance with the rules of IFRS 3. The excess of the cost of acquisition over the value of net assets, after deduction of any non-controlling interests in acquirees, is recognized as goodwill. Negative goodwill is recognized in profit or loss in the period in which the business combination takes place. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree at fair value (full goodwill method) or at the proportionate fair value of the assets acquired and the liabilities assumed. The option to measure non-controlling interests at fair value is currently not exercised.

Non-controlling interests are thus recognized at their proportionate share of the net assets, disregarding the goodwill.

Acquisition-related costs arising in connection with business combinations are expensed as incurred.

The acquisition method was used to account for acquisitions between the transition to accounting based on IFRS on January 1, 2005 and December 31, 2009. Under this method, the carrying amount of the investment was offset against the DEUTZ Group's proportionate share of equity in the consolidated subsidiary remeasured at fair value on the acquisition date. Transaction costs directly attributable to the acquisition constituted some of the acquisition-related costs.

Non-controlling interests are the share of net profit/loss and net assets not attributable to the DEUTZ Group. There were no non-controlling interests as at December 31, 2023.

Income and expenses, receivables and payables, and intercompany profits and losses generated between the consolidated entities are eliminated unless they are material.

Joint ventures and associates

Investments in joint ventures and associates are accounted for using the equity method. Under the equity method, investments in an associate or joint venture are recognized on the balance sheet at cost plus any changes in the DEUTZ Group's share of the entity's net assets that have occurred since the acquisition. The goodwill related to the associate or joint venture is included in the carrying amount of the investment and is not amortized. The income statement includes the DEUTZ Group's share of the profit or loss generated by the associate or joint venture. Unless they are material, gains and losses on transactions between the Group and its associates or joint ventures are eliminated. Changes recognized directly in the equity of the associate or joint venture are recognized by the DEUTZ Group in the amount of its investment and, as such, are appropriately presented in the statement of changes in equity. With one exception, the financial statements of the associates and the joint venture are prepared to the same balance sheet date as the financial statements for the parent. Interim financial statements have not been prepared for reasons of materiality. Where required, figures are restated in line with the uniform accounting policies throughout the DEUTZ Group.

Acquisitions

Diesel Motor Nordic Gruppe

The Diesel Motor Nordic Group, which is headquartered in Järfälla (Sweden), was included in the consolidated financial statements for the first time as at October 2, 2023. The group comprises three companies: Diesel Motor Nordic AB, Järfälla (Sweden), Diesel Motor Nordic Oy, Helsinki (Finland), and Diesel Motor Nordic AS, Risskov (Denmark). DEUTZ AG has acquired 100 percent of voting shares in these companies. The acquisitions will help the DEUTZ Group to strengthen its regional presence in Scandinavia and expand its service business to include competitors' engines.

The acquisition of Diesel Motor Nordic Group impacted on the DEUTZ Group's net assets as follows:

€ million	Fair values as at the acquisition date
Property, plant and equipment	3.3
Customer relationships	15.7
Non-current assets	**19.0**
Inventories	3.7
Trade receivables	6.6
Other receivables and assets	1.0
Cash and cash equivalents	2.2
Current Assets	13.5
Total assets	**32.5**
Other provisions	0.2
Non-current liabilities	0.2
Trade payables	2.7
Other liabilities	1.9
Deferred tax liabilities	4.1
Current liabilities	**8.7**
Total equity and liabilities	**8.9**
Net assets acquired	**23.6**
thereof attributable to the DEUTZ Group	23.6
Consideration transferred (cash payment)	**24.4**
Goodwill of the DEUTZ Group	0.8

The goodwill resulting from the acquisition is derived from the strengthening of DEUTZ AG's business in Scandinavia. This goodwill is currently not tax-deductible. Following the purchase price allocation, the goodwill was allocated to the Classic segment in line with the company's business activities. The Classic segment is also the relevant cash-generating unit. The purchase price allocation has been completed.

The purchase consideration amounted to €24.4 million and was transferred in cash. No material transaction costs were incurred with regard to the business combination. The net amount of the acquired trade receivables came to €6.6 million. At the date of acquisition, there were no uncollectible receivables. The business combination caused consolidated revenue to rise by €7.2 million and net income to reduce by €0.2 million. If the acquisition of the company had taken place with effect from January 1, 2023, there would have been additional consolidated revenue of €19.3 million and an increase in net income of €3.7 million.

A net cash outflow (after deduction of the cash acquired) of €22.3 million has been recognized for the acquisition of the company in the »Acquisition of subsidiaries« line item in the cash flow statement.

Mauricio Hochschild Ingeniería Servicios S.A.

With effect from July 31, 2023, a 100 percent stake in Mauricio Hochschild Ingeniería Servicios S.A., Santiago (Chile), was acquired by DEUTZ Spain S.A.U., Zafra (Spain). Through its subsidiary, DEUTZ therefore holds 100 percent of the shares in this company. By acquiring this long-standing service partner, the DEUTZ Group is driving forward the expansion of its service business.

The acquisition of Mauricio Hochschild Ingeniería Servicios S.A. impacted on the DEUTZ Group's net assets as follows:

€ million	Fair values as at the acquisition date
Property, plant and equipment	0.5
Non-current assets	**0.5**
Inventories	4.7
Trade receivables	4.6
Other receivables and assets	1.1
Cash and cash equivalents	0.4
Current Assets	**10.8**
Total assets	**11.3**
Non-current liabilities	**0.6**
Trade payables	0.8
Other current liabilities	2.0
Current liabilities	**2.8**
Total equity and liabilities	**3.4**
Net assets acquired	**7.9**
thereof attributable to the DEUTZ Group	7.9
Consideration transferred (cash payment)	**9.2**
Goodwill of the DEUTZ Group	1.3

The goodwill resulting from the acquisition is mainly derived from the strengthening of DEUTZ AG's service business. This goodwill is currently not tax-deductible. Following the purchase price allocation, the goodwill was allocated to the Classic segment in line with the company's business activities. The Classic segment is also the relevant cash-generating unit. The purchase price allocation has been completed.

The purchase consideration amounted to €9.2 million (US$ 10.1 million) and was transferred in cash. No material transaction costs were incurred with regard to the business combinations. The net amount of the acquired trade receivables came to €4.6 million. At the date of acquisition, there were no uncollectible receivables. The business combination caused consolidated revenue to rise by €9.2 million and net income to increase by €0.2 million. If the acquisition of the company had taken place with effect from January 1, 2023, there would have been additional consolidated revenue of €18.8 million and an increase in net income of €0.7 million.

A net cash outflow (after deduction of the cash acquired) of €8.8 million has been recognized for the acquisition of the company in the »Acquisition of subsidiaries« line item in the cash flow statement.

Currency translation

The items in the financial statements of each individual entity in the DEUTZ Group are measured in the currency that corresponds to the currency of the primary economic environment in which the entity operates (functional currency). Foreign-currency transactions are translated at the exchange rates prevailing at the time of the transaction. On the balance sheet date, monetary items are translated at the exchange rate as at the balance sheet date, while non-monetary items are translated at the exchange rate on the date of the transaction. All currency translation differences are recognized in profit or loss unless they are in connection with qualified cash flow hedges, in which case they are recognized in other comprehensive income.

With the exception of equity, balance sheet items in separate financial statements denominated in foreign currency are translated into the functional currency of the DEUTZ Group (euros) at closing rates. Income and expense items – including net income or loss – are translated at the average rates for the year. Equity – with the exception of net income or loss – is translated at the prevailing historical closing rates.

Differences arising from the translation of equity at historical rates and the translation of net income or loss at average rates for the year are reported in other comprehensive income in a separate item.

The main exchange rates used for currency translation purposes are shown in the following table (€1 translated into foreign currencies):

		Average rates		Closing rates at Dec. 31	
		2023	2022	**2023**	2022
USA	USD	1.08	1.05	1.11	1.07
China	CNY	7.68	7.07	7.85	7.36
Marocco	MAD	10.95	10.70	10.93	11.16
Australia	AUD	1.63	1.52	1.63	1.57
UK	GBP	0.87	0.85	0.87	0.89

Accounting policies

The material accounting policies used to prepare these consolidated financial statements are described below:

Revenue recognition

Revenue generated by the sale of engines and services comprises the fair value received excluding VAT, discounts, and price reductions.

Revenue and other income are recognized as follows:

Revenue from the sale of engines Revenue from the sale of engines is recognized once a DEUTZ Group entity has delivered to a customer and control has passed to the customer. Estimates of future price reductions are covered by provisions and deducted from revenue.

Revenue generated by services Revenue generated by services mainly relates to the sale of remanufactured engines (Xchange business) as well as spare parts and is recognized at the time that control passes to the customer. Revenue from maintenance work is recognized over the period of time in which the services are rendered.

Interest income, dividends, and other income Interest income is recognized pro rata using the effective interest method. Dividend income is recognized at the time the right to receive the payment arises. Other income is recognized according to contractual agreements on the transfer of risks and rewards.

Borrowing costs

Borrowing costs that can be directly attributed to the construction or manufacture of an asset for which a substantial period is required to bring the asset to its intended usable condition are capitalized as part of the costs of the relevant asset. All the other borrowing costs are expensed as incurred. Borrowing costs are the interest and other costs incurred by a company in connection with borrowing funds.

Property, plant and equipment

Property, plant and equipment is recognized at cost and, if depreciable, less any depreciation on a straight-line basis and any additional impairment losses. Cost comprises the purchase price and any directly attributable costs incurred to bring the asset to the required location and working condition.

The costs of conversion of property, plant and equipment constructed internally comprise directly attributable costs, pro rata material and production overheads, and administrative expenses related to production or delivery of the service.

Subsequent costs are added to the carrying amount of the asset concerned as incurred, provided that the recognition criteria are satisfied. Repair and maintenance costs are expensed as incurred.

The depreciation period is based on the expected useful life of the asset. Land is not depreciated.

Straight-line depreciation is based on the following useful lives for the main asset categories:

	Useful life (years)
Buildings and grounds	15 – 33
Technical equipment and machines	10 –15
Other equipment, furniture and fixtures	3 –10

Residual carrying amounts, useful lives, and depreciation methods are reviewed at the end of each year and adjusted where appropriate.

An item of property, plant or equipment is derecognized either on disposal or if no further economic benefit is expected from further use or sale of the asset. Gains or losses arising from the derecognition of the asset are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement in the period in which the asset is derecognized.

Leases

At the inception of a contract, an assessment is made about whether the contract is or contains a lease. This is deemed the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lessee recognizes a right-of-use asset and a lease liability at the time the underlying asset becomes available for use.

A right-of-use asset is measured at its cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The cost comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred, any costs for restoring the underlying asset to its original condition or for restoring the site or similar, and any lease payments made when or before the asset was made available, less any lease incentives received. Depreciation is recognized on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If ownership of the asset is transferred to the lessee, the right-of-use asset is depreciated until the end of the useful life of the underlying asset. Right-of-use assets are also tested for impairment.

A lease liability is measured at the present value of the lease payments still to be made. These payments are discounted at the lessee’s incremental borrowing rate, because the interest rate implicit in the lease cannot be readily determined. The lease payments comprise fixed payments less any lease incentives received, variable lease payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the exercising of that option is reasonably certain, and payments of penalties in the event that an option to terminate the lease is exercised. Extension options and purchase options, the exercising of which is reasonably certain, are taken into account when determining lease terms. Upon subsequent measurement, the lease liability’s carrying amount is increased by the interest expense and reduced by the lease payments made. The lease liability is remeasured if there is a change in the lease term, a change in the assessment of an option to purchase the underlying asset, or a change in the lease payments.

A practical expedient is applied to short-term leases with a term of no more than twelve months and to low-value leased assets (less than €5,000). The lease payments under these leases are recognized as an expense on a straight-line basis over the term of the lease.

Intangible assets

Goodwill

Goodwill is the difference between the cost of an acquisition and the fair value of the net assets acquired less any non-controlling interests. As goodwill has an indefinite useful life, it is not amortized. However, it must be tested for impairment at least once a year in accordance with the provisions of IAS 36. It must also be tested for impairment on an ad hoc basis if there are any indications of impairment. Goodwill is tested for impairment at the level of the cash-generating units (CGUs). A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or other CGUs. Goodwill has to be allocated at the lowest level within the entity that is monitored for goodwill for internal management purposes. The CGUs defined in this way must not be bigger than an operating segment.

In an impairment test, the carrying amount of the goodwill is compared with the recoverable amount (higher of the fair value less costs to sell and the value in use) of the CGU in question. The recoverable amount of a CGU is calculated by determining the fair value less costs to sell according to the discounted cash flow (DCF) method. Fair value less costs to sell is calculated by discounting estimated future cash flows to their present value. The calculation uses a discount rate that reflects current market expectations in respect of the time value of money and the risks inherent in the CGU. The cash flows used in the calculation are derived from operational planning (five-year period) and extrapolated in order to achieve a sustainable level prior to the transition to perpetuity.

For information on the allocation of goodwill to the Group's operating segments, see Note 14.

Miscellaneous intangible assets

Miscellaneous intangible assets are measured at cost. The cost of purchase or conversion includes directly attributable costs. The cost of conversion also includes a proportion of overheads and borrowing costs for long-term projects provided the recognition criteria are met. In subsequent periods, intangible assets are reported at cost less amortization on a straight-line basis and any additional impairment losses. Investment grants from customers are deducted from cost. The useful lives of both purchased and internally generated intangible assets are limited. The amortization expense and impairment losses are reported in the income statement accordingly.

The following principles are applied:

Internally generated intangible assets The accounting treatment of internally generated intangible assets is based on an implemented development process with defined milestones. During this process, the development costs for the products are capitalized provided that:

- they are technically and commercially feasible;
- a future economic benefit is likely;
- there is the intention to complete their development and sufficient resources are available to do so; and
- the costs of development can be reliably determined.

The review of whether these criteria are met takes place in connection with the achievement of defined milestones in the development process. Development projects at DEUTZ relate almost exclusively to the development of new engine series. The fact that these development projects are technically feasible and will actually be completed is borne out by a multitude of evidence from the past. The development expenditure incurred up to this point, and the research costs, are recognized in the income statement in the period in which they are incurred. As a rule, completed development projects are amortized on a straight-line basis over the expected production cycle of eight to ten years.

As at December 31, 2023, the material, completed development projects had the following remaining useful lives:

Engine series 2.2	5 years
Engine series 2.9	5 years
Engine series 3.6	3 years
Engine series 4.1	2 years
Engine series 6.1	2 years
Engine series 7.8	2 years

The useful lives and amortization methods for completed development projects are reviewed at the end of each year, if not more frequently. If any changes in their useful lives are required, they are treated as changes in accounting estimates.

Other intangible assets These are measured at amortized cost and amortized on a straight-line basis over their estimated useful life of three to ten years.

Gains or losses arising from the derecognition of intangible assets are the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement in the period in which the asset is derecognized.

Impairment of non-financial assets

At each balance sheet date, the DEUTZ Group carries out tests to establish whether there are any indications that an asset may be impaired. An impairment test is carried out at least once a year on intangible assets that are not yet available for use.

Impairment is determined by comparing the carrying amount with the recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If future cash inflows cannot be allocated to an individual asset separately from cash flows generated independently by other assets, the impairment test is applied to the cash-generating unit that includes the asset concerned. When impairment tests are conducted, assets are aggregated into cash-generating units at the lowest-possible level at which cash inflows can largely be independently identified.

Value in use is calculated by discounting estimated future cash flows to their present value. The calculation uses a discount rate that reflects current market expectations in respect of the time value of money and the risks inherent in the asset or cash-generating unit. The cash flows used in the calculation are derived and extrapolated from operational planning (five-year period). If the reasons for previously recognized impairment losses no longer exist, these impairment losses are reversed.

In 2023, there were indications of impairment ('trigger events') on property, plant and equipment and on intangible assets, primarily due to the rise in interest rates. Subsequent impairment tests identified a need to recognize impairment losses on the affected intangible assets. For further details, see Note 14. in these notes to the consolidated financial statements.

The estimates and assumptions used in the impairment tests are based on projections, which by their nature are subject to uncertainty, particularly with regard to future prices and volumes. Adjustments to the estimates made, for example due to unexpectedly poor economic conditions, could result in an impairment loss, especially in the case of individual engine series.

Government grants

Government grants are recognized when there is sufficient certainty that the associated conditions will be fulfilled and the grants will actually be awarded. The DEUTZ Group deducts government grants relating to purchases of non-current assets from the cost of the respective asset. The amount of depreciation and amortization is based on the cost of purchase after deduction of such grants.

Taxes

Deferred taxes Deferred taxes are recognized using the liability method for temporary differences between the carrying amount of an asset or a liability on the consolidated balance sheet and its tax base as at the reporting date as well as for tax loss and interest carryforwards.

Deferred tax assets are recognized to the extent that sufficient future taxable income is likely to be generated over the planning period against which the deductible temporary differences and the as yet unused tax loss carryforwards can be offset.

Deferred tax liabilities that arise from temporary differences in connection with investments in subsidiaries, joint ventures, and associates are always recognized unless the timing of the reversal of the temporary differences can be controlled and it is unlikely that the temporary differences will reverse in the foreseeable future.

Deferred taxes relating to items recognized in other comprehensive income are likewise recognized in other comprehensive income and not in the income statement.

Deferred tax assets and liabilities are netted if the DEUTZ Group is entitled to have the current tax assets offset against tax liabilities and if the deferred taxes relate to income taxes levied by the same tax authority.

Deferred taxes are recognized at the rates anticipated on recognition of the asset or liability. The anticipated tax rate is the rate that has already been enacted or announced at the balance sheet date, provided announcement of the tax rate has the substantive effect of actual enactment.

Current taxes Current income taxes for the current period and for previous periods are recognized at the amount that is expected to be paid to (or recovered from) the tax authorities or has already been paid. The tax amount is calculated on the basis of tax rates and tax legislation enacted or substantively enacted as at the relevant balance sheet date.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price achievable in the ordinary course of business less estimated costs still to be incurred.

The cost of raw materials and consumables as well as bought-in and spare parts is calculated using weighted average purchase prices.

Work in progress and finished goods are measured at the cost of conversion, which includes production materials and production wages as well as a proportion of material and production overheads.

Additional write-downs are applied to cover risks resulting from inventories' period of storage and impaired usability as well as contract-related losses.

Financial assets

In the DEUTZ Group, financial assets within the meaning of IFRS 9 can be in any of the following categories and are classified accordingly:

1. Financial assets measured at fair value through profit or loss
2. Financial assets measured at fair value through other comprehensive income, or
3. Financial assets measured at amortized cost

On initial recognition, financial assets are measured at fair value. In the case of financial assets other than those measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the assets are also included.

Financial assets are assigned to one of the measurement categories on initial recognition. Assets may be reclassified if this is permitted and necessary.

Except in the case of held-for-trading financial assets, all regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by DEUTZ. Held-for-trading financial assets are recognized on the trade date, i.e. the date on which the DEUTZ Group enters into the obligation to buy or sell the asset. Regular way purchases and sales are purchases or sales of financial assets that provide for the delivery of the asset within a period determined by market regulations or conventions.

1. Financial assets measured at fair value through profit or loss In the DEUTZ Group, the group of financial assets measured at fair value through profit or loss includes held-for-trading financial assets. Equity instruments purchased for the purposes of trading and trade receivables earmarked for factoring are also allocated to this category.

Derivatives, including separately recognized embedded derivatives, are classified as held for trading unless they are derivatives designated as hedging instruments and are deemed effective. Gains and losses on financial assets held for trading are recognized in the income statement. At the time the DEUTZ Group first becomes a party to a contract, it determines whether an embedded derivative needs to be accounted for separately from the host contract. This decision is only reassessed if there is a substantial amendment to the terms of the contract and this amendment results in a significant change to the cash flows that would otherwise have been derived from the contract.

2. Financial assets measured at fair value through other comprehensive income Financial assets measured at fair value through other comprehensive income include debt instruments that are held either for sale or in order to collect the contractual cash flows. The contractual cash flows must consist solely of principal repayments and interest payments and accrue at specified intervals. At the time of derecognition, the changes in fair value recognized in other comprehensive income must be reclassified to the income statement. Non-current securities that do not constitute equity instruments are allocated to this category in the DEUTZ Group.

Equity instruments can also be subsumed under this category provided that they have not been purchased for trading purposes. In this instance, however, the changes in fair value recognized in other comprehensive income do not need to be reclassified to the income statement at the time of derecognition. The DEUTZ Group has invested €7.5 million in a 9.1 percent stake in Blue World Technologies Holding ApS, Aalborg, Denmark. The investment constitutes an equity instrument that was not acquired for trading purposes and DEUTZ elected to assign it to this category.

3. Financial assets measured at amortized cost This group includes financial assets that are held for the purposes of collecting contractual cash flows. The contractual cash flows must consist solely of principal repayments and interest payments on outstanding repayment amounts. In the DEUTZ Group, this category covers all receivables and financial assets that are not intended for disposal. The assets are measured using the effective interest method less any impairment losses. A gain or loss is recognized in profit or loss when these financial instruments are derecognized or written down, and through the amortization process.

Impairment of financial assets

For all financial debt instruments, with the exception of financial assets measured at fair value through profit or loss, a loss allowance is recognized on the date the asset is initially recognized that is equivalent to the expected loss from default events over the next twelve months. At every subsequent balance sheet date, the financial assets are subjected to an impairment test to establish whether there are any indications of impairment (for example, substantial financial difficulties on the part of the debtor, significant probability of insolvency proceedings against the debtor, the disappearance of an active market for the financial asset, significant changes in the technological, economic, legal, and/or market environment in which the issuer operates, a sustained fall in the fair value of the financial asset below amortized cost). In the event of a significant increase in credit risk, the loss allowance is adjusted to reflect the losses expected over the term to maturity or a write-down is recognized in the event of default of the financial asset if there are objective indications of impairment.

1. Financial assets measured at amortized cost Expected credit losses reflect the difference between the contractually agreed cash flows and those that are actually anticipated. They are recognized in the income statement as an impairment loss in a valuation allowance account. However, the gross carrying amount continues to be used to determine the interest income. If there are objective indications that financial assets measured at amortized cost are permanently impaired, the loss allowance is offset against the gross carrying amount of the financial asset. Following this partial write-down, the amortized cost is used to determine the interest income.

The loss allowance for trade receivables is calculated immediately over the entire term of the financial instrument. The allowance for other receivables and assets that are subject to low credit risk is recognized upon initial recognition of the asset for a period covering the subsequent twelve months.

If the amount of this impairment loss is found to be lower in subsequent reporting periods, the previously recognized impairment loss is reversed. However, the new carrying amount of the asset must not exceed what the amortized cost would have been at the time the impairment loss is reversed if the impairment loss had not been recognized. The reversal of the impairment loss is recognized in the income statement.

2. Financial assets measured at fair value through other comprehensive income The impairment of debt instruments measured at fair value through other comprehensive income is recognized in profit or loss for the period and reduces the loss resulting from measurement at fair value that would otherwise be recognized in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, short-term deposits with an original term of up to three months, and credit balances held with banks.

Non-current assets held for sale and discontinued operations

Assets deemed material are recognized as »held for sale« if they are highly likely to be sold and are presently in sellable condition. This can apply to individual non-current assets, groups of assets, or entire lines of business. A disposal group may also comprise liabilities if these liabilities are transferred together with the assets as part of the transaction.

In December 2023, the announced sale of the Torqeedo Group was firmed up and agreed with the Supervisory Board. The final agreement on the disposal of all shares in the Torqeedo Group was signed in January 2024. The transaction is expected to be completed toward the end of the first quarter of 2024 and take effect from March 31, 2024. The sale of the shares will be debt-free and cash-free.

In 2017, DEUTZ had acquired the specialist for electric boat drives with the aim of accelerating the electrification strategy for DEUTZ core customer segments (especially Construction Equipment, Agricultural Machinery, and Material Handling) and strengthening Torqeedo's position as a technology and market leader in electric-powered water transport. The desired transfer of technological expertise – a key objective behind the original acquisition of Torqeedo by DEUTZ – was achieved.

Within the DEUTZ Green operating segment, the Torqeedo Group constitutes a separate material line of business generating a clearly segregated cash flow. Under the provisions of IFRS 5, the Torqeedo Group thus constitutes a discontinued operation. It is generally subject to the same measurement principles as continuing operations; explanations are provided in relation to any deviations. The consolidated financial statements and the information about the DEUTZ Group presented below focus on continuing operations.

The assets and liabilities of the Torqeedo Group are each reported as a separate item on the balance sheet. Intangible assets held for sale and property, plant and equipment are not subject to continued amortization and depreciation and are recognized on the balance sheet as at the time of their classification as »for sale« – either at their carrying amount or at fair value less costs to sell, whichever is lower. Intragroup receivables and liabilities are fully eliminated. Prior-year figures on the balance sheet are not restated.

The notes relating to line items on the balance sheet cover the reconciliation of start-of-year figures to end-of-year figures. The presentation of reconciliations focuses on continuing operations. Figures for discontinued operations are recognized under the line item »Adjustments in accordance with IFRS 5«.

The presentation on the income statement focuses on the calculation of continuing operations. The net income or loss on discontinued operations is recognized under the »net income/loss on discontinued operations« line item. The net income or loss from any intragroup provision of goods and services that is continued either with the discontinued operations or with third parties following the deconsolidation of the discontinued operations is recognized under continuing operations. Eliminations recognized as part of the consolidation of income and expenses are assigned to discontinued operations in their entirety. The prior-year comparative figures in the income statement are restated accordingly.

The presentation of the cash flow statement also focuses on continuing operations. The cash flows from operating activities, investing activities, and financing activities of discontinued operations are each stated as a separate line item. The prior-year comparative figures in the cash flow statement are restated accordingly.

Financial liabilities

In the DEUTZ Group, financial liabilities within the meaning of IFRS 9 can be in either of the following categories and are classified accordingly:

1. Financial liabilities measured at fair value through profit or loss, or
2. Other financial liabilities

1. Financial liabilities measured at fair value through profit or loss In the DEUTZ Group, the group of financial liabilities measured at fair value through profit or loss includes held-for-trading financial liabilities. To date, the DEUTZ Group has not made use of the option to designate financial liabilities as at fair value through profit or loss on initial recognition.

Derivatives, including separately recognized embedded derivatives, are classified as held for trading unless they are derivatives designated as hedging instruments and determined to be effective. If the fair value of these derivatives is negative, they are recognized under financial liabilities. Gains and losses on financial liabilities held for trading are recognized in the income statement.

2. Other financial liabilities in the DEUTZ Group for the most part comprise the following:

- Financial debt (liabilities to banks),
- Trade payables, and
- Other liabilities

Other financial liabilities are classified as current unless the DEUTZ Group does not have the right to settle the liability until at least twelve months after the balance sheet date.

Other financial liabilities are initially recognized at their fair value including transaction costs. They are subsequently measured at amortized cost using the effective interest method.

Derivative financial instruments and hedges

DEUTZ only uses derivative financial instruments (currency derivatives) for hedging purposes as part of its business operations, in particular to reduce foreign currency risk in forecast transactions involving foreign currencies.

Derivatives are initially recognized at their fair value on the day they are entered into and are subsequently measured at the fair value prevailing at the time. The fair value of derivatives corresponds to the present value of estimated future cash flows. The fair value of currency forwards is based on the forward exchange rate as at the balance sheet date.

Changes in the fair value of non-hedging derivatives are immediately recognized in the income statement.

Cash flow hedges Forecast transactions (cash flows) in foreign currency are hedged using cash flow hedges. The effective portion of the changes in the fair value of derivatives designated as cash flow hedges is recognized in other comprehensive income. The ineffective portion of the changes in fair value is reported in the income statement under other income or other expenses.

The changes in fair value reported in the reserve for cash flow hedges are reclassified to the income statement in the period in which the hedged item is recognized in income.

The market values of derivatives designated as cash flow hedges are stated in Note 28. Changes in the cash flow hedge reserve are reported under a separate item in other comprehensive income (fair value reserve).

Provisions for pensions and other post-retirement benefits

The occupational pension scheme offered by the DEUTZ Group takes account of the relevant legislation in various countries and the benefits that each company provides for its staff.

Occupational pensions take the form of defined benefit pension plans, which are funded by the recognition of pension provisions. Besides entitlements to an employer-funded pension, employees in Germany can build up an employee-funded pension by participating in a deferred compensation plan. In the UK (branch of DEUTZ AG), there is an employer-funded pension plan and the option of building up an employee-funded pension by participating in a deferred compensation plan. There are also employer-funded pension plans at Deutz Corporation, Atlanta (USA), at DEUTZ FRANCE S.A.S., Gennevilliers (France), and at DEUTZ Italy S.r.l., Milan (Italy).

The Group’s liabilities arising from employer-funded defined benefit pension plans are calculated separately for each plan using actuarial principles. First, the pension benefits vested in earlier periods and in the current period are estimated. The next step is to discount these benefits using the projected unit credit method. The resulting present value represents the defined benefit obligation. The fair value of the plan asset is then deducted from the defined benefit obligation to determine the net liability to be reported on the balance sheet.

The interest rate used to discount the estimated pension benefits is determined using the yields available in the market on each valuation date for investment-grade, fixed-income corporate paper. The currency and terms to maturity of the underlying corporate paper match the currency and predicted duration of the post-retirement pension liabilities to be met.

The net interest cost is calculated by multiplying the net liability at the beginning of the reporting period by the interest rate used to discount the pension obligations at the beginning of the period.

The effects of the revaluation include the actuarial gains and losses on the valuation of the defined benefit obligation and the difference between the actual return on plan assets and the typical return on plan assets assumed at the beginning of the period when calculating the net interest cost.

While the revaluation effects are recognized in other comprehensive income, the net interest cost and the current service cost are reported in profit or loss in the reporting period. Net interest cost is reported in operating profit.

The calculation of the individual cost components in the net liability to be reported on the balance sheet on each reporting date is based on a report by a qualified actuary.

In the case of the employee-funded deferred compensation plan, the Company has taken out a reinsurance policy with a life insurance company based on the amount of salary contribution and undertakes to pay a pension based on the guaranteed capital that has been underwritten. The present value of the benefit obligation corresponds to the fair value of the entitlements to reinsurance cover on the basis of the asset values calculated by the insurer. For the purposes of recognition on the balance sheet, the present value of the benefit obligation is offset against the fair value of the entitlements to reinsurance cover in an equal amount.

As well as defined benefit pension plans, there are also defined contribution pension plans (e.g. direct insurance policies). The mandatory contributions are immediately recognized as staff costs. In this case, the recognition of provisions is not required because the DEUTZ Group has no obligation apart from the obligation to pay premiums.

Other provisions

Other provisions are recognized if there are legal or constructive obligations toward third parties that arise from past events and are likely to result in cash outflows. Furthermore, it must be possible to estimate the obligation reliably. Provisions are recognized at their settlement value calculated at the balance sheet date and take account of projected cost increases. Non-current provisions are discounted. Provisions for warranty obligations are recognized when products are sold or when new warranties are initiated. The measurement of potential warranty liabilities is based primarily on historical experience.

Provisions for share option programs are measured at fair value. The fair value is recalculated at the grant date and at every balance sheet date based on the performance of the options. Changes to the fair value are recognized in profit or loss. At the time of settlement, the fair value is adjusted to the settlement value (which is equivalent to the intrinsic value of the share options) and recognized in profit or loss. The expense recognized over the full term of maturity corresponds to the amount paid out. For further information, see Note 33.

Contingent liabilities

Contingent liabilities are potential obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events that, however, are beyond the control of the DEUTZ Group. Furthermore, present obligations may constitute contingent liabilities if it is not probable that an outflow of resources will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

Effects of the Ukraine crisis/ middle east conflict on the 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. Furthermore, no material assets are held in these countries.

However, conditions in the procurement market remain challenging due to persistent geopolitical uncertainty in connection with the war in Ukraine and the conflict in the Middle East.

Notes to the income statement[256]

1. Revenue

Breakdown of revenue by application segment and by timing of recognition in 2023

€ million

	Classic	Green	Total
Construction Equipment	585.9	0.2	**586.1**
Material Handling	467.9	0.0	**467.9**
Agricultural Machinery	272.3	0.0	**272.3**
Stationary Equipment	184.7	0.1	**184.8**
Service	483.5	0.3	**483.8**
Miscellaneous/Marine	63.9	4.4	**68.3**
Total	**2,058.2**	**5.0**	**2,063.2**
thereof at point in time	2,023.7	5.0	**2,028.7**
thereof over a period of time	34.5	0.0	**34.5**

Breakdown of revenue by region in 2023

€ million

	Classic	Green	Total
Construction Equipment	576.3	0.7	**577.0**
Material Handling	355.4	0.0	**355.4**
Agricultural Machinery	275.3	0.0	**275.3**
Stationary Equipment	179.7	0.0	**179.7**
Service	449.8	0.0	**449.8**
Miscellaneous/Marine	52.9	2.0	**54.9**
Total	**1,889.4**	**2.7**	**1,892.1**
thereof at point in time	1,856.5	2.7	**1,859.2**
thereof over a period of time	32.9	0.0	**32.9**

Breakdown of revenue by region in 2023

€ million

	Classic	Green	Total
Europe/Middle East/ Africa	1,247.6	5.0	**1,252.6**
Americas	504.0	0.0	**504.0**
Asia-Pacific	306.6	0.0	**306.6**
Total	**2,058.2**	**5.0**	**2,063.2**

Breakdown of revenue by region in 2022

€ million

	Classic	Green	Total
Europe/Middle East/ Africa	1,167.9	2.6	**1,170.5**
Americas	419.5	0.1	**419.6**
Asia-Pacific	302.0	0.0	**302.0**
Total	**1,889.4**	**2.7**	**1,892.1**

[256] The tables and notes below present and explain continuing operations.

The Group primarily generates revenue from the sale of engines and spare parts (service) to manufacturers of applications and to dealers. The revenue is recognized when control of the products is transferred to the purchaser and no unfulfilled obligations remain. This is usually deemed to have occurred when the products have been delivered or when the shipping documents have passed to the purchaser, whichever is the earlier. At this point in time, the opportunities and risks are transferred to the purchaser and the obligation to pay the purchase price is created.

Retrospective volume discounts that are based on total revenue for the financial year are often agreed with major customers for the sale of engines and spare parts. Revenue from these sales is recognized in the amount specified in the contract less the estimated volume discount. The provision is estimated mainly on the basis of the sales that are expected to be generated from the customer (most likely amount), a figure that is periodically updated. The provision is recognized as a contract liability under other liabilities. No significant financing components are involved as payment terms in line with market practice are usually agreed with the customer. A provision for guarantees is recognized to cover the Group's obligation to repair or replace defective products in accordance with standard guarantee conditions.

When a remanufactured engine is sold (Xchange business), the customer is invoiced for the remanufactured engine and for a deposit for their old reconditionable engine. The revenue for the remanufactured engine is recognized at the point at which control is transferred. This is usually deemed to have occurred when the products have been delivered or when the shipping documents have passed to the purchaser, whichever is the earlier. At this point in time, the opportunities and risks are transferred to the purchaser and the obligation to pay the purchase price is created. The purchase price received for the deposit is recognized as a contract liability until the obligation to take back the reconditionable old engine expires.

In the reporting period, revenue of €2.8 million (2022: €1.9 million) was recognized that, at the beginning of the period, had been included in the balance of contract liabilities.

As part of its service business, the Group also carries out maintenance work. The revenue generated from this is recognized in the reporting period in which the services are rendered. As the services are usually rendered within a very short period of time, however, any revenue accrued at the end of the reporting period for services that have been rendered but not yet invoiced is not material.

DEUTZ applies the practical expedients in accordance with IFRS 15.121, IFRS 15.63, and IFRS 15.94.

2. Cost of sales

The cost of sales comprises the following cost items:

€ million	**2023**	2022
Cost of materials	1,108.7	1,068.1
Staff costs	243.0	225.3
Depreciation and amortization on property, plant and equipment and intangible assets	73.4	53.2
Other cost of sales items	191.3	177.9
Total	**1,616.4**	**1,524.5**

Starting in 2023, amortization on capitalized development expenditure is recognized under the cost of sales. This figure came to €15.1 million in the reporting year (2022: €17.4 million).

3. Research and development costs

The table below gives a breakdown of research and development costs:

€ million	**2023**	2022
Cost of materials	35.2	30.5
Staff costs	55.2	51.8
Depreciation, amortization and impairment	19.0	22.5
Own work capitalized and reimbursements	-10.9	-13.6
Other research and development costs	11.1	6.3
Total	**109.6**	**97.5**

In 2023, impairment losses of €14.3 million (2022: €0.0 million) were recognized on capitalized development expenditure as a consequence of lower unit sales forecasts for two engine series. In 2022, amortization of €17.4 million had been recognized on capitalized development expenditure. Starting in 2023, amortization on capitalized development expenditure is recognized under the cost of sales. This is to enable pro rata amortization charges relating to capitalized development expenditure that are included in the carrying amounts of inventories to be recognized under this item.

4. Selling expenses and general administrative expenses

Selling expenses amounted to €129.8 million in the year under review (2022: €112.3 million). General and administrative expenses came to €77.6 million (2022: €59.7 million). Both the selling expenses and the general and administrative expenses predominantly consisted of staff costs. The respective amounts were €77.0 million and €47.0 million (2022: €74.8 million and €42.0 million). Depreciation, amortization, and impairment was included in selling expenses in an amount of €7.9 million (2022: €5.4 million) and in general and administrative expenses in an amount of €8.4 million (2022: €7.8 million).

5. Other operating income

€ million	2023	2022
Income from recharged costs and services	4.6	3.6
Foreign currency gains	5.9	14.0
Income from the measurement of derivatives	0.8	0.7
Income from the reversal of provisions	9.4	10.8
Income from the derecognition of liabilities	0.3	0.5
Sundry other income	3.0	4.0
Total	**24.0**	**33.6**

The fall in other operating income was largely due to lower foreign currency gains.

6. Other operating expenses

€ million	2023	2022
Restructuring costs	0.0	0.4
Other expenses from the adjustment of provisions	5.1	1.1
Foreign currency lossies	10.4	12.8
Expenses for pensions and other post-employment benefits	4.9	2.1
Other cost of fees, contributions and advice	2.8	3.2
Expenses in connection with the measurement of derivatives	0.5	0.7
Sundry other expenses	2.1	5.9
Total	**25.8**	**26.2**

The fall in other operating expenses was largely due to lower foreign currency losses.

7. Profit/loss on equity-accounted investments, write-downs of equity-accounted investments and other investment income

€ million	2023	2022
Profit/loss on equity-accounted investments		
Income from equity-accounted investments	1.6	1.3
Expenses relating to equity-accounted investments	-7.1	-5.0
Total	**-5.5**	**-3.7**
Other net investment income	**0.6**	**0.2**
Total	**-4.9**	**-3.5**

Income from equity-accounted investments consisted of DEUTZ AG's share in the profits of its associates D. D. Power Holdings (Pty) Ltd., Elandsfontein (South Africa), and DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou (China). The expenses consisted of DEUTZ AG's share of the losses of the joint venture Hunan DEUTZ Power, Ltd., Changsha (China).

As in the previous year, other net investment income related to profits transferred by DEUTZ Sicherheit GmbH, Cologne.

8. Financial income, net

€ million	2023	2022
Interest income on credit balances with banks	0.6	0.2
Other interest income	1.2	1.1
Interest income	**1.8**	**1.3**
Interest paid on liabilities on banks	-7.5	-2.6
Interest paid on sales of receivables	-5.9	-1.6
Interest paid on lease liabilities	-3.0	-2.0
Other interest expense	0.0	-0.1
Interest expense	**-16.4**	**-6.3**
Other finance income/finance costs	**-0.7**	**-0.9**
Financial income, net	**-15.3**	**-5.9**

No borrowing costs were capitalized in either 2023 or 2022.

9. Taxes

Income taxes The following table gives a breakdown of income taxes:

€ million	2023	2022
Current tax expense	20.7	16.1
thereof unrelated to the reporting period	0.4	-1.6
Deferred tax expense (+)/ deferred tax income (-)	-19.4	-19.8
thereof from temporary differences	-4.5	-10.3
thereof from loss carry-forwards	-14.9	-9.5
Total tax expense (+)/ income (-)	**1.3**	**-3.7**

The current income tax expenses predominantly related to current income generated by Group companies in 2023.

The deferred tax income included income of €4.5 million arising from temporary differences (2022: tax income of €10.3 million). These resulted predominantly from a reduction in capitalized development expenditure that is not recognized in the tax accounts.

It is likely that more loss carryforwards can be used over the upcoming medium-term period of five years, resulting in deferred tax income on the recognition of deferred tax assets on loss carryforwards.

The tax reconciliation table shows the reconciliation from anticipated income taxes to effective taxes as shown in the income statement. Effective income taxes include current and deferred taxes. The applicable tax rate is 31.44 percent (2022: 31.44 percent), comprising corporation tax at 15 percent, the solidarity surcharge (5.50 percent of the corporation tax), and trade tax at 15.61 percent based on an average assessment rate.

€ million	2023	2022
Net income before income taxes	**108.2**	**91.7**
Anticipated tax expense (+)/ income (-)	34.0	28.8
Effect from trade tax add-backs and deductions	1.2	0.0
Effects of differing tax rates	-4.1	0.0
Effects of deferred taxes on loss carryforwards and of the utilization of loss carryforwards	-32.4	-30.0
Effect of non-deductible expenses	1.3	0.5
Share of profit (loss) of equity-accounted investments	2.2	1.5
Effect of tax-exempt income	-1.0	-1.2
Effect of potential dividend distributions	0.2	0.2
Effects not related to the reporting period		
Prior-year tax payments	0.4	-1.6
Deferred taxes resulting from prior-year adjustments	-0.3	-2.2
Other	-0.2	0.3
Effective tax expense (+)/ income (-)	**1.3**	**-3.7**
Effective tax rate (%)	**1.2**	**-4.0**

The tax effect arising from deferred taxes on loss carryforwards essentially resulted from the capitalization of deferred taxes recognized on loss carryforwards.

10. Net income from discontinued operations

The table below gives a breakdown of the net income/loss from discontinued operations:

€ million	2023	2022
Revenue	**41.5**	**61.2**
Cost of sales	-35.1	-50.2
Research and Development costs	-8.3	-8.3
General and administrative expenses	-20.1	-17.6
Other operating income and expenses	-1.3	-0.1
EBIT	**-23.3**	**-15.0**
Interest result	-2.4	**-0.9**
Income Taxes	0.7	0.7
Net income	**-25.0**	**-15.2**

The discontinued operations of the Torqeedo Group generated adjusted EBIT (EBIT before exceptional items) of minus €23.3 million (2022: minus €14.1 million). No exceptional items were recognized in the reporting year. Exceptional items recognized in the previous year related to changes in management.

As the Torqeedo Group was being held for sale as at the end of the reporting year, depreciation and amortization on it has been suspended with effect from the reporting date in accordance with the provisions of IFRS 5.

11.Earnings per share

Earnings per share is calculated in accordance with IAS 33. The DEUTZ Group calculates basic earnings per share by dividing the net income attributable to its shares by the weighted average number of shares outstanding. It is determined on the basis of continuing and discontinued operations.

There were no dilutive effects in 2023 or 2022 because there are no exercisable options to convert financial instruments with equity components.

	2023	2022
Net income attributable to shareholders of the DEUTZ Group (€ million)	81.9	80.2
thereof from continuing operations	106.9	95.4
thereof from discontinued operations	-25.0	-15.2
Weighted average number of shares outstanding (thousand)	124,902	120,862
Earnings per share (€)	**0.66**	**0.66**
thereof from continuing operations	0.86	0.79
thereof from discontinued operations	-0.20	-0.13

Notes to the statement of comprehensive income

12. 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:

€ million	**2023**			2022		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Amounts that will not be reclassified to the income statement in the future	**-9.2**	**2.9**	**-6.3**	**30.8**	**-9.7**	**21.1**
Remeasurements of defined benefit plans	-9.2	2.9	-6.3	30.8	-9.7	21.1
Amounts that will be reclassified to the income statement in the future if specific conditions are met	**-8.2**	**0.9**	**-7.3**	**-4.7**	**1.6**	**-3.1**
Currency translation differences	-5.4	0.0	-5.4	0.3	0.0	0.3
thereof profit/loss on equity-accounted investments	-3.2	0.0	-3.2	-1.1	0.0	-1.1
thereof translation differences from discountinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Effective portion of change in fair value from cash flow hedges	1.0	-0.3	0.7	-5.4	1.7	-3.7
Fair value of financial instruments	-3.8	1.2	-2.6	0.4	-0.1	0.3
Other comprehensive income	**-17.4**	**3.8**	**-13.6**	**26.1**	**-8.1**	**18.0**

In 2023, gains totaling €0.4 million on cash flow hedges (2022: losses of €5.5 million) recognized in other comprehensive income during the year (prior to the inclusion of deferred taxes) were reclassified to other operating income in the consolidated income statement.

Notes to the balance sheet

13. Property, plant and equipment

Gross figures Cost of purchase/ conversion	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2023	**332.9**	**572.4**	**371.9**	**22.2**	**1,299.4**
Currency translation differences	-0.9	-0.9	-1.0	-0.2	-3.0
Additions	8.6	20.1	32.2	14.1	75.0
Investment grants	0.0	0.1	0.0	0.0	0.1
Disposals	-6.4	-8.4	-28.7	-0.1	-43.6
Changes to basis of consolidation	3.1	0.0	1.0	0.0	4.1
Reclassifications	0.5	10.7	4.3	-15.8	-0.3
Reclassifications according to IFRS 5	-11.3	0.1	-8.9	-2.0	-22.1
Balance at Dec. 31, 2023	**326.5**	**594.1**	**370.8**	**18.2**	**1,309.6**

Gross figures Depreciation and impairment	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2023	**150.3**	**471.4**	**282.6**	**0.4**	**904.7**
Currency translation differences	-0.6	-0.7	-0.6	0.0	-1.9
Depreciation	17.1	21.8	29.3	0.0	68.2
Impairment	0.0	1.3	1.2	0.0	2.5
Disposals	-2.5	-7.9	-28.3	0.0	-38.7
Changes to basis of consolidation	0.4	0.1	0.7	0.0	1.2
Reclassifications	0.0	-0.1	0.1	0.0	0.0
Reclassifications according to IFRS 5	-1.0	0.0	-4.7	0.0	-5.7
Balance at Dec. 31, 2023	**163.7**	**485.9**	**280.3**	**0.4**	**930.3**
Net carrying amount at Dec. 31, 2023	**162.8**	**108.2**	**90.5**	**17.8**	**379.3**

Gross figures Cost of purchase/conversion	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2022	**294.5**	**577.2**	**368.5**	**18.3**	**1,258.5**
Currency translation differences	0.8	0.5	0.5	0.0	1.8
Additions	54.4	10.9	27.9	13.6	106.8
Investment grants	0.0	-0.7	0.0	0.0	-0.7
Disposals	-19.6	-22.0	-29.5	-0.2	-71.3
Changes to basis of consolidation	0.9	0.7	0.7	0.0	2.3
Reclassifications	1.9	5.8	3.8	-9.5	2.0
Balance at Dec. 31, 2022	**332.9**	**572.4**	**371.9**	**22.2**	**1,299.4**

Gross figures Depreciation and impairment	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Advances paid and construction in progress	Total
€ million					
Balance at Jan. 1, 2022	**148.0**	**469.3**	**282.3**	**0.0**	**899.6**
Currency translation differences	0.3	0.3	0.3	0.1	1.0
Depreciation	17.3	22.2	27.7	0.0	67.2
Impairment	0.0	0.0	0.0	0.3	0.3
Disposals	-15.5	-21.8	-29.2	0.0	-66.5
Changes to basis of consolidation	0.0	0.6	0.5	0.0	1.1
Reclassifications	0.2	0.8	1.0	0.0	2.0
Balance at Dec. 31, 2022	**150.3**	**471.4**	**282.6**	**0.4**	**904.7**
Net carrying amount at Dec. 31, 2022	**182.6**	**101.0**	**89.3**	**21.8**	**394.7**

Investment in property, plant and equipment (excluding right-of-use assets for leases) mainly related to IT equipment, the establishment of the new multi-function center, new test rigs for gas, electric, and hydrogen drives, new machinery and tools, the set-up of the new assembly line for engine series with capacities of between 4 and 8 liters, and replacement investment in machinery.

Of the additions in 2023, a sum of €17.1 million was attributable to right-of-use assets in connection with leases (2022: €54.3 million). Capital expenditure in respect of right-of-use assets was mainly attributable to the extension of leases for leased property and to new leases for properties and technical equipment and machines. Detailed information about right-of-use assets in connection with leases can be found in Note 27. in these notes to the financial statements.

Total government grants recognized as at December 31, 2023 amounted to €2.9 million (December 31, 2022: €4.0 million). In 2023, grants of €0.5 million (2022: €0.5 million) were recognized in profit or loss (as a reduction of the depreciation expense).

Purchase commitments for property, plant and equipment are described in Note 30.

14. Intangible assets

Gross figures Cost of purchase/ conversion	Goodwill	Internally generated intangible assets Completed	 In development	Other intangible assets	Total
€ million					
Balance at Jan. 1, 2023	**55.5**	**471.9**	**33.1**	**196.7**	**757.2**
Currency translation differences	0.0	0.0	0.0	-0.2	-0.2
Additions	0.0	0.0	37.8	4.3	42.1
Investment grants	0.0	0.0	0.0	-0.1	-0.1
Disposals	0.0	0.0	0.0	-12.2	-12.2
Changes to basis of consolidation	2.1	0.0	0.0	16.7	18.8
Reclassifications	0.0	0.0	0.0	0.3	0.3
Reclassifications according to IFRS 5	-19.6	0.0	0.0	-25.3	-44.9
Balance at Dec. 31, 2023	**38.0**	**471.9**	**70.9**	**180.2**	**761.0**

Gross figures Amortization and impairment	Goodwill	Internally generated intangible assets Completed	 In development	Other intangible assets	Total
€ million					
Balance at Jan. 1, 2023	**0.0**	**417.0**	**13.6**	**157.3**	**587.9**
Currency translation differences	0.0	0.0	0.0	-0.2	-0.2
Amortization	0.0	15.1	0.0	6.8	21.9
Impairment	0.0	1.4	12.9	1.9	16.2
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	-12.2	-12.2
Reclassifications	0.0	0.0	0.0	0.0	0.0
Reclassifications according to IFRS 5	0.0	0.0	0.0	-12.5	-12.5
Balance at Dec. 31, 2023	**0.0**	**433.5**	**26.5**	**141.1**	**601.1**
Net carrying amount at Dec. 31, 2023	**38.0**	**38.4**	**44.4**	**39.1**	**159.9**

Gross figures Cost of purchase/ conversion	Goodwill	Internally generated intangible assets Completed	 In development	Other intangible assets	Total
€ million					
Balance at Jan. 1, 2022	**54.3**	**471.3**	**28.7**	**189.7**	**744.0**
Currency translation differences	0.0	0.0	0.0	-0.1	-0.1
Additions	0.0	0.0	5.3	5.5	10.8
Investment grants	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	-0.1	0.0	-0.8	-0.9
Changes to basis of consolidation	1.2	0.0	0.0	1.6	2.8
Reclassifications	0.0	0.7	-0.9	0.8	0.6
Balance at Dec. 31, 2022	**55.5**	**471.9**	**33.1**	**196.7**	**757.2**

Gross figures Amortization and impairment	Goodwill	Internally generated intangible assets Completed	 In development	Other intangible assets	Total
€ million					
Balance at Jan. 1, 2022	**0.0**	**398.2**	**15.3**	**148.7**	**562.2**
Currency translation differences	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	17.4	0.0	8.6	26.0
Impairment	0.0	0.0	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	-0.1	0.0	-0.8	-0.9
Reclassifications	0.0	1.5	-1.7	0.8	0.6
Balance at Dec. 31, 2022	**0.0**	**417.0**	**13.6**	**157.3**	**587.9**
Net carrying amount at Dec. 31, 2022	**55.5**	**54.9**	**19.5**	**39.4**	**169.3**

Capital expenditure on intangible assets mainly related to the acquisition of intellectual property rights (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 with a total value of €35.2 million. The rights were acquired so that DEUTZ can further develop them itself, for example for use in off-highway applications (such as construction equipment or agriculture). The agreements provide for various production arrangements. The heavy-duty engines will continue to be built by Daimler Truck AG at the Mercedes-Benz plant in Mannheim and shipped to DEUTZ to enable the latter to complete the drive systems, whereas the medium-duty engines will be produced at DEUTZ.

Other intangible assets as at December 31, 2023 mainly comprised customer relationships in connection with acquisitions of sales companies with an aggregate value of €21.4 million (December 31, 2022: €6.9 million). In the reporting year, customer relationships worth €15.7 million were acquired as part of the acquisition of Diesel Motor Nordic Group, based in Järfälla, Sweden. Intangible assets also include a sales license and subsidies for resources owned by suppliers.

The impairment losses of €14.3 million on intangible assets related to capitalized development expenditure for two engine series and were made as a consequence of lower unit sales forecasts. These impairment losses were recognized under research and development costs in the income statement. The impairment testing of these assets was carried out at the level of the cash-generating unit represented by the engine series. Impairment losses totaling €2.5 million were recognized on property, plant and equipment linked to the cash-generating units. The recoverable amounts for these two engine series, calculated on the basis of the value in use of the cash-generating units, came to €10.4 million and €8.9 million respectively. The recognized impairment losses relate to the DEUTZ Classic segment. The pre-tax discount rates underlying the calculation were 2.8 percent and 11.0 percent respectively. The pre-tax discount rate of 2.8 percent resulted from a loss-making period in the early years of the product lifecycle of this engine series.

Of the impairment loss of €1.9 million recognized on other intangible assets, €1.5 million related to a license acquired for the sale and marketing of engines and resulted from deteriorating demand forecasts. The impairment loss was recognized under selling expenses in the income statement. The impairment testing of this asset was carried out at the level of the cash-generating unit represented by an engine series. The recoverable amount, calculated on the basis of the value in use of this cash-generating unit, stood at €12.5 million. The recognized impairment loss is attributable to the DEUTZ Classic segment. The pre-tax discount rate underlying the calculation was 12.4 percent.

Amortization relating to internally generated intangible assets, amounting to €15.1 million (2022: €17.4 million), is recognized under cost of sales in the income statement from 2023 onward (2022: research and development costs). Amortization relating to other intangible assets, amounting to €6.8 million (2022: €8.6 million), was split across all functional areas in the income statement.

Goodwill

Goodwill of €38.0 million is attributable to the DEUTZ Classic and DEUTZ Green segments and is managed at the level of these segments. The assets of the Torqeedo Group were reclassified as held for sale as at the end of the reporting year in accordance with the provisions of IFRS 5. The Torqeedo Group forms part of the Green segment. Consequently, the goodwill attributable to the disposal group from the Green segment, amounting to €19.6 million, was reclassified to the balance sheet item »assets of discontinued operations classified as held for sale« together with the assets of the Torqeedo Group. The disposal value of the goodwill from the Green segment was determined before reclassification on the basis of the relative values of the proportion of the cash-generating unit of Torqeedo Group designated for disposal and the remaining proportion of the cash-generating unit of the Green segment, using the fair value less costs to sell as a measurement metric.

The table below shows the changed allocation of goodwill to the operating segments of the Group.

€ million	DEUTZ Classic	DEUTZ Green	Not yet allocated	Total
Balance at Jan. 1, 2023	**32.5**	**23.0**	**0.0**	**55.5**
Additions	2.1	0.0	0.0	**2.1**
Disposals	0.0	0.0	0.0	**0.0**
Reclassification	0.0	-19.6	0.0	**-19.6**
Balance at Dec. 31, 2023	**34.6**	**3.4**	**0.0**	**38.0**

Goodwill was tested for impairment at the level of the DEUTZ Classic and DEUTZ Green operating segments as these are the groups of cash-generating units (CGUs) to which the goodwill has been allocated. The recoverable amounts of these operating segments were then offset against the carrying amounts of the operating segments including the allocated goodwill. As market prices are not available for these groups of cash-generating units, the recoverable amount of an operating segment is calculated by determining fair value less costs to sell in accordance with the discounted cash flow (DCF) method. Fair value less costs to sell is measured on the basis of unobservable inputs (level 3). Fair value less costs to sell was calculated by discounting estimated future cash flows to their present value. The calculation uses a discount rate that reflects current market expectations in respect of the time value of money and the risks inherent in the group of CGUs. The cash flows used in the calculation were derived from the financial plan approved by senior management, which reflects market expectations and covers a five-year period. For the two groups of CGUs, DEUTZ Classic and DEUTZ Green, the detailed planning phase was extended by an additional rough planning period of one year in order to achieve the stable outlook for the CGUs required for the calculation for perpetuity. The period was extended by 15 years for the DEUTZ Classic CGU and by ten years for the DEUTZ Green CGU. As the process of developing and evolving traditional internal combustion engines into hydrogen-based and electric drive solutions is still in its early stages, further significant revenue and profit growth is expected in the Green segment over the course of the detailed planning phase. Consequently, the likely picture at the end of the detailed planning phase remains in flux. Key assumptions underlying the calculation of cash flows in the detailed planning phase include assumptions concerning unit sales volumes, sales prices, and selling costs that are based on inhouse experience and data collected outside the Company. As planning in the DEUTZ Green segment revolves around new technologies, DEUTZ maintains an ongoing dialogue with customers in this area in order to gauge needs and assess the competitiveness of its products. Cash flows that extend beyond the detailed planning period are derived using appropriate unit sales growth rates and EBIT figures extrapolated from these. For the rough planning period, a CAGR[257] of 13 percent has been assumed. The growth rate applied in perpetuity is 1 percent. In light of the anticipated growth in the DEUTZ Green segment, sales expectations for the DEUTZ Classic segment will diminish over the long term. Here too, the likely picture at the end of the detailed planning phase remains subject to change. For cash flows in the rough planning period, a CAGR of minus 9 percent has been assumed. The growth rate applied in perpetuity is minus 3 percent. Planning for unit sales performance in both segments is based on a technology matrix that illustrates the impacts that the transformation of the Company's product and service portfolio toward climate-neutral drive systems is expected to have. The trajectory of political discussions around the transition to renewable energies and carbon neutrality can affect the Group's technology matrix and prompt changes to the assumptions.

DEUTZ Classic operating segment:

Revenue in the DEUTZ Classic operating segment in the planning period will be generated mainly through the sale of diesel and gas engines and through the spare parts business (service). The planning is based both on market data and on a management estimate. Our revenue planning considered not only the anticipated performance of the market for diesel engines in our key application segments but also the trends in the industries in which our major customers operate.

The post-tax cost of capital used for discounting was 8.64 percent. The discount rate was based on a risk-free interest rate of 2.75 percent and a market risk premium of 7.0 percent. In addition, the beta factor, the cost of debt, and the capital structure were determined using a peer group specific to the business unit.

[257] Compound annual growth rate (CAGR) representing the average annual rate of growth.

The impairment test carried out for the DEUTZ Classic operating segment verified the recoverability of the goodwill allocated to this segment. The following sensitivity analyses were performed for the material assumptions in addition to the impairment test. A potential increase/decrease in the weighted average cost of capital (WACC) by 1 percentage point or a potential increase/decrease in the growth rate by 0.5 percentage points – which are all possible in the view of management – would have the following impact on the recoverable amount of the DEUTZ Classic segment's group of cash-generating units:

Sensitivity analysis of recoverable amount – DEUTZ Classic CGU

Change in recoverable amount		Change in growth rate Terminal value (percentage points)		
€ million		**-0,5**	**0**	**+0,5**
	-1	184.5	192.9	202.2
WACC change (percentage points)	**0**	-5.6	0.0	6.2
	+1	-165.4	-161.6	-157.5

Excess/shortfall compared with the carrying amount of the CGU		Change in growth rate Terminal value (percentage points)		
€ million		**-0,5**	**0**	**+0,5**
	-1	1,210.1	1,218.5	1,227.9
WACC change (percentafe points)	**0**	1,020.0	1,025.7	1,031.8
	+1	860.2	864.0	868.1

DEUTZ Green operating segment:

The post-tax cost of capital used for discounting was 9.9 percent. The discount rate was based on a risk-free interest rate of 2.75 percent and a market risk premium of 7.0 percent. In addition, the beta factor, the cost of debt, and the capital structure were determined using a peer group specific to the business unit.

The impairment test carried out for the DEUTZ Green operating segment is based on continuing operations and verified the recoverability of the goodwill allocated to this segment. The following sensitivity analyses were performed for the material assumptions in addition to the impairment test. A potential increase/decrease in the weighted average cost of capital (WACC) by 1 percentage point or a potential increase/decrease in the growth rate by 0.5 percentage points – which are all possible in the view of management – would have the following impact on the recoverable amount of the DEUTZ Green segment's group of cash-generating units:

Sensitivity analysis of recoverable amount – DEUTZ Green CGU

Change in recoverable amount		Change in growth rate Terminal value (percentage points)		
€ million		**-0,5**	**0**	**+0,5**
	-1	19.0	24.7	31.2
WACC change (percentage points)	**0**	-4.0	0.0	4.5
	+1	-21.6	-18.8	-15.6

Excess/shortfall compared with the carrying amount of the CGU		Change in growth rate Terminal value (percentage points)		
€ million		**-0,5**	**0**	**+0,5**
	-1	23.2	29.0	35.5
WACC change (percentafe points)	**0**	0.3	4.3	8.8
	+1	-17.3	-14.5	-11.3

If a WACC of around 10.1 percent instead of 9.9 percent or a growth rate of 0.47 percent instead of 1.0 percent were used, the fair value less costs to sell would correspond to the carrying amount.

A change in the extrapolated EBIT used in the perpetuity calculation on the basis of the assumed growth rates for unit sales in the rough planning period would have the following impact: Fair value less costs to sell would correspond to the carrying amount if a fixed discount of 5 percent (rounded) or €1.9 million were applied to EBIT of €37.2 million as projected in perpetuity.

15. Equity-accounted investments

The shares held by the DEUTZ Group in associates and joint ventures, none of which are listed companies, are as follows:

€ million	**2023**	2022
Jan. 1	**50.6**	**56.4**
Additions	0.0	0.0
Pro-rata profit/loss on equity-accounted investments	-5.5	-3.7
Other changes arising from measurement using the equity method	-3.7	-2.1
Dec. 31	**41.4**	**50.6**

A summary of further financial information about associates and joint ventures is provided in Note 29. »Interests in other entities«.

16. Other assets and financial assets (non-current)

€ million	Dec. 31, 2023	Dec. 31, 2022
Equity investments	7.6	7.6
Non-current securities	3.9	3.7
Cost of borrowing	0.5	0.7
Other non-current assets	13.0	0.0
Other	1.7	2.4
Total	**26.7**	**14.4**

Equity investments
This line item predominantly consists of the carrying amount of the equity investment in Blue World Technologies, Aalborg, Denmark.

Non-current securities
This line item on the balance sheet includes securities in the form of equities and bonds. The securities are mainly used to hedge the pension obligations of the Group company DEUTZ Corporation, Atlanta, USA.

Cost of borrowing
The cost of borrowing directly associated with the working capital facility is accounted for as a non-current asset and is recognized in the income statement in installments over the capital commitment period. The financial debt (including the pro rata cost of borrowing) is recognized when the working capital facility is drawn down as a loan and is subsequently measured using the effective interest method.

Other non-current assets
This item comprises an entitlement of DEUTZ to be granted a right of use regarding intellectual property rights that arise from the further development of on-highway HDEP engines following the conclusion of the license agreement.

17. Deferred taxes, current taxes and other tax liabilities

At the balance sheet date, DEUTZ AG had unutilized tax losses carried forward of €713.5 million for corporation tax (2022: €744.7 million) and €826.5 million for trade tax (2022: €860.7 million). The figures disclosed in 2022 for tax loss carryforwards (corporation tax: €752.4 million; trade tax: €862.1 million) were adjusted in line with tax audits and updated tax assessments.

Further tax loss carryforwards were also available to international companies in the Group.

The following table gives a breakdown of the deferred tax assets and liabilities and the current tax assets and liabilities reported on the balance sheet:

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Non-current		
Deferred tax assets	127.4	101.3
Deferred tax liabilities	5.8	2.0
Current		
Current tax assets	4.1	1.7
Liabilities arising from income taxes	6.4	4.9

In 2023, the deferred tax assets net of deferred tax liabilities amounted to €127.4 million. They were largely the result of capitalizing deferred tax assets on tax losses carried forward and of temporary differences, particularly those between the carrying amount of provisions for pensions and other post-retirement benefits on the consolidated balance sheet and their tax base in the financial statements at DEUTZ AG. Deferred tax assets from items recognized in other comprehensive income amounted to €16.8 million (December 31, 2022: €14.1 million) for provisions for pensions and other post-retirement benefits and minus €0.7 million (December 31, 2022: minus €0.1 million) for measurement of cash flow hedges.

The following table shows the breakdown of deferred tax assets and liabilities:

€ million	**Dec. 31, 2023**		Dec. 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	0.0	18.9	0.0	27.2
Property, plant and equipment	0.8	20.6	1.4	26.5
Investments	3.0	0.0	1.9	0.0
Inventories	12.3	0.1	14.4	0.0
Receivables and other assets	3.3	0.1	5.2	1.3
Pensions	9.2	0.1	7.7	0.1
Other liabilities	75.9	37.9	76.9	33.1
Tax loss carryforwards	94.8	0.0	80.0	0.0
Deferred taxes (gross)	**199.3**	**77.7**	**187.5**	**88.2**
Netting	71.9	71.9	86.2	86.2
Deferred taxes (net)	**127.4**	**5.8**	**101.3**	**2.0**

The tax asset in excess of deferred tax liabilities – for which sufficient taxable profit will be available in the future – amounted to €127.4 million (December 31, 2022: €101.3 million).

The following table shows the changes in deferred taxes:

€ million	**2023**	2022
Deferrex taxes as at January 1	**99.3**	**86.8**
Adjustments in accordance with IFRS 5	3.9	0.0
Expense/income recognized in the income statement	19.4	20.5
Deferred taxes recognized in other comprehensive income	-1.0	-8.0
Deferred taxes as at December 31	**121.6**	**99.3**

The decrease in deferred taxes in respect of temporary differences, which was recognized in other comprehensive income, was €1.0 million as at December 31, 2023 (December 31, 2022: decrease of €8.0 million) and largely resulted from purchases of equity investments.

As at December 31, 2023, the DEUTZ Group had not recognized any deferred tax liabilities on temporary differences of €29.4 million (December 31, 2022: €32.8 million) in respect of untransferred profits from subsidiaries, associates, or joint ventures because the timing of the reversal of the differences can be controlled or the sums are mostly tax exempt and no material impact on taxes is expected in the near future.

Deferred tax assets are only recognized to the extent that sufficient future taxable income is likely to be generated over a certain planning period against which the as yet unused tax loss carryforwards can be offset. Consequently, as well as tax loss carryforwards on which deferred taxes have been recognized, there are loss carryforwards for which deferred taxes have not been recognized because the losses cannot be utilized. The following tables show the amounts and expiry dates of the tax loss carryforwards on which deferred taxes have not been recognized:

Loss carryforwards in the Group on which deferred taxes have not been recognized

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Corporation tax/solidarity surcharge	432.4	576.1
Trade tax	536.2	668.2

Thereof: expiry periods for German and international loss carryforwards in the Group

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Up to 5 years	0.0	0.0
Indefinite		
Corporation tax/ solidarity surcharge	432.4	576.1
Trade tax	536.2	668.2

The figures disclosed in 2022 for loss carryforwards on which deferred taxes had not been recognized in full (corporation tax: €583.4 million, trade tax: €669.5 million) were restated following updates to tax assessments.

18. Inventories

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Raw materials, consumables, bought-in parts and spare parts	248.9	274.4
Work in progress	56.1	49.9
Finished goods	128.9	127.3
Total	**433.9**	**451.6**

The cost of materials came to €1,108.7 million in the year under review (2022: €1,068.1 million).

Write-downs on raw materials, bought-in parts, and spare parts totaled €3.2 million in the reporting year (2022: €4.8 million). As at December 31, 2023, the carrying amount of inventories written down to net realizable value was €131.8 million (December 31, 2022: €134.1 million).

The following table shows the change in the valuation allowance account for inventories:

€ million	**2023**	2022
Jan. 1	**49.4**	**48.8**
Changes	-0.4	0.6
Reclassifications according to IFRS 5	-1.1	0.0
Dec. 31	**47.9**	**49.4**

19. Receivables and other assets

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Trade receivables	207.3	196.1
Less write-downs	-5.4	-9.9
Trade receivables (net)	**201.9**	**186.2**
Other reicevables and assets		
Receivables arising from other taxes	11.4	10.8
Bonuses and other receivables from suppliers	7.8	9.9
Receivables remaining after sale of receivables	3.0	4.4
Receivables arising from investment grants	1.7	4.7
Prepayments	5.7	3.2
Receivables arising from reimbursements	1.0	2.5
Receivables due from investments	0.5	1.5
thereof trade receivables	0.5	1.5
thereof other receivables	0.0	0.0
Derivative financial instruments	1.5	0.8
Advances paid	0.1	0.9
Sundry other receivables	17.1	12.0
Total	**49.8**	**50.7**

As at December 31, 2023, the volume of receivables sold under factoring agreements was €151.2 million (December 31, 2022: €171.6 million). Not all the opportunities and risks connected with title to the receivables that were sold were transferred to the factor. While the entire credit risk was transferred, a risk of late payment remains for trade receivables of €1.3 million that were sold. This risk was mitigated by recognizing a liability in the corresponding amount. These receivables of €1.3 million continue to be recognized as part of the continuing involvement. The fair values of the receivables transferred and the related liabilities amounted to €151.2 million and €1.3 million respectively. The net value of the receivables transferred was €149.9 million. The total carrying amount of the receivables before they were transferred as part of factoring arrangements stood at €351.8 million. An amount of €201.9 million continues to be recognized. DEUTZ AG remains responsible for managing the receivables that were sold. As at December 31, 2023, the Group had access to factoring lines totaling €250.0 million (December 31, 2022: €250.0 million). They are revolving lines. In 2023, interest expense of €5.9 million (2022: €1.6 million) was recognized in connection with the sale of receivables.

As at December 31, 2023, there were receivables amounting to €3.0 million due from one factor (December 31, 2022: €4.4 million) in connection with the sale of receivables. The fair value of these receivables was also €3.0 million (December 31, 2022: €4.4 million). The risk arising from the factoring transaction was the credit risk of the factor, which was lower than the credit risk of the original debtors. The maximum downside risk as at December 31, 2023 was limited to the amount receivable of €3.0 million (December 31, 2022: €4.4 million).

Trade receivables had been written down by an amount of €5.4 million as at December 31, 2023 (December 31, 2022: €9.9 million). The table showing the change in the valuation account can be found in Note 28. »Financial risk management and additional information on capital management«.

If other receivables or assets are found to be impaired, a direct write-down is applied to the relevant carrying amounts. Total impairment losses of €9.2 million were recognized on other receivables and assets as at December 31, 2023 (December 31, 2022: €9.2 million). The table showing the change in the valuation account can be found in Note 28.

There were no contract assets arising from contracts with customers as at December 31, 2023 or as at December 31, 2022.

20. Cash and cash equivalents

As at December 31, 2023, cash and cash equivalents including cash on hand, short-term deposits, and credit balances with banks amounted to €90.1 million (December 31, 2022: €54.9 million). There were no access restrictions, as had also been the case in the previous year.

21. Assets held for sale of discontinued operations and liabilties associated with assets of discontinued operations

The following table provides an overview of the carrying amounts of the assets and liabilities of the Torqeedo Group recognized as relating to discontinued operations:

€ million	Dec. 31, 2023
Property, plant and equipment	15.9
Intangible assets and goodwill	30.3
Non-current assets	**46.2**
Inventories and trade receivables	28.4
Other assets	1.1
Current assets	**29.5**
Total assets	**75.7**
Lease liabilities	7.1
Deferred tax provisions	3.3
Non-current liabilities	**10.4**
Other provisions	4.0
Lease liabilities	1.0
Trade payables	2.5
Other liabilities	1.1
Current liabilities	**8.6**
Total Liabilities	**19.0**

The assets and liabilities of the disposal group were measured at the lower of the carrying amount or the fair value less costs to sell. No impairment losses arose as part of this process. The purchase agreement, which was concluded with the counterparty in January but had largely been negotiated in December, was used as a best estimate for the fair value.

The intangible assets comprise goodwill of €19.6 million attributable to the disposal group from the DEUTZ Green operating segment.

22. Equity

€ million	31.12.2023	31.12.2022
Issued capital	322.5	309.0
Additional paid-in capital	40.3	28.8
Other reserves	-6.7	0.6
Retained earnings and accumulated income	387.1	330.4
Equity attributable to the shareholders of the parent	743.2	668.8
Total	**743.2**	**668.8**

Issued capital

At the end of 2023, the issued capital (share capital) of DEUTZ AG amounted to €322,490,184.06 (December 31, 2022: €308,978,241.98) and was divided into 126,147,195 no-par-value bearer shares (December 31, 2022: 120,861,783). The no-par-value shares have a notional par value of €2.56 each. Each share confers one vote and determines the corresponding share of profit.

The rise in issued capital was attributable to 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 by way of a capital increase from authorized capital II as available in January 2023 by contribution in kind and granted Daimler Truck AG 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.

Authorized capital

As at December 31, 2023, the composition of the authorized capital was as follows:

By way of a resolution adopted by the Annual General Meeting on April 27, 2023, the Board of Management has been authorized, in accordance with Article 4 (3) of the Statutes of DEUTZ AG and subject to the consent of the Supervisory Board, to increase the issued capital of the Company on or before April 26, 2028 on one or more occasions in installments through the issue of up to 24,172,356 new no-par-value bearer shares for cash by up to a total amount of €61,795,646.86 (authorized capital 2023/I).

By way of a resolution adopted by the Annual General Meeting on April 27, 2023, the Board of Management has moreover been authorized, in accordance with Article 4 (3) of the Statutes of DEUTZ AG and subject to the consent of the Supervisory Board, to increase the issued capital of the Company on or before April 26, 2028 on one or more occasions in installments through the issue of up to 24,172,356 new no-par-value bearer shares for cash by up to a total amount of €61,795,646.86 (authorized capital 2023/II).

The issue of new shares or the creation of conversion rights and/or option rights or obligations is permitted only to the extent that the new shares issued and/or the conversion and/or option rights or obligations created do not in total exceed 40 percent of the issued capital. All utilizations of the authorizations granted at the Annual General Meeting on April 27, 2023 (authorized capital I and II, conditional capital, issue of profit-sharing rights without conversion rights or option rights, purchase and use of treasury shares) are thus to be aggregated.

Existing shareholders generally have pre-emption rights when authorized capital 2023/I or II is utilized. However, these can be disapplied in the specific cases stipulated in Article 4 (3) of the Statutes of DEUTZ AG, subject to the consent of the Supervisory Board. Authorizations to disapply pre-emption rights are provided for to an extent that corresponds, as a maximum, to the quantitative requirements of section 186 (3) sentence 4 AktG, which have preferential status.

The Board of Management prepared a written report detailing the reasons for the proposed disapplication of pre-emption rights pursuant to section 203 (2) sentence 2 AktG in conjunction with section 186 (4) sentence (2) AktG, which was made accessible online at https://www.deutz.com/en/investor-relations/annual-general-meeting/2023 from the date on which the 2023 Annual General Meeting was convened.

The total of all shares issued (or to be issued in the case of convertible bonds and warrant-linked bonds) under disapplication of pre-emption rights in accordance with these authorizations may not cumulatively exceed the limit of 10 percent of the issued capital. This limit is determined by the issued capital of the Company at the time these authorizations take effect or – if lower – the issued capital at the time these authorizations are utilized.

The nominal amount of the as-yet unutilized authorized capital 2023/I and II was €61,795,646.86 respectively as at December 31, 2023. The authorized capital I and II available as at December 31, 2022 was approved for utilization by April 25, 2023. Please see also the notes relating to issued capital.

Conditional capital

As at December 31, 2023, the composition of the conditional capital was as follows:

Based on a resolution adopted by the Annual General Meeting on April 27, 2023, the share capital of DEUTZ AG is conditionally increased by up to €61,795,646.86 by issuing up to 24,172,356 new shares.

The conditional capital will only be increased to the extent to which the holders of convertible bonds or of warrants from warrant-linked bonds that are issued by the Company or a subsidiary on or before April 26, 2028 on the basis of the authorization granted to the Board of Management by the Annual General Meeting on April 27, 2023 exercise their conversion/option rights or – if they have a conversion obligation or an obligation to exercise the option – fulfill such obligation, and provided that no other means are used to satisfy such rights and/or obligations. The new shares shall be issued at the conversion or option exercise prices to be determined in each case in accordance with the aforementioned authorization resolution as set out in the bond/warrant terms and conditions (conditional capital 2023).

The shares issued on the basis of this provision entitle their holders to a share of the Company's profits from the beginning of the financial year in which they are created. The Board of Management was authorized to decide on the finer details for implementing the conditional capital increase, subject to the consent of the Supervisory Board.

For further information on the capital threshold and the disapplication of pre-emption rights, please refer to the notes on authorized capital. Existing shareholders generally have pre-emption rights.

Profit-sharing rights

By way of a resolution adopted by the Annual General Meeting on April 27, 2023, the Board of Management has been authorized to issue on or before April 26, 2028 on one or more occasions registered and/or bearer profit-sharing rights to a total value of up to €100,000,000 without conversion rights or option rights in respect of shares in the Company and with or without a limited maturity, subject to the consent of the Supervisory Board. The profit-sharing rights may be denominated in euros or in any other legal tender of an OECD member state. If profit-sharing rights are issued in another currency, the relevant corresponding value in euros is the value calculated at the ECB reference rate on the date the resolution on the issue of the profit-sharing rights is adopted. The profit-sharing rights may be issued for cash or in return for a non-cash contribution.

For further information on the capital threshold and the disapplication of pre-emption rights, please refer to the notes on authorized capital. Existing shareholders generally have pre-emption rights.

Treasury shares pursuant to section 71 (1) no. 8 AktG

By way of a resolution adopted by the Annual General Meeting on April 27, 2023, the Board of Management has been authorized to purchase treasury shares on or before April 26, 2028 in an amount equivalent to up to a total of 10 percent of the Company's share capital in existence when the resolution is adopted or – if lower – of the Company's share capital in existence at the time the authorization is exercised, subject to the consent of the Supervisory Board. The shares purchased on the basis of this authorization, together with other treasury shares that the Company has already purchased and still holds or which are attributable to the Company pursuant to sections 71a et seq. AktG must at no time account for more than 10 percent of the Company's share capital.

The authorization must not be used for the purpose of trading in treasury shares.

In 2023, the Company did not purchase any treasury shares under this authorization.

Additional paid-in capital

The additional paid-in capital contains premiums and contributions from shareholders as well as the equity component of compound financial instruments such as non-interest-bearing convertible profit-sharing rights and low-interest-bearing convertible bonds. The value of the conversion right linked to previous profit-sharing rights and bonds was recognized in equity on the issue date at fair value less pro rata transaction costs, taking account of deferred taxes.

No such compound financial instruments were in issue, either in 2023 or in 2022.

The increase of €11.5 million in additional paid-in capital to a total of €40.3 million resulted from the difference between the total issue price and the value of the MDEG contribution in kind.

Other reserves

Currency translation Translation differences allocated to the shareholders of DEUTZ AG arising from the translation of equity at historical rates and the translation of the net income or loss at average rates for the year are reported under accumulated other comprehensive income/loss. The cumulative loss on translation differences recognized in other reserves amounted to €0.4 million as at the end of 2023 (December 31, 2022: gain of €5.0 million recognized).

Fair value reserve This reserve is used for the recognition of changes in the fair value of available-for-sale financial instruments. That portion of the gain or loss on a cash flow hedging instrument determined to be an effective hedge is also recognized in the fair value reserve.

Retained earnings and accumulated income

This item includes DEUTZ AG's legal reserve of €4.5 million (December 31, 2022: €4.5 million).

Non-controlling interests

There were no non-controlling interests in existence either in the reporting year or in the comparative period.

Dividend

According to the German Stock Corporation Act (AktG), the dividend is paid from the accumulated income reported in the annual financial statements of DEUTZ AG prepared in accordance with the German Commercial Code (HGB). In 2023, DEUTZ AG distributed a dividend of €18.9 million to its shareholders (€0.15 per share) from the accumulated income reported as at December 31, 2022.

The Board of Management proposes using €21.4 million of the accumulated income reported by DEUTZ AG as at December 31, 2023 to pay a dividend of €0.17 per no-par-value share.

23.Provisions for pensions and other post-retirement benefits

DEUTZ AG has both defined contribution plans and defined benefit plans for its employees.

Defined contribution plans

Employees in Germany receive statutory social insurance benefits for which contributions are paid as part of income. At DEUTZ, there are also further direct insurance policies that are financed by employees. These plans are treated as defined contribution plans because the Company has no obligation beyond the payment of contributions to private insurers. Ongoing contribution payments are reported as an expense for the period concerned.

The employer's contribution to the German statutory pension insurance scheme in 2023 came to €21.0 million (2022: €19.2 million). In addition, a further €1.6 million (2022: €1.7 million) was paid for pension and direct insurance policies in connection with deferred compensation.

Defined benefit plans

The DEUTZ Group maintains several defined benefit pension plans in Germany and abroad. The largest pension plans are in Germany and the UK. Together, they accounted for more than 95 percent of defined benefit obligations (December 31, 2022: 95 percent) and 100 percent of plan assets (December 31, 2022: 100 percent).

In all, there are four defined benefit pension plans in Germany. While three of the plans are employer funded, the fourth is a deferred compensation plan. As a rule, the employer-funded pension plans comprise a general employee retirement pension for life, a disability pension, and a surviving dependants' pension. The level of the monthly pension paid under the employer-funded pension plans is based on earned income and years of service in the DEUTZ Group. Since the pension plans were frozen in 1995, employees can no longer acquire any further employer-funded pension entitlements. In the case of the deferred compensation plan, the Company has taken out a reinsurance policy with a life insurance company based on the amount of salary contribution and undertakes to pay a pension based on the guaranteed capital that has been underwritten. In Germany, occupational pension schemes are governed by the Occupational Pensions Act (BetrAVG), according to which the DEUTZ Group has sole responsibility for meeting the requirements of defined benefit pension plans. The normal retirement age is 67.

The existing defined benefit plan in the UK entitles pension beneficiaries to a pension that depends on the level of their basic salary and the number of eligible years of service. However, since the pension plans were frozen in 2016, no employees can now acquire any further employer-funded pension entitlements. The retirement age is between 62 and 65. The annual pension paid is between 1/55 and 1/60 of the highest basic salary received in the final five years of service for each eligible year of service. The pension plan is primarily funded by converting pension beneficiaries' basic salary and employer contributions into plan assets. The DEUTZ Group undertakes to compensate for any shortfall in the scheme. Every year, the amount for which the Company is liable is determined with reference to a report by an independent pensions actuary.

The pension plan including the plan assets in the UK must be administered by independent trustees in accordance with UK legislation. The investment policy for the pension plan specifies that the accumulated plan assets must be invested in such a way as to strike the optimum balance between equity instruments and debt instruments from a risk and reward perspective in the current market situation. This investment strategy is specifically intended to counteract capital market risk and the associated risk of mismatches between the Company's payment obligations arising from the pension plan on the one hand and the plan assets on the other.

In connection with the defined benefit pension plans, the Group is exposed to capital market risk arising from its investment of the plan's assets in addition to general actuarial risks such as interest-rate risk, the risk of rising annuity rates, and longevity risk.

Funded status of pension plans

€ million	**2023**	2022
Pension plans in Germany		
Present value of defined benefit obligation	98.2	97.1
Fair value of plan assets	4.6	5.2
Deficit (net liabilty)	**93.6**	**91.9**
Pension plans in the UK		
Present value of defined benefit obligation	17.4	16.6
Fair value of plan assets	17.4	16.6
Deficit (net liability)	**0.0**	**0.0**
Other pension plans		
Present value of defined benefit obligation	4.8	5.2
Fair value of plan assets	0.0	0.0
Deficit (net liability)	**4.8**	**5.2**
Total		
Present value of definied benefit obligation	120.4	118.9
Fair value of plan assets	22.0	21.8
Deficit (net liability)	**98.4**	**97.1**

The following table shows the breakdown of separate groups to which the pension plans in Germany and the UK have obligations to pay benefits:

Breakdown of defined benefit obligation by beneficiary

€ million	**2023**	2022
Pension plans in Germany		
Active members	5.3	6.3
Deferred members	1.1	1.6
Pensioners	91.8	89.2
Present value of defined benefit obligation	**98.2**	**97.1**
Pension plans in the UK		
Active members	0.0	0.0
Deferred members	8.7	7.9
Pensioners	8.7	8.7
Present value of defined benefit obligation	**17.4**	**16.6**

The change in the net liability for defined benefit pension plans is shown in the table below:

Change in the net liability for defined benefit pension plans

€ million	**2023**	2022
Net liability as at Jan. 1	**97.1**	**137.8**
Amounts recognized in the income statement	3.3	0.9
Amounts recognized in other comprehensive income	9.3	-30.6
Employer contributions	-0.3	-0.5
Pension benefits paid	-10.6	-11.0
Effects of changes in foreign exchange rates	-0.4	0.5
Net liability as at Dec. 31	**98.4**	**97.1**

The following table shows the change in the present value of the defined benefit obligation:

Change in present value of defined benefit obligation

€ million	**2023**	2022
Definied benefit obligation as at Jan. 1	**118.9**	**171.2**
Service cost	0.0	0.0
Employee contributions	0.0	0.0
Interest expense	4.4	1.3
Unrecognized past service cost	0.0	0.0
Remeasurements	9.2	-40.1
thereof: experience adjustments	5.5	-1.6
thereof: actuarial (gains)/ losses arising from changes in biometric assumptions	0.1	-1.7
thereof: actuarial (gains)/ losses arising from changes in financial assumptions	3.6	-36.8
Effects of changes in foreign exchange rates	0.0	-0.8
Pension benefits paid	-12.1	-12.7
Changes to basis of consolidation	0.0	0.0
Defined benefit obligation as at Dec. 31	**120.4**	**118.9**

As at December 31, 2023, the weighted average life of the defined benefit obligation in Germany was 7.3 years (December 31, 2022: 7.3 years).

The following two tables show the change in the fair value of the plan assets and the breakdown of the plan assets:

Change in fair value of plan assets

€ million	2023	2022
Fair value of plan assets at Jan. 1	**21.8**	**33.4**
Employer contributions	0.3	0.5
Employee contributions	0.0	0.0
Interest income	1.1	0.5
Return on (+)/expenses (-) from plan assets (excl. interest income)	-0.1	-9.5
Pensions paid from plan assets	-1.6	-1.8
Currency translation differences	0.5	-1.3
Other	0.0	0.0
Fair value of plan assets at Dec. 31	**22.0**	**21.8**

Breakdown of plan assets

€ million	2023	2022
Cash and cash equivalents	0.7	0.0
Equity instruments (by region)		
UK	0.0	1.0
Europe (without UK)	0.0	0.6
North America	0.0	0.7
Japan	0.0	0.3
Asia-Pacific	0.0	0.4
Other	0.0	0.5
	0.0	**3.5**
Debt instruments measured		
Government bonds	11.1	7.5
Corporate bonds	5.6	5.6
	16.7	**13.1**
Reinsurance cover	4.6	5.2
Total	**22.0**	**21.8**

Market prices were available for all the equity and debt instruments because they are traded in active markets.

In view of the objective of protecting capital, the investment strategy is primarily aimed at achieving a balanced regional allocation for the investments and a combination of equity instruments and debt instruments.

The breakdown of the portions of the net pension cost recognized in current income and expense for 2023 and 2022 is as follows:

Net pension cost

€ million	2023	2022
Unrecognized past service cost	0.0	0.0
Net interest cost	3.3	0.9
Total	**3.3**	**0.9**

The actual return on plan assets in 2023 amounted to €1.9 million (2022: minus €4.0 million).

The measurement of pension obligations is based on actuaries' reports. The tables below show the main actuarial assumptions underlying the calculations for the material defined benefit obligations in Germany and the UK as at the balance sheet date. The discount rates and pension increases are reported in the form of weighted averages.

Actuarial assumptions

%	2023	2022
Discount rate		
Germany	3.34	3.84
UK	4.80	5.00
Rate of pension increase		
Germany	2.00	2.00
UK	2.30	2.60

Mortality tables

Germany	Heubeck 2018G mortality tables
UK	S1 YoB (standardmortality tables for self-administered plans taking into account future changes in mortality)

The following sensitivity analysis for each material actuarial assumption as at the balance sheet date shows the impact that potential changes in the assumptions at the relevant balance sheet date would have on the material defined benefit obligations in Germany and the UK.

Sensitivity analysis

2023	**Impact on defined benefit obligation of**	
€ million		
	0.5 % fall	0.5 % rise
in discount rate		
Germany	-3.2	3.4
UK	-1.1	1.2
in rate of pension increase		
Germany	3.5	-3.3
UK	0.6	-0.7

Sensitivity analysis

2022	**Impact on defined benefit obligation of:**	
€ million		
	0,5% rise	0,5% fall
in discount rate		
Germany	-3.2	3.4
UK	-1.1	1.1
in rate of pension increase		
Germany	3.4	-3.2
UK	0.7	-0.6

Furthermore, we also believe it is possible that the life expectancy of eligible DEUTZ employees will change. If the life expectancy of eligible DEUTZ employees had risen by one year, the increases in the defined benefit obligation arising from the pension plans in Germany and the UK as at December 31, 2023 would have been €9.7 million and €0.4 million respectively (December 31, 2022: €8.9 million and €0.5 million respectively).

The sensitivity calculations are based on the average duration of the pension obligations calculated as at November 30, 2023. In order to highlight the impact on the present value of the defined benefit obligations calculated as at December 31, 2023 separately, the calculations were carried out for each of the actuarial parameters deemed to be material and capable of changing.

Future cash flows

For 2024, the DEUTZ Group forecasts that its payments into pension plans will amount to €0.5 million (2022: €0.5 million). The following table shows the expected future benefit payments arising from defined benefit obligations:

Expected benefit payments

€ million	**Dec. 31, 2023**
2024	11.8
2025	11.4
2026	10.5
2027	9.9
2028	9.2
2029–2033	38.5

24.Other provisions

The following table gives a breakdown of other provisions:

€ million	2023			2022		
	Total	**Residual term of up to 1 year**	**Residual term of more than 1 year**	Total	Residual term of up to 1 year	Residual term of more than 1 year
Warranties	40.5	30.2	10.3	47.2	35.6	11.6
Obligation to employees	36.8	25.5	11.3	37.5	23.6	13.9
Restructuring	1.0	1.0	0.0	1.8	1.1	0.7
Onerous contracts	3.3	3.3	0.0	12.1	12.1	0.0
Other	16.1	13.8	2.3	11.5	9.3	2.2
Total	**97.7**	**73.8**	**23.9**	**110.1**	**81.7**	**28.4**

The majority of the outflow of cash in connection with the provisions is expected to have materialized by 2025.

Other provisions are recognized at their settlement value calculated as at the balance sheet date and take account of projected cost increases. Non-current provisions are discounted at a rate of 5.0 percent (December 31, 2022: 4.1 percent). Provisions for obligations to employees include provisions for pre-retirement part-time employment. The non-current portion is discounted at 3.06 percent or 3.15 percent in non-contractually agreed cases (31 December 2022: 3.36 percent or 3.56 percent).

Other provisions cover all identifiable risks and other contingent liabilities. The main items are the cost of warranties and potential risks, provisions for obligations to employees, and onerous contracts. Warranty provisions are recognized for repair or replacement obligations in the event of manufacturing defects or other product defects, free reworking or replacements, purchase price reductions, and compensation for non-performance; they also include general provisions recognized for revenue in respect of which the warranty period had not expired by the reporting date. Provisions for obligations to employees predominantly consist of provisions for early retirement, pre-retirement part-time employment, bonuses, incentives, personnel obligations under share-based payment programs, and profit-sharing. Restructuring provisions relate to obligations under the program to optimize the network of sites and obligations under the Transform for Growth restructuring program. Onerous contracts include losses in relation to orders on hand. The other provisions essentially relate to obligations arising from legal risk and obligations under public law.

The following table shows the changes to other provisions in 2023:

€ million	Warranties	Obligation to employees	Restructuring	Onerous contracts	Other	**Total**
Jan. 1, 2023	**47.2**	**37.5**	**1.8**	**12.1**	**11.5**	**110.1**
Additions	9.6	28.6	0.0	0.0	13.0	51.2
Currency translation differences	-0.1	-0.1	0.0	0.0	-0.2	-0.4
Amounts utilized	-12.4	-26.0	-0.9	0.0	-7.8	-47.1
Reversals	-1.3	-0.7	0.0	-8.8	-0.5	-11.3
Additions to basis of consolidation	0.0	0.0	0.0	0.0	0.9	0.9
Reclassifications according to IFRS 5	-3.0	-2.4	0.0	0.0	-0.8	-6.2
Effect of changes in interest rates	0.5	0.0	0.0	0.0	0.0	0.5
Dec. 31, 2023	**40.5**	**36.9**	**0.9**	**3.3**	**16.1**	**97.7**

25.Financial debt

€ million	Dec. 31, 2023				Dec. 31, 2022			
	Total	**Residual term up to 1 year**	**Residual term of 1–5 years**	**Residual term of more than 5 years**	Total	Residual term of up to 1 year	Residual term of 1–5 years	Residual term of more than 5 years
Liabilities to banks	171.5	171.5	0.0	0.0	123.9	123.9	0.0	0.0
Lease liabilities	81.5	15.9	40.4	25.2	94.6	17.8	46.1	30.7
Other financial debt	0.5	0.2	0.2	0.1	0.6	0.2	0.3	0.1
Total	**253.5**	**187.6**	**40.6**	**25.3**	**219.1**	**141.9**	**46.4**	**30.8**

Liabilities to banks

Current liabilities to banks mainly comprised syndicated loans amounting to €155.0 million (December 31, 2022: €110.0 million).

The syndicated working capital facility had been drawn down in an amount of €155.0 million as at December 31, 2023. This revolving line of credit, provided by a consortium of banks, has been extended by three years until 2027. The total volume has been increased from €160 million to €250 million. The line of credit has a floating interest rate and is unsecured. In June 2023, an extension option was utilized to extend the term to May 2, 2028. DEUTZ also has access to three bilateral credit lines that were extended and increased from an aggregate volume of €75 million to €95 million. Moreover, two further lines of credit were added. This means that DEUTZ has access to a total of €140 million through unsecured, floating-rate credit facilities falling due at the end of the second quarter of 2025. As part of its contractual agreements, DEUTZ has undertaken to comply with certain financial covenants (ratio of financial debt to equity and ratio of financial debt to EBITDA).

In addition, our Chinese subsidiary DEUTZ Shanghai has agreed a credit line with the HSBC Shanghai branch totaling CNY 150 million (€19.1 million), of which CNY 120.1 million (€15.3 million) had been drawn down as at the balance sheet date.

Lease liabilities

The increase in lease liabilities was mainly attributable to the extension of leases for leased property and to new property leases. Further details about the right-of-use assets and lease liabilities recognized can be found in Note 27. in these notes to the financial statements.

Other financial debt

Other financial debt comprises an interest-free government loan.

The fair value of financial debt is described in Note 28.

The weighted average interest rates (after hedging) of the financial debt are:

%	**Dec. 31, 2023**	Dec. 31, 2022
Liabilities to banks	5.13	2.87
Lease liabilities	4.49	3.12
Other financial debt	0.00	0.00

The liabilities to banks were denominated in euros or renminbi. Other financial debt was denominated in euros. Most of the current and non-current lease liabilities were denominated in euros, US dollars, or renminbi.

The level of financial debt changed as follows over the course of 2023:

€ million	Jan. 1, 2023	Cash changes	Non-cash changes: Acquisition of companies	Non-cash changes: Exchange rate effects	Non-cash changes: Fair value changes	Non-cash changes: Accrued interest and other changes	Dec. 31, 2023
Non-current financial debt							
Liabilities to banks	0.0					0.0	0.0
Lease liabilities	76.8		1.5	-1.0		-3.8	65.6
Other financial debt	0.4					-0.1	0.3
Total non-current financial debt	**77.2**	**0.0**	**1.5**	**-1.0**	**0.0**	**-3.9**	**65.9**
Current financial debt							
Liabilities to banks	123.9	40.3				7.1	171.5
Lease liabilities	17.8	-18.3	0.2	-0.3		17.6	15.9
Other financial debt	0.2	-0.1				0.1	0.2
Total current financial debt	**141.9**	**21.9**	**0.4**	**-0.3**	**0.0**	**24.8**	**187.6**
Total financial debt	**219.1**	**21.9**	**1.9**	**-1.3**	**0.0**	**20.9**	**253.5**

€ million	Jan. 1, 2022	Cash changes	Non-cash changes: Acquisition of companies	Non-cash changes: Exchange rate effects	Non-cash changes: Fair value changes	Non-cash changes: Accrued interest and other changes	Dec. 31, 2022
Non-current financial debt							
Liabilities to banks	3.2					-3.2	0.0
Lease liabilities	45.4			0.0		31.4	76.8
Other financial debt	0.6					-0.2	0.4
Total non-current financial debt	**49.2**	**0.0**	**0.0**	**0.0**	**0.0**	**28.0**	**77.2**
Current financial debt							
Liabilities to banks	50.5	70.2				3.2	123.9
Lease liabilities	15.9	-16.6		0.1		18.4	17.8
Other financial debt	0.2	-0.2				0.2	0.2
Total current financial debt	**66.6**	**53.4**	**0.0**	**0.1**	**0.0**	**21.8**	**141.9**
Total financial debt	**115.8**	**53.4**	**0.0**	**0.1**	**0.0**	**49.8**	**219.1**

26. Trade payables and other liabilities

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Trade payables	**256.0**	**291.5**
Other liabilities		
Personnel-related liabilities	23.4	20.8
Price reduction liabilities	19.0	18.2
Liabilities to customers and factors	11.0	12.2
Advances received	7.9	4.9
Liabilities to investments	3.6	3.8
Liabilities arising from other taxes	8.5	6.6
Derivative financial instruments	0.0	0.6
Sundry other liabilities	36.8	14.8
Total	**110.2**	**81.9**

The other liabilities include current contract liabilities arising from contracts with customers, including volume discounts:

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Price reduction liabilities	19.0	18.2
Advances received	7.9	4.9
Total	**26.9**	**23.1**

In the reporting period, revenue of €2.8 million was recognized that, at the beginning of the reporting period, had been included as advances received in the balance of contract liabilities (2022: €1.9 million).

The Company had unfulfilled performance obligations amounting to €0.1 million as at the reporting date (December 31, 2022: €0.1 million).

The rise in sundry other liabilities of €22.0 million in the reporting year resulted mostly from the acquisition of the HDEP licenses from Daimler Truck. The payments for the license rights relating to the HDEP engine series are being made in installments up to 2028.

Notes to the cash flow statement

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, short-term deposits, and credit balances held with banks.

Dividend income of €0.5 million was included in cash flow from operating activities (2022: €1.0 million).

Investing activities in respect of investments amounted to €31.3 million and related to the investments in Mauricio Hochschild, headquartered in Santiago, Chile, and Diesel Motor Nordic Group, headquartered in Järfälla, Sweden.

Cash flow from financing activities included the dividend paid to the shareholders of DEUTZ AG for 2022, amounting to €18.9 million.

Cash and cash equivalents had risen by €35.2 million to €90.1 million as at December 31, 2023 (December 31, 2022: €54.9 million).

Segment reporting

The activities of the Torqeedo Group are reported as discontinued operations in accordance with the provisions of IFRS 5. Within internal management and financial reporting, the end-of-year segment reporting for 2023 does not include the activities of the Torqeedo Group as these are no longer being actively managed by the Board of Management of the DEUTZ Group. Segment reporting thus no longer covers the Torqeedo Group. The key figures for the DEUTZ Group and its internal management as well as the incentives for 2023 were still calculated for the entire Group including discontinued operations, as they were defined on that basis at the start of the reporting year. The following table provides an overview of the reportable segments in the DEUTZ Group for 2023 and 2022. Information on the DEUTZ Green segment continues to be reported separately as this segment is crucial to the transformation of the product and service portfolio toward climate-neutral drive systems in the coming years; however, this process is currently still in its early stages. The comparative figures have been restated in the income statement in accordance with the provisions of IFRS 5.

2023	DEUTZ Classic	DEUTZ Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	2,058.2	5.0	**2,063.2**	0.0	**2,063.2**
Intersegment revenue	0.0	0.0	**0.0**	0.0	**0.0**
Total revenue	**2,058.2**	**5.0**	**2,063.2**	**0.0**	**2,063.2**
Depreciation and amortization	89.8	0.3	**90.1**	0.0	**90.1**
Impairment of property, plant and equipment and intangible assets	18.7	0.0	**18.7**	0.0	**18.7**
Reversals of impairment losses on property, plant and equipment and intangible assets	0.0	0.0	**0.0**	0.0	**0.0**
Profit/loss on equity-accounted investments	-5.5	0.0	**-5.5**	0.0	**-5.5**
Income from the reversal of provisions	9.4	0.0	**9.4**	0.0	**9.4**
Adjusted EBIT (EBIT before exceptional items)	180.1	-37.1	**143.0**	0.6	**143.6**

2022	DEUTZ Classic	DEUTZ Green	**Total segments**	Reconciliation	**DEUTZ Group**
€ million					
External revenue	1,889.4	2.7	**1,892.1**	0.0	**1,892.1**
Intersegment revenue	0.0	0.0	**0.0**	0.0	**0.0**
Total revenue	**1,889.4**	**2.7**	**1,892.1**	**0.0**	**1,892.1**
Depreciation and amortization	92.3	0.9	**93.2**	0.0	**93.2**
Impairment of property, plant and equipment and intangible assets	0.3	0.0	**0.3**	0.0	**0.3**
Reversals of impairment losses on property, plant and equipment and intangible assets	0.0	0.0	**0.0**	0.0	**0.0**
Profit/loss on equity-accounted investments	-3.7	0.0	**-3.7**	0.0	**-3.7**
Income from the reversal of provisions	10.8	0.0	**10.8**	0.0	**10.8**
Adjusted EBIT (EBIT before exceptional items)	128.1	-25.1	**103.0**	0.5	**103.5**

Reconciliation from overall profit of the segments of net income

€ million	2023	2022
Overall profit of the segments	**143.0**	**103.0**
Consolidation	0.6	0.5
Operating profit (EBIT before exceptional items)	**143.6**	**103.5**
Exceptional items	-20.1	-5.9
EBIT	**123.5**	**97.6**
Financial income, net	-15.3	-5.9
Net income before income taxes	**108.2**	**91.7**
Income taxes	-1.3	3.7
Net income of continued operations	**106.9**	**95.4**

In 2023, there were exceptional items amounting to an expense of €20.1 million. Of this total, €16.8 million related to impairment losses recognized on capitalized development expenditure, associated resources, and parts of production, €1.5 million related to an impairment loss recognized on a sales license, €1.0 million related to costs in connection with the sale of the Torqeedo Group, and €0.4 million related to additions to provisions for share options of former members of the Board of Management.

External segment reporting is based on intragroup corporate management and internal financial reporting and, in line with the nature of the products and services offered, covers the following reportable operating segments:

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

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

The designation of a business area as an operating segment is based on internal reporting by segment regularly used by the Board of Management to monitor performance and allocate resources.

The measurement principles applied to the DEUTZ Group's segment reporting are based on the IFRS principles applied in the consolidated financial statements. The Board of Management, in its capacity as the senior decision-making body, assesses the performance of the segments in terms of their adjusted EBIT (EBIT before exceptional items). If entities included in the consolidated financial statements using the equity method are directly attributable to a particular segment, the relevant share of the net income or loss for the period is reported under that segment. Finance costs, financial income, and income taxes are reported for the DEUTZ Group as a whole and are not allocated to individual operating segments. External revenue constitutes the revenue that the segments generate from their customers. Revenue generated between segments – where relevant – is reported as intersegment revenue. Transfers between segments are reported at fair value.

Information about products and services

€ million	2023	2022
Engines	1,574.7	1,439.6
Service	483.5	449.8
DEUTZ Classic	**2,058.2**	**1,889.4**
DEUTZ Green	**5.0**	**2.7**
Total	**2,063.2**	**1,892.1**

Geographical information about external revenue

€ million	2023	2022
Germany	**396.2**	**376.1**
Outside Germany	**1,667.0**	**1,516.0**
Rest of Europe	763.1	729.4
Middle East	46.0	28.5
Africa	47.3	36.5
Americas	504.0	419.6
Asia-Pacific	306.6	302.0
Total	**2,063.2**	**1,892.1**

Of the European countries outside Germany, Switzerland accounted for €158.5 million in the reporting year (2022: €174.0 million), Italy for €145.3 million (2022: €136.5 million), France for €134.3 million (2022: €121.9 million), and Sweden for €121.7 million (2022: €121.8 million).

Only one customer accounted for 10 percent or more of total revenue in both 2023 and 2022. The revenue from this customer amounted to €232.9 million in the reporting year (2022: €254.6 million) and was reported predominantly in the Classic segment.

Geographical information about non-current assets

€ million	Dec. 31, 2023	Dec. 31, 2022
Germany	416.2	466.6
Outside Germany	164.4	148.0
Total	**580.6**	**614.6**

Due to the reclassification of the assets of the Torqeedo Group to discontinued operations, segment assets were adjusted by €29.3 million in 2023.

The non-current assets comprise property, plant and equipment, goodwill, miscellaneous intangible assets, and equity-accounted investments. They are presented by location of the consolidated entity.

Other information

27. Leases

The DEUTZ Group has leases in which it acts as lessee for land and buildings (used for office space, warehousing, and manufacturing), technical equipment and machines, office furniture and equipment, and vehicles. It has also entered into short-term leases with a total term of no more than twelve months and leases where the value of the underlying assets does not exceed €5,000. A practical expedient has been applied to these leases, as a result of which the lease payments under these leases are recognized as an expense on a straight-line basis over the term of the lease. The DEUTZ Group also has leases in which it acts as lessor. These leasing activities predominantly relate to the renting out of parts of the Group's premises as office space. The overall volume of lease income is insignificant.

The following table shows the carrying amounts of the right-of-use assets and changes over the reporting period:

Right-of-use assets

€ million	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture- and fixtures	Advances paid and construction in progress	Total
Balance at Jan. 1, 2023	**73.3**	**7.5**	**6.5**	**–**	**87.3**
Currency translation differences	-0.4	-0.4	-0.1	–	-0.9
Additions	8.0	5.5	3.7	–	17.2
Disposals	-3.9	-0.5	-0.2	–	-4.6
Reclassifications	0.0	-0.5	0.0	–	-0.5
Depreciation and impairment	-12.7	-3.1	-3.0	–	-18.8
Reclassifications according to IFRS 5	-8.7	0.0	-0.2	–	-8.9
Balance at Dec. 31, 2023	**55.6**	**8.5**	**6.7**	**–**	**70.8**

Right-of-use assets

€ million	Land, leasehold rights and buildings	Technical equipment and machines	Other equipment, furniture- and fixtures	Advances paid and construction in progress	Total
Balance at Jan. 1, 2022	**38.5**	**10.6**	**8.3**	**–**	**57.4**
Currency translation differences	0.4	0.0	0.0	–	0.4
Additions	51.2	1.3	1.7	–	54.2
Disposals	-4.0	-0.1	-0.4	–	-4.5
Reclassifications	0.0	0.0	0.0	–	0.0
Depreciation and impairment	-12.8	-4.3	-3.1	–	-20.2
Balance at Dec. 31, 2022	**73.3**	**7.5**	**6.5**	**–**	**87.3**

In the reporting period, the total cash outflow for leases (including payments for short-term leases and low-value leased assets) was €18.9 million (2022 – restated for comparability and presented from the perspective of continuing operations: €17.0 million).

The following amounts were recognized in profit or loss in 2023:

€ million	2023	2022
Depreciation of right-of-use assets	18.8	20.2
Interest paid on lease liabilities	3.0	2.0
Expense for short-term leases	0.3	0.2
Expense for lease with low-value assets	0.3	0.5
Total amount recognized in profit or loss	**22.4**	**22.9**

A number of leases contain extension and/or termination options. These options provide the flexibility to adjust the leasing portfolio in the event of changed business requirements. Assessing the probability of the options being exercised requires significant judgments to be made. If, taking all facts and circumstances into account, the exercising of the options is regarded as highly probable, the options are deemed exercisable. In the event that facts or circumstances change, the probability of the options being exercised has to be reassessed. Until then, the liability recognized is deemed the best indicator of the future cash outflows. Details of future cash outflows in connection with leasing are presented in Note 28.

As at the balance sheet date, there was one lease in the asset class 'real estate' that was signed but not yet recognized. This will give rise to future payments of €0.8 million. As at the balance sheet date, there were no unrecognized residual value guarantees that may give rise to possible cash payments in the future. The leases entered into do not contain any clauses that restrict DEUTZ or require it to comply with certain key financial performance indicators. There were no variable lease payments in the reporting period. Furthermore, no right-of-use assets were subleased and no sale and leaseback transactions were entered into. The balance of short-term leases was zero as at December 31, 2023. The expense for short-term leases amounted to €0.3 million in the reporting period (2022: €0.2 million). An overview of the terms of the lease liabilities is shown in Note 25.

Extension options that were not factored into the measurement of lease liabilities because it is not reasonably certain that they will be exercised could result in future cash outflows of €16.7 million (2022 – restated for comparability and presented from the perspective of continuing operations: €17.1 million). These are predominantly extension options of up to ten years on property leases. Termination options that were not factored into the measurement of lease liabilities because it is not reasonably certain that they will be exercised could, if exercised, result in termination penalties of €1.5 million (2022: €1.7 million).

28. Financial risk management and additional information on capital management

Owing to its global business operations, the DEUTZ Group is exposed to various financial risks that can arise from adverse movements and trends in the international sales, procurement, interest-rate, and foreign-exchange markets. Information about the principles of risk management with regard to financial instruments can be found in the relevant section of the risk report in the DEUTZ Group's combined management report.

a) Liquidity risk

Prudent liquidity management includes the holding of a sufficient reserve of cash and cash equivalents, the option of obtaining funding through bank loans, and the ability to issue short-term and long-term capital market instruments. Because the business environment is constantly changing, the Treasury department aims to ensure that it has sufficient unused credit lines at its disposal at all times.

The management of liquidity risk in the DEUTZ Group has a number of components: annual planning with interim updates, rolling four-week planning updated weekly, and monthly planning updated monthly up to the end of the financial year. Liquidity risk is also assessed in the regular meetings of the Finance Committee.

In order to ensure sufficient liquidity, DEUTZ has at its disposal a syndicated, revolving cash credit line amounting to €250 million that runs until May 2028, as well as five bilateral credit lines for a total amount of €140 million that run until June 2025. As part of the loan agreements, the Company is required to comply with certain covenants.

The liquidity analysis also provides information about contractually agreed interest payments and capital repayments in connection with financial liabilities as at the balance sheet date. As far as the utilization of revolving credit facilities was concerned, it was assumed that the amounts already drawn down by the balance sheet date would continue to apply until the facilities expire.

Dec. 31, 2023	2024 cash payments	2025 – 2028 cash payments	>2028 cash payments	Total
€ million				
Lease liabilities	**-19.1**	**-47.3**	**-29.2**	**-95.6**
Primary financial instruments	**-172.1**	**0.0**	**0.0**	**-172.1**
Derivative financial instruments	**0.0**	**0.0**	**0.0**	**0.0**
Currency derivatives				
thereof settled gross: cash payments	-0.8	0.0	0.0	-0.8
thereof settled gross: cash receipts	0.8	0.0	0.0	0.8
thereof settled net	0.0	0.0	0.0	0.0

Dec. 31, 2022	2023 cash payments	2024 – 2027 cash payments	>2027 cash payments	Total
€ million				
Lease liabilities	**-20.5**	**-52.2**	**-34.8**	**-107.5**
Primary financial instruments	**-123.3**	**0.0**	**0.0**	**-123.3**
Derivative financial instruments	**-0.9**	**0.0**	**0.0**	**-0.9**
Currency derivatives				
thereof settled gross: cash payments	-24.7	0.0	0.0	-24.7
thereof settled gross: cash receipts	23.8	0.0	0.0	23.8
thereof settled net	0.0	0.0	0.0	0.0

b) Credit risk

Credit risk arises in relation to cash and cash equivalents, to the contractual cash flows from debt instruments measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, and to derivatives with a positive market value.

There are no significant concentrations of potential credit risk in the DEUTZ Group. With regard to cash and cash equivalents, DEUTZ works only with selected banks with at least an investment-grade rating. The risk from bad debts is restricted by constant monitoring and regular analysis of receivables and their breakdown. Receivables are to a large extent covered by credit insurance. Further measures, such as guarantees and creditworthiness checks, are used to protect against credit risk. The Group has also put in place procedures and guidelines to ensure that products and services are only sold to customers who have a satisfactory payment record. The maximum credit risk exposure is limited to the carrying amount in the case of trade receivables and other financial assets such as cash and cash equivalents, available-for-sale financial assets, and derivative financial instruments. Credit risk in connection with financial instruments is limited by careful selection of counterparties.

As at December 31, 2023, the bulk of the DEUTZ Group's trade receivables were insured with the COFACE Group. There is usually an obligation to the trade credit insurance association (WKV) or, where applicable, the German government's export credit guarantee scheme (APG) to meet defaults on the receivables unless they are secured by letters of credit confirmed by a bank or similar instruments. DEUTZ does not produce any standardized credit rating for its customers itself but usually sets the maximum customer exposure in accordance with the level of cover provided by the credit insurance agency. In addition, we have received collateral in the form of payment guarantees amounting to €1.0 million (December 31, 2022: €1.0 million) for foreign trade receivables.

Impairment of financial assets

The model of expected credit losses is applied to the following types of financial asset in the Group:

1. Trade receivables
2. Debt instruments measured at amortized cost
3. Debt instruments measured at fair value through other comprehensive income

1. Trade receivables

The Group applies the simplified approach in line with IFRS 9 to calculate the expected credit losses. Under this approach, the lifetime expected credit losses are calculated for all unsold trade receivables measured at amortized cost. Expected losses on receivables not sold under factoring agreements and not insured, as well as the excess on insured receivables, are calculated using the current external credit ratings of the relevant debtors, taking into account the Group's own experience. The individual receivables are initially assigned to one of two categories on the basis of defined criteria such as credit rating or age structure. Undisputed receivables with a low to medium credit risk and due in up to 90 days are assigned to category 1. For category 1 receivables, which according to the defined criteria have a lower credit risk, the default rates assigned to the credit ratings are used to calculate the expected losses. Category 2 receivables have a higher level of risk according to the criteria and a specific value adjustment is recognized.

Impairment losses on trade receivables that were identified using this method were as follows:

Dec. 31, 2023	Category 1	Category 2	**Total**
€ million			
Gross carrying amount of trade receivables	189.6	7.6	**197.2**
Impairment	0.9	4.5	**5.4**

Dec. 31, 2022	Category 1	Category 2	**Total**
€ million			
Gross carrying amount of trade receivables	178.1	13.0	**191.1**
Impairment	1.1	8.8	**9.9**

The following tables show the changes in impairment losses on trade receivables in 2023 and 2022:

€ million	
Jan. 1, 2023	**9.9**
Changes to basis of consolidation	0.0
Additions	1.5
Utilized	-0.1
Reversals	-5.2
Reclassifications according to IFRS 5	-0.7
Dec. 31, 2023	**5.4**

€ million	
Jan. 1, 2022	**4.9**
Changes to basis of consolidation	0.0
Additions	5.6
Utilized	-0.2
Reversals	-0.4
Dec. 31, 2022	**9.9**

Trade receivables are derecognized when it is reasonable to assume that they are no longer realizable. A debtor refusing to agree on a repayment plan with the Group or a debtor filing for insolvency are among the indicators that a receivable is unlikely to be realized.

Impairment losses on trade receivables are recognized in operating profit for the current period under 'write-downs of financial assets'. The same line item is used to recognize amounts received in subsequent periods that had previously been written down.

2. Debt instruments measured at amortized cost

Debt instruments measured at amortized cost comprise current individual items such as receivables due from factoring companies for receivables remaining after the sale of receivables or receivables due from suppliers as a result of discounts or bonuses. The receivables are tested for impairment on an individual basis. A debtor refusing to agree on a repayment plan with the Group or a debtor filing for insolvency are among the indicators that a receivable is unlikely to be realized. The risk of non-performance was very low, because the issuer is always able to meet its contractual payment obligations at short notice. The impairment loss identified in the reporting period was therefore insignificant. The existing impairment losses relate to receivables of €9.2 million due from investments as a result of older items (December 31, 2022: €9.2 million).

The following tables show the changes in impairment losses on debt instruments measured at amortized cost in 2023 and 2022:

€ million	Level 1	Level 3
Jan. 1, 2023	**0.0**	**9.2**
Additions	0.0	0.0
Utilized	0.0	0.0
Reversals	0.0	0.0
Dec. 31, 2023	**0.0**	**9.2**

€ million	Level 1	Level 3
Jan. 1, 2023	**0.0**	**9.2**
Additions	0.0	0.0
Utilized	0.0	0.0
Reversals	0.0	0.0
Dec. 31, 2023	**0.0**	**9.2**

The gross carrying amounts of debt instruments assigned to Level 1 amounted to €20.4 million as at December 31, 2023 (December 31, 2022: €27.3 million) and showed no signs of increased credit risk. The gross carrying amounts of debt instruments assigned to Level 3 amounted to €9.2 million as at December 31, 2023 (December 31, 2022: €9.2 million), all of which (€9.2 million) was written down (December 31, 2022: €9.2 million).

3. Debt instruments measured at fair value through other comprehensive income

The assets referred to here are units in a fund that is invested in exchange-traded debt instruments. Because their credit risk is classified as low, the calculation of the impairment loss is limited to the expected twelve-month credit losses. Management considers the criterion of »low credit risk« to be met in the case of direct or indirect investments in exchange-traded debt instruments that, as a minimum, have an investment-grade credit rating. The volume of such debt instruments was very small as at December 31, 2023 and the credit risk was low. The impairment loss identified was therefore insignificant.

Financial assets measured at fair value through profit or loss

The DEUTZ Group is also exposed to credit risk arising from debt instruments and equity instruments measured at fair value through profit or loss. The debt instruments relate to trade receivables that have been earmarked for factoring. At the end of the reporting period, the maximum credit risk was limited to the carrying amounts of the debt instruments, which was €10.1 million in the case of the trade receivables. The equity instruments are units in a fund that is invested in publicly listed shares in order to hedge pension obligations. Here too, the maximum credit risk was limited to the carrying amount of the units (€2.2 million).

Currency risk

The DEUTZ Group operates internationally and, consequently, is exposed to currency risk arising from fluctuating exchange rates, principally US dollar exchange rates. Exchange-rate risks are monitored under a centralized currency management system and mitigated by the use of hedging transactions. The Treasury department uses hedges, primarily currency forwards, to hedge currency risk emanating from the net position of estimated future cash flows in foreign currency. Between 50 percent and 80 percent of the net positions anticipated in the budget for the year are usually hedged.

DEUTZ also takes specific action to increase the volume of purchasing in US dollars; this enables the Company to counteract currency risk arising from sales invoiced in US dollars by creating a natural hedge. Risks arising from the translation of financial statements of subsidiaries prepared in currencies other than the euro are not hedged.

Currency sensitivity analysis

The following tables illustrate the sensitivity – from a Group perspective – to a 10 percent rise or fall in the euro against the different currencies. The sensitivity analysis only takes into account outstanding monetary positions denominated in foreign currency and adjusts the period-end translation of those amounts to reflect a 10 percent change in the exchange rate. The positions involved include currency forward contracts that form part of an effective cash flow hedge, the purpose of which is to hedge fluctuations in foreign-currency payments and receipts caused by changes in exchange rates. Because hedging transactions are measured at fair value, changes in the exchange rates for the currencies underlying these transactions have an impact on the hedging reserve in other comprehensive income. Other positions involved are currency forward contracts that are no longer used as hedges. Changes in the exchange rates for the currencies underlying these financial instruments result in gains or losses due to restating these instruments at their fair value. Primary instruments (trade receivables and trade payables) denominated in foreign currency and outstanding as at the balance sheet date are also included in the sensitivity analysis. Changes in the exchange rates for the currencies underlying these items result in gains or losses when they are marked to market.

The following tables show the impact on net income and on equity if the euro rises or falls by 10 percent against relevant foreign currencies.

Cash payments and receipts are shown as net amounts under 'notional amounts'.

Euro rises by 10 percent

€ million

2023	Notional amounts	Impact on net income	notional amounts	Impact on equity
USD	108.9	-8.8	49.1	4.4
CNY	50.4	-4.6	0.0	0.0
MAD	8.5	-0.8	0.0	0.0

€ million

2022	Notional amounts	Impact on net income	notional amounts	Impact on equity
USD	124.4	-7.7	49.1	4.4
CNY	68.5	-6.2	0.0	0.0
MAD	5.2	-0.5	0.0	0.0

Euro falls by 10 percent

€ million

2023	Notional amounts	Impact on net income	notional amounts	Impact on equity
USD	108.9	10.8	49.1	-5.3
CNY	50.4	5.6	0.0	0.0
MAD	8.5	1.0	0.0	0.0

€ million

2022	Notional amounts	Impact on net income	notional amounts	Impact on equity
USD	124.4	9.4	49.1	-5.3
CNY	68.5	7.6	0.0	0.0
MAD	5.2	0.6	0.0	0.0

Interest-rate risk and sensitivity analysis

The DEUTZ Group is exposed to risk from interest-rate changes, primarily in relation to floating-rate loans and other debt. The interest-rate risk that existed as at December 31, 2023 mainly related to the short-term syndicated loan of €155 million. If interest rates were to rise by 100 basis points, net income before income taxes would decrease by €6.8 million in the coming financial year. A cut in interest rates of 100 basis points would have an equal but opposite effect. The sensitivity analysis was based on the interest-rate risk exposure as at the balance sheet date. It is assumed that the syndicated loan can be repaid in the coming financial year.

Capital management

The DEUTZ Group manages its capital with the primary objective of supporting business operations and ensuring the continued existence of the Company as a going concern over the long term. A healthy financial structure is necessary to assure the required flexibility in the provision of financial resources. At present, no credit rating has been set for DEUTZ. However, the DEUTZ Group is endeavoring to achieve a balance-sheet structure that meets the requirements for an investment-grade rating. Capital management therefore extends to both equity and debt.

DEUTZ is not subject to capital requirements under its Statutes. However, it is under an obligation toward the banks from which it has obtained loans to ensure that its ratio of net financial debt to equity does not exceed a certain level. This external requirement has been integrated into capital management and was met at all times.

As at the balance sheet date, the net financial position (cash and cash equivalents less interest-bearing financial debt) was minus €163.4 million, which equated to a year-on-year fall of €7.5 million (December 31, 2022: minus €155.9 million[258]). In addition to the net financial position, free cash flow (defined as cash flow from operating activities and from investing activities less interest expense) is an essential part of active capital management and is used as a key figure to show changes in the liquidity situation. The free cash flow from continuing operations was €41.8 million in 2023 (2022: €6.4 million[259]).

The equity ratio is another indicator used by the DEUTZ Group to monitor its capital. This indicator reflects the ratio of total assets to Group equity as reported on the consolidated balance sheet. As at December 31, 2023, the equity ratio for the DEUTZ Group remained at a high level of 46.7 percent (December 31, 2022: 45.3 percent), meeting all internal targets in full.

[258] The prior-year figure was restated for comparability and is presented from the perspective of continuing operations.
[259] The prior-year figure was restated for comparability and is presented from the perspective of continuing operations.

Financial instruments

The following tables show the carrying amounts of the individual financial assets and liabilities for each separate category of financial instrument, reconciled to the corresponding balance sheet item.

Financial instruments (assets)

Dec. 31, 2023	Measured at amortized cost	Measured at fair value		Assets not within the scope of IFRS 9	
€ million		Through other comprehensive income	Through profit or loss	Carrying amount	Carrying amount on the balance sheet
Non-current financial assets	**0.2**	**9.0**	**2.2**	**15.3**	**26.7**
Current financial assets	**302.1**	**1.4**	**10.2**	**32.2**	**345.9**
Trade receivables	191.8	0.0	10.1	0.0	201.9
Other receivables and assets	20.2	1.4	0.1	32.2	53.9
Cash and cash equivalents	90.1	0.0	0.0	0.0	90.1

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	27.2	0.8	0.0	24.4	52.4
Cash and cash equivalents	54.9	0.0	0.0	0.0	54.9

Financial instruments (liabilities)

Dec. 31, 2023	**Measured at amortized cost**	**Measured at fair value**		**Liabilities not within the scope of IFRS 9**	
€ million					
	Financial liabilities	designated as hedging instruments (recognized in other comprehensive income/ loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**18.8**	**0.0**	**0.0**	**66.7**	**85.5**
Financial debt	0.3	0.0	0.0	65.6	65.9
Lease liabilities	0.0	0.0	0.0	65.6	65.6
Miscellaneous financial debt	0.3	0.0	0.0	0.0	0.3
Other liabilities	18.5	0.0	0.0	1.1	19.6
Current financial liabilities	**501.7**	**0.0**	**0.0**	**35.6**	**537.3**
Financial debt	171.7	0.0	0.0	15.9	187.6
Lease liabilities	0.0	0.0	0.0	15.9	15.9
Miscellaneous financial debt	171.7	0.0	0.0	0.0	171.7
Trade payables	256.0	0.0	0.0	0.0	256.0
Other liabilities	74.0	0.0	0.0	19.7	93.7

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	designated as hedging instruments (recognized in other comprehensive income/ loss)	Held-for-trading financial liabilities	Carrying amount	**Carrying amount on the balance sheet**
Non-current financial liabilities	**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	66.7	0.5	0.7	14.2	82.1

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

	Dec. 31, 2023		Dec. 31, 2022	
€ million	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets				
Trade receivables	191.8	191.8	181.2	181.2
Other receivables and assets	20.4	20.4	27.3	27.3
Cash and cash equivalents	90.1	90.1	54.9	54.9
Financial liabilities				
Financial debt - liabilities to banks	172.0	173.6	124.5	126.0
Trade payables	256.0	256.0	291.5	291.5
Other liabilities	92.5	92.5	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 disclosed in the notes to the financial statements:

Dec. 31, 2023
€ million

	Carrying amount	Fair value	Level 1[260]	Level 2[261]	Level 3[262]
Financial assets					
Equity investments - recognized through other comprehensive	7.5	7.5	0.0	0.0	7.5
Securities - recognized through other comprehensive income	1.5	1.5	1.5	0.0	0.0
Securities - recognized through profit or loss	2.2	2.2	2.2	0.0	0.0
Currency forwards - recognized through other comprehensive	1.4	1.4	0.0	1.4	0.0
Currency forwards - recognized through profit or loss	0.1	0.1	0.0	0.1	0.0
Trade receivables	10.1	10.1	0.0	0.0	10.1
Financial liabilities					
Currency forwards - designated as hedging instruments	0.0	0.0	0.0	0.0	0.0
Currency forwards - held for trading	0.0	0.0	0.0	0.0	0.0
Other liabilities - held for trading	0.0	0.0	0.0	0.0	0.0
Financial debt	172.0	173.6	0.0	0.0	173.6

Dec. 31, 2022
€ million

	Carrying amount	Fair value	Level 1[263]	Level 2[264]	Level 3[265]
Financial assets					
Equity investments - recognized through other comprehensive	7.5	7.5	0.0	0.0	7.5
Securities - recognized through other comprehensive income	1.5	1.5	1.5	0.0	0.0
Securities - recognized through profit or loss	2.1	2.1	2.1	0.0	0.0
Currency forwards - recognized through other comprehensive	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

[260] Level 1: Measurement is based on the price of identical assets of liabilities in active markets.
[261] 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.
[262] Level 3: Measurement using a method in which critical input factors are not based on observable market data.
[263] Level 1: Measurement is based on the price of identical assets of liabilities in active markets.
[264] 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.
[265] 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 in a field of strategic importance to DEUTZ AG. Transactions for shares in the investee are the most relevant for measuring fair value. Fair value is therefore based on a measurement method in which critical input factors are not based on observable market data. The category assigned in the prior year was changed in light of better information. In the last arm's-length transaction for shares in the entity in 2022, the fair value corresponded to cost. Based on the last market transaction and an analysis of operating performance (cash flow and earnings expectations), fair value was still equal to the cost of the equity investment in 2023. For ease of comparability, earlier arm's-length transactions for shares in the entity should be given preference over transactions for shares in peer-group companies. There were thus no changes in measurement in 2023. If the price of shares in the equity investment changes by 10 percent, the fair value would increase or decrease by €0.8 million accordingly.

The fair value of securities is derived from prices in active markets.

The trade receivables recognized at fair value relate to receivables that are sold as part of the existing factoring agreements. The receivables are transferred to the factoring companies at their nominal value. The fair value of the receivables corresponds to the sale price and therefore the nominal value of the receivables. The main influencing factor on the fair value of the receivables is credit risk. However, this is deemed to be negligible given that they are being sold to the factoring company.

The fair value of derivative 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.

Net gains and losses on financial instruments

Net gains or losses recognized in the income statement are broken down by measurement category in IFRS 9 as follows:

	Measured at fair value		Measured at amortized cost	
2023	Financial assets	**Financial liabilities**	Financial assets	**Financial liabilities**
€ million				
Net gains/ losses	-0.3	0.1	-2.4	-11.6

	Measured at fair value		Measured at amortized cost	
2022	Financial assets	**Financial liabilities**	Financial assets	**Financial liabilities**
€ million				
Net gains/ losses	-1.1	0.0	-1.7[266]	-4.6

The net gains or losses for each measurement category primarily comprise gains and losses recognized in profit or loss resulting from the measurement of financial instruments at fair value, currency translation of financial instrument carrying amounts, impairment losses and/or reversal of impairment losses on financial instruments, and interest income and expense.

Unrealized losses of €2.6 million on financial investments measured at fair value through other comprehensive income were recognized in other comprehensive income in 2023 (2022: gains of €0.3 million). As had also been the case in 2022, no material realized gains or losses were reclassified from other comprehensive income to the income statement in 2023.

Total interest income and interest expense

In 2023, interest income of €1.8 million (2022: €1.3 million) and interest expense of €11.6 million (2022: €4.6 million) were attributable to financial assets and financial liabilities that were not measured at fair value through profit or loss. Assets measured at amortized cost accounted for €1.8 million of the interest income (2022: €1.3 million).

[266] The previous year's figure has been adjusted for comparison purposes and presented from the perspective of continuing operations.

Hedging

Cash flow hedging As at December 31, 2023, there were currency futures that were classified as hedging instruments. Currency futures are used to hedge the currency risk arising from forecast transactions in foreign currencies.

Unrealized losses of €1.0 million on cash flow hedges were recognized in other comprehensive income in 2023 (2022: €5.4 million), taking into account deferred tax liabilities of €0.3 million (2022: deferred tax assets of €1.7 million). These changes in fair value represent the effective portion of the hedge. In 2023, prior to the inclusion of deferred taxes, gains of €0.4 million (2022: losses of €5.5 million) recognized in other comprehensive income during the year were reclassified to other operating income or expenses in the consolidated income statement. There was no hedging ineffectiveness requiring reclassification from the reserve for cash flow hedges to the income statement in the year under review. Hedges relating to foreign-currency transactions in the operating business are expected to be unwound within the next 13 months. The associated gains that have been recognized in other comprehensive income will be reclassified to the income statement.

Derivative financial instruments

The following derivative financial instruments were reported as at the balance sheet date:

€ million	**National amounts 2023**	Notional amounts 2022	**Fair value 2023**	Fair value 2022
Currency forwards				
not used as hedges	5.9	4.3	0.1	-0.1
used as cash flow hedges	50.1	49.1	1.4	0.4

Currency forwards used as cash flow hedges

€ million	**2023**	2022
Carrying amount (other liabilities/other receivables and assets)	1.4	0.4
Notional amount	50.1	49.1
Date of maturity	16.01.2024 – 15.01.2025	17.01.2023 – 16.01.2024
Hedge ratio	1:1	1 : 1
Change in fair value in the reporting period	1.4	0.4
Change in value of the hedged item used to determine hedge effectiveness	-1.4	-0.4
Average hedged rate for 2023	USD 1,0846: EUR 1	USD 1,0722: EUR 1

Netting

As at December 31, 2023, there were no material financial assets and liabilities subject to netting agreements in the DEUTZ Group.

29. Interests in other entities

In addition to the parent company DEUTZ AG, the consolidated financial statements for 2023 included 38 subsidiaries, one joint venture, and two associates.

Subsidiaries and non-controlling interests

There were no non-controlling interests in existence either in the reporting year or in the comparative period.

Joint ventures

The joint venture is Hunan DEUTZ Power Co., Ltd., headquartered in Changsha, China, which DEUTZ established with SANY. Hunan DEUTZ Power Co., Ltd. is an unlisted joint arrangement in which the Group shares joint control and has an ownership interest of 51 percent. Hunan DEUTZ Power Co., Ltd., Changsha, China, itself holds 100 percent of the shares in the operational production company Kunshan SANY Power Co., Ltd., Kunshan, China. The shares are classified as a joint venture and accounted for in the consolidated financial statements using the equity method.

A summary of financial information for Hunan DEUTZ Power Co., Ltd., based on its consolidated financial statements prepared in accordance with IFRS, is shown in the following table.

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Revenue	90.3	100.2
Depreciation and amortization	-19.9	-9.8
Interest income	1.0	1.3
Interest expense	-1.0	0.0
Interest income, net	0.0	1.3
Income taxes	-1.7	-0.3
Profit (loss) from continuing operations	-14.0	-9.8
Net income	**-14.0**	**-9.8**
Current assets	70.6	97.3
thereof cash and cash equivalents	31.2	47.7
Non-current assets	91.6	90.4
Current liabilities	67.4	68.5
thereof current financial liabilities	0.0	0.0
Non-current liabilities	35.3	40.3
thereof non-current financial liabilities	1.5	0.0
Net assets	**59.4**	**78.8**
Group´s share of net assets at Jan. 1	40.2	46.1
Adjustment of net assets after PPA	0.0	0.0
Share of net income	-7.1	-5.0
Dividends received in the financial year	0.0	0.0
Effect of currency translation	-2.8	-0.9
Group´s share of net assets at Dec. 31	30.3	40.2
Goodwill of DEUTZ AG after PPA	6.0	6.0
Impairment	0.0	0.0
Carrying amount using the equity method at Dec. 31	**36.3**	**46.2**

Non-material associates

A summary of financial information is shown below for the Group's interest in the following two companies, both classified as non-material associates: D. D. Power Holdings (Pty) Ltd., Elandsfontein, South Africa, and DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou, China. The associate D. D. Power Holdings (Pty) Ltd. has a different financial year (ending on November 30). Annual financial statements for the year ended December 31 have not been prepared for reasons of materiality.

€ million	**2023**	2022
Carrying amount of interests	**5.1**	**4.4**
Group´s share of:		
Profit from continuing operations	1.6	1.3
Other comprehensive income	0.0	0.0
Net income	**1.6**	**1.3**

30. Contingent liabilities

Guarantees and similar commitments

The DEUTZ Group's guarantees and similar commitments as at the balance sheet date were as follows:

€ million	**Dec. 31, 2023**	Dec. 31, 2022
Warranty liabilities	0.2	0.7

Warranty liabilities are recognized for repair or replacement obligations in the event of manufacturing defects or other product defects. This covers free reworking or replacements, purchase price reductions, and compensation for non-performance. The obligations are recognized as contingent liabilities because they do not yet meet the requirements for recognizing provisions.

Other financial obligations

The following table shows the notional amounts and due dates of other financial obligations:

€ million	**Dec. 31, 2023**	Dec. 31, 2022
due in less than 1 year	10.7	10.6
due in 1 to 5 years	17.9	28.2
due in more than 5 years	0.0	0.0
Total	**28.6**	**38.8**

The obligations largely consist of financial obligations in connection with IT services.

Commitments to purchase property, plant and equipment and intangible assets amounted to €62.4 million as at December 31, 2023 (December 31, 2022: €49.8 million) and commitments to purchase inventories amounted to €100.0 million (December 31, 2022: €116.8 million).

Legal disputes

DEUTZ AG and other companies in the DEUTZ Group are involved in a number of legal disputes, claims for damages, and arbitration proceedings that could have an impact on the Group's financial position.

Financial provision has been made to cover litigation risks facing the respective Group companies if the event in question occurred before the balance sheet date, an obligation is probable, and the amount of the obligation can be determined with a sufficient degree of reliability.

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 because it is considered unlikely that the complaint will not be upheld.

We do not expect the above risks to have a significant adverse long-term impact on the DEUTZ Group's financial position or financial performance beyond the financial provision already made.

31. Related-party disclosures

In addition to its consolidated subsidiaries, the DEUTZ Group maintains relationships with related parties.

These include the business relationships between the DEUTZ Group and entities in which it holds significant investments.

Related parties also include the Supervisory Board and the Board of Management.

The following table shows the volume of material goods and services either provided for or received from entities in which the DEUTZ Group holds significant investments:

€ million	Goods and services provided		Other expenses for services received		Receivables Dec. 31		Payables Dec. 31	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Associates	16.9	11.8	0.0	0.0	1.6	1.7	1.0	1.0
Joint ventures	2.4	4.2	0.0	0.0	0.5	1.5	0.0	0.0
Other investments	0.0	0.0	5.1	4.9	0.0	0.0	2.7	2.8
Total	**19.3**	**16.0**	**5.1**	**4.9**	**2.1**	**3.2**	**3.7**	**3.8**

As at December 31, 2023, receivables of €9.2 million due from other investments had been written off in full (December 31, 2022: €9.2 million). As had also been the case in 2022, this resulted in no income or expense in 2023.

Of these receivables, €5.2 million related to loans granted by DEUTZ (December 31, 2022: €5.2 million) on which impairment losses of €5.2 million had been recognized (December 31, 2022: €5.2 million). An interest expense of €0.1 million arose in connection with the interest payable.

The rise in goods and services provided through associates of €5.1 million is attributable to growing demand in the mining sector and the build-up of inventories.

There are liabilities to DEUTZ Power Solution (Xuzhou) Co., Ltd., Jiangsu (China) of €1.0 million.

The following payments were made to the Supervisory Board and the Board of Management as related parties of the DEUTZ Group:

€ million	Supervisory Board		Board of Management	
	2023	2022	**2023**	2022
Short-term remuneration[267]	1.8	1.6	4.7	3.9
Post-employment benefits	0.0	0.0	0.3	0.5
Other long-term benefits	0.0	0.0	0.0	0.0
Termination benefits	0.0	0.0	0.0	5.8
Share-based remuneration[268]	0.0	-0.1	0.6	-0.1
Total	**1.8**	**1.5**	**5.6**	**10.1**

As had also been the case in 2022, no disclosable transactions with related parties took place in 2023. The remuneration paid to the Board of Management and the Supervisory Board is described in Note 38. Total remuneration for the Board of Management, former Board of Management members, and the Supervisory Board.

32. Events after the reporting period

On January 12, 2024, DEUTZ AG signed a contract for the sale of its shares in Torqeedo GmbH, based in Oberpfaffenhofen/Wessling (Germany), and its subsidiaries – Torqeedo Inc., Illinois (USA) and Torqeedo Asia-Pacific Ltd., Bangkok (Thailand) – to Yamaha Motor Co., Ltd. with effect from March 31, 2024. The conclusion of the contract is subject to the usual regulatory approvals. The transaction is expected to be completed toward the end of the first quarter of 2024. It is projected that the proceeds of the sale, amounting to a figure in the high double-digit millions of euros, will result in a gain on the disposal in the low double-digit millions of euros. The technology transfer that had been the initial motivation behind the purchase of the Torqeedo Group has been achieved.

No other events occurred after December 31, 2023 that had a material impact on the financial position or financial performance of the DEUTZ Group.

[267] The current remuneration for members of the Supervisory Board includes both remuneration for their work as Supervisory Board members and the regular salaries of the salaried employee representatives.
[268] The disclosure of share-based remuneration corresponds with the expense (+) or income (-) recognized in the operating profit in the reporting year from the changes in provisions made for distributed virtual share options.

33. Share-based remuneration programs

Between 2007 and 2023, DEUTZ AG launched long-term incentive plans as long-term components of remuneration. Under these long-term incentive plans, virtual stock options or, alternatively, virtual performance shares are issued to reward management for its sustained contribution to the Company's success.

General description of the incentive plans of DEUTZ AG under which virtual performance shares are granted

The following incentive plans are based on the issuance of virtual performance shares in DEUTZ AG. The Company decides at its discretion who is eligible to participate in the plans. However, only members of the DEUTZ Group's senior management and members of the Board of Management of DEUTZ AG may be considered for inclusion. It is at the discretion of the Company to decide how many instruments are granted.

By the balance sheet date, the following long-term incentive plans (LTI) that were still in existence, with the (original) number of performance shares shown, had been granted:

Incentive plan	Date of grant	Number of performance shares
LTI BoM 2020	January 1, 2020	94,049
LTI BoM 2021	January 1, 2021	323,794
LTI BoM 2022	January 1, 2022	281,206
LTI BoM 2023	January 1, 2023	329,777
LTI BoM 2024	January 1, 2024	46,810
LTI No. XV-A	January 1, 2021	104,384
LTI No. XVI-A	January 1, 2022	128,752
LTI No. XVII-A	January 1, 2023	202,997

A total of 1,075,636 of these performance shares had been granted to current and former members of the DEUTZ AG Board of Management. LTI BoM 2024 will only be granted to current members of the Board of Management as at 1 January 2024. As a result, the table only shows the performance shares granted to former members of the Board of Management upon their departure.

Vesting of performance shares

The performance shares give rise to an entitlement to payment of a cash sum based on their virtual performance since allocation. The vesting period before payment of this cash sum is four years, starting from the date on which the virtual performance shares are allocated (performance period). After the four-year performance period has expired, the final number and value of the performance shares are calculated on the basis of the performance targets described below.

Depending on achievement of various performance targets, the beneficiary receives a cash payment after expiry of the performance period, the amount of which is the difference between the average DEUTZ AG share price on the 60 trading days prior to expiry of the performance period and the reference price for DEUTZ AG shares at the time the performance shares were granted. The amount payable according to this calculation is limited as follows:

- LTI BoM 2019 to 2020: The amount payable is limited to 1.5 times the average closing price of DEUTZ AG shares on the Frankfurt Stock Exchange on the 60 trading days prior to the allocation date (reference price).

- LTI BoM 2021 to 2023 and LTI no. XV-A, LTI no. XI-A, and LTI no. XII-A: The amount payable is limited to 1.8 times the target amount specified for the individual beneficiary.

No beneficiary receives shares in the Company.

Performance targets for LTI BoM 2020

Entitlement to payment under LTI BoM 2020 is contingent on achievement of at least one of the following two performance targets:

- The market price of DEUTZ shares must have risen by at least 30 percent compared with the reference price, or

- the market price of DEUTZ shares must have outperformed the MDAX by at least 10 percentage points over a period that begins on the date on which the virtual performance shares are granted and ends upon expiry of the vesting period.

Dividend distributions by DEUTZ AG must be taken into consideration in both of the performance targets described above, i.e. for the purposes of calculating these performance targets, the total gross dividend distribution up to the end of the vesting period must be added to the DEUTZ share price in each case.

In addition to achievement of one of the two aforementioned performance targets, all entitlements to payment require the Board of Management member to themselves invest in the Company. The Board of Management member must hold one DEUTZ share per 20 allocated virtual performance shares. This investment must be held continuously until the end of the vesting period.

Performance targets for LTI BoM 2021 to 2023 and LTI no. XV-A, LTI no. XVI-A, and LTI no. XVII-A

During the four-year term, the number of performance shares depends on the achievement of a total shareholder return component (TSR component) and a return on capital employed component (ROCE component) ('performance targets'). 50 percent of the conditionally allocated performance shares are assigned to each of the two performance targets.

The performance shares only have a value at the end of the performance period and therefore only then result in a payment being made

- if the performance of the DEUTZ AG share price plus notionally reinvested gross dividends during the performance period is greater than, or equal to, the 25th percentile ranking of the DAXsubsector All Industrial Machinery peer group (TSR component) and/or
- if the relevant figure for ROCE (EBIT / capital employed) at the end of the final year of the performance period is greater than, or equal to, a predefined target value (ROCE component).

If target achievement for one or both of these two performance targets is below the aforementioned thresholds, the number of performance shares assigned to the performance target in question is reduced to zero. If one or both of these two performance targets are exceeded, the number of performance shares assigned to the performance target in question is increased up to a maximum of 180 percent of the number of performance shares originally allocated (cap).

General description of the incentive plans of DEUTZ AG under which stock options are granted

The following incentive plans are based on the issuance of virtual options on shares in DEUTZ AG. The Company decides at its discretion who is eligible to participate in the plans. However, only members of the DEUTZ Group's senior management and members of the Supervisory Board of DEUTZ AG may be considered for inclusion. It is at the discretion of the Company to decide how many instruments are granted.

By the balance sheet date, the following long-term incentive plans (LTI) that were still in existence, with the number of options shown, had been granted free of charge:

Incentive Plan	Date of grant	Number of options
LTI No. X	September 1, 2016	340,000
LTI No. XI	September 1, 2017	320,000
LTI No. XII	September 1, 2018	322,501
LTI No. XIII	October 1, 2019	280,000
LTI No. XIV	October 1, 2020	290,000
LTI No. XV-B	October 1, 2021	70,000
LTI No. XVI-B	October 1, 2022	70,000
LTI No. XVII-B	October 1, 2023	70,000

Exercise of stock options

One of the fundamental requirements for exercising options is that the option holders themselves invest in the Company at a ratio of one share per ten options. The absolute earliest that options can be exercised is four years after the date of grant (vesting period) and then only within four years from the end of the vesting period and only within ten days from the date of publication of quarterly financial statements. The Company may delay the start of the exercise window for the options or accelerate the exercise and vesting periods.

Furthermore, options may only be exercised:

- if the market price of DEUTZ AG shares has risen by at least 30 percent relative to the reference price (dividend distributions by DEUTZ AG must be taken into consideration, i.e. for the purposes of calculating the performance target, the total gross dividend distribution up to the exercise date must be added to the DEUTZ AG share price), or
- if, in the period starting from the grant date of the option and ending on the date of exercise, DEUTZ AG shares outperform the DAXsector Industrial Performance Index – or any future index that replaces the DAXsector Industrial Performance Index – by at least 30 percent.

A request to exercise options must be submitted to the Company in writing.

The following specific terms and conditions apply to the incentive plans still in existence under which virtual stock options are granted:

Incentive plan	Earliest exercise date	Reference price
LTI No. X	September 1, 2020	3.94 €
LTI No. XI	September 1, 2021	6.66 €
LTI No. XII	September 1, 2022	7.15 €
LTI No. XIII	October 1, 2023	5.80 €
LTI No. XIV	October 1, 2024	4.56 €
LTI No. XV-B	October 1, 2025	7.45 €
LTI No. XVI-B	October 1, 2026	6.80 €
LTI No. XVII-B	October 1, 2027	3.98 €

When an option is exercised, the beneficiary receives a cash payment in the amount of the difference between the DEUTZ AG share price on the exercise date and the reference price at the time the option was granted. No beneficiary receives shares in the Company.

Information on the recognition and measurement of performance shares and stock options

Because the virtual performance shares and the virtual stock options are cash-based instruments rather than equity-based instruments, the Company is obliged to recognize a provision, the amount of which is derived from the fair value of the virtual performance shares and the virtual stock options at the grant date and apportioned pro rata over the applicable vesting period. This provision is recognized as non-current under the »Other provisions« line item on the balance sheet.

The provision is subsequently remeasured on every reporting date at the fair value of the instruments granted until they are settled.

The amount to be recognized for the instruments granted is closely linked to the fulfillment of the contractual vesting conditions stipulated for the share-based remuneration programs. Market conditions and non-vesting conditions such as those applying to virtual performance shares in the form of payment caps and TSR target achievement and to stock options in the form of a share price target must be taken into account when calculating the fair value. By contrast, service conditions and non-share-price-related conditions must be taken into account when estimating the number of shares becoming exercisable. Both programs are subject to service conditions. In addition, the virtual performance share program includes a non-share-price-related performance target relating to ROCE. All changes to provisions are recognized in profit or loss. .

Depending on the complexity of the plan terms and conditions and the financial/mathematical requirements, fair value is determined using either a Monte Carlo simulation or a Black-Scholes-based option pricing model. The models take account of the aforementioned vesting conditions and exercise prices, the term of the plans, the DEUTZ AG share price, and other factors. The relevant measurement parameters for each incentive plan are shown in the following table:

Incentive plan	Risk-free interest rate	Volatility	Assumed maturity
LTI No. X	3.34%	30%	Aug. 31, 2024
LTI No. XI	2.64%	34%	Aug. 31, 2025
LTI No. XII	2.21%	35%	Aug. 31, 2026
LTI No. XIII	1.98%	37%	Sep. 30, 2027
LTI No. XIV	2.19%	35%	Oct. 1, 2026
LTI No. XV-B	1.98%	37%	Oct. 1, 2027
LTI No. XVI-B	1.90%	40%	Oct. 1, 2028
LTI No. XVII-B	1.88%	40%	Oct. 1, 2029
LTI BoM 2021	2.98%	34%	Jan. 1, 2025
LTI BoM 2022	2.31%	40%	Jan. 1, 2026
LTI BoM 2023	1.94%	39%	Jan. 1, 2027
LTI No. XV-A	2.98%	34%	Jan. 1, 2025
LTI No. XVI-A	2.31%	40%	Jan. 1, 2026
LTI No. XVII-A	1.94%	39%	Jan. 1, 2027

Information on the total expense recognized for share-based remuneration programs in 2023

In accordance with the requirement for the fair value of the performance shares and options to be recalculated on each balance sheet date, a calculation was carried out on the basis of the DEUTZ AG share price of €4.80 on December 31, 2023 (December 31, 2022: €4.05), which resulted in an overall expense of €1,436 thousand in 2023 (2022: €1,026 thousand). A total provision of €5,080 thousand was recognized at the end of 2023 (December 31, 2022: €3,644 thousand). This year-on-year increase resulted from the higher share price and, in the case of LTI BoM 2021 and 2022, above all from a rise in the fair value due to improvements in performance target expectations and in the simulated disbursement price. LTI BoM 2021 to 2023 include incentive plans granted to former members of the Board of Management. LTI BoM 2024 was also granted to former members of the Board of Management upon their departure in 2022. For all performance shares granted to former members of the Board of Management, the service condition was cancelled on their departure in 2022, meaning that the entitlement to performance shares vested upon departure. The amount is broken down as follows:

Incentive plan	Dec. 31, 2023 € thousand	Dec. 31, 2022 € thousand
LTI No. IX	0	3
LTI No. X	79	65
LTI No. XI	60	80
LTI No. XII	81	119
LTI No. XIII	207	102
LTI No. XIV	169	140
LTI No. XV-B	31	18
LTI No. XVI-B	27	0
LTI No. XVII-B	10	0
LTI BoM 2019	0	20
LTI BoM 2020	0	285
LTI BoM 2021	1,134	405
LTI BoM 2022	1,063	758
LTI BoM 2023	1,272	1,139
LTI BoM 2024	351	315
LTI No. XV-A	196	83
LTI No. XVI-A	176	112
LTI No. XVII-A	224	0
Total	**5,080**	**3,644**

The options granted had the following intrinsic values, provided the vesting conditions were met:

Incentive plan	Intrinsic value per option, provided the vesting conditions are met (€)	
	Dec. 31, 2023	Dec. 31, 2022
LTI No. X	0.86	0.11
LTI No. XI	0.00	0.00
LTI No. XII	0.00	0.00
LTI No. XIII	0.00	0.00
LTI No. XIV	0.24	0.00
LTI No. XV-B	0.00	0.00
LTI No. XVI-B	0.00	0.00
LTI No. XVII-B	0.82	n.a.

34.Staff costs

€ million	2023	2022
Wages	157.5	144.0
Salaries	199.6	182.0
Social security contributions	63.3	62.4
Net interest cost for provisions for pensions and other post-retirement benefits	0.5	1.1
Cost of post-employement benefits and other long-term benefits	5.2	1.3
Cost of severance payments/ personnel restructuring	1.0	5.2
Total	**427.1**	**396.0**

The following table shows the breakdown of staff costs in continuing operations by functional area:

€ million	2023	2022
Cost of sales	243.0	225.3
Research and development costs	55.2	51.8
Selling expenses	77.0	74.8
Administrative expenses	47.0	42.0
Other operating expenses	4.9	2.1
Total	**427.1**	**396.0**

The average number of employees in continuing operations during the year is stated in the disclosures under German accounting standards in Note 35.

Disclosures under German accounting standards

35. Average number of employees during the year (pursuant to section 314 (1) no. 4 HGB)

	2023	2022
Non-salaried employees	2,754	2,696
Salaried employees	2,137	2,105
	4,891	**4,801**
Trainees	81	78
Total	**4,972**	**4,879**

The number of employees has been expressed in full-time equivalents (FTEs). Part-time employees are included pro rata according to their contractual working hours.

36.Corporate governance

In December 2023, the Board of Management and the Supervisory Board of DEUTZ AG issued a declaration of conformity with the recommendations of the German Corporate Governance Code government commission pursuant to section 161 AktG and made this declaration permanently and publicly available on the Corporate Governance / Declaration of Conformity page of the Company's website (https://www.deutz.com/en/investor-relations/corporate-governance/declaration-of-conformity/).

37. Auditor's fees

The total fees reported for auditing the consolidated financial statements for 2023 and 2022 are broken down as follows:

2023	Total	thereof domestic
€ thousand		
Auditing	1,405	1,013
Other attestation services	192	192
Other services	23	0
Total	**1,620**	**1,205**

2022	Total	thereof domestic
€ thousand		
Auditing	916	916
Other attestation services	102	102
Other services	5	5
Total	**1,023**	**1,023**

The fees for auditing services provided to DEUTZ AG consisted of the fees for the audit of the consolidated financial statements, the review of the interim financial statements for the six months to June 30, the audit of the annual financial statements, and services rendered in relation to an enforcement procedure. The fees for other attestation services provided to DEUTZ AG related to the audit of the remuneration report, the audit of the declaration of completeness in respect of sales packaging pursuant to the German Packaging Ordinance (VerpackV), the review with limited assurance of the non-financial report, the audit of the capital increase, and the audit of compliance with key financials. The fees for other services relate to various consultancy or advisory services. The rise in total fees compared with the previous year is attributable to the additional reporting of fees for services across the entire Group.

The auditor responsible for the audit, Harald Wimmer, has overseen the audit of the single-entity and consolidated annual financial statements of DEUTZ AG since 2021.

38. Total remuneration for the Board of Management, former Board of Management members, and the Supervisory Board

Board of Management

The total remuneration for the Board of Management of DEUTZ AG recognized in expenses in 2023 was €5,583 thousand (2022: €4,214 thousand). This consisted of short-term employee benefits of €4,958 thousand (2022: €4,359 thousand) and share-based long-term benefits as part of the long-term incentive plans amounting to €625 thousand (2022: minus €145 thousand). Further information to share-based remuneration plans are described in Note 33.

Remuneration for former members of the Board of Management or their surviving dependants amounted to €1,021 thousand (2022: €6,845 thousand) for DEUTZ AG and the Group. In the previous year, this included benefits of €5,798 thousand (of which €2,027 thousand related to share-based long-term benefits) in connection with the early termination of the Board of Management employment contracts of Dr. Hiller and Mr. Wellenzohn in 2022. Provisions of €8,430 thousand (December 31, 2022: €8,507 thousand) have been recognized to cover pensions to former members of the Board of Management.

Supervisory Board

The total remuneration for the Supervisory Board of DEUTZ AG in 2023 was €1,113 thousand (2022: €972 thousand). In addition, the employee representatives on the Supervisory Board who are also employees of the DEUTZ Group received normal salaries in line with their employment contracts. The level of their salaries represented appropriate remuneration for corresponding functions and tasks in the Group.

Advances and loans to members of the Board of Management and the Supervisory Board As at December 31, 2023, there were no outstanding advances or loans to any members of the Board of Management or the Supervisory Board, nor had any guarantees or other warranties been issued in favor of any such persons.

39. Disclosures under the German Securities Trading Act (WpHG)

The German Securities Trading Act (WpHG) obliges investors whose share of voting rights in listed companies reaches certain thresholds to notify the company accordingly. DEUTZ AG had received the following voting right notifications as at December 31, 2023:

On January 20, 2023, pursuant to section 33 (1) WpHG, Dimensional Holdings Inc., Austin, Texas, United States of America, notified us that its voting share in our Company had fallen below the 3 percent threshold on January 16, 2023 and amounted to 2.88 percent (3,485,801 voting rights) on that date. Pursuant to section 34 WpHG, 2.88 percent (3,485,801 voting rights) are attributable to it.

On January 31, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on January 27, 2023 and amounted to 5.04 percent (6,087,180 voting rights) on that date. Pursuant to section 34 WpHG, 5.04 percent (6,087,180 voting rights) are attributable to it.

On February 2, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on January 31, 2023 and amounted to 4.84 percent (5,845,135 voting rights) on that date. Pursuant to section 34 WpHG, 4.84 percent (5,845,135 voting rights) are attributable to it.

On March 3, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on February 27, 2023 and amounted to 5.05 percent (6,106,827 voting rights) on that date. Pursuant to section 34 WpHG, 5.05 percent (6,106,827 voting rights) are attributable to it.

On March 6, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on March 1, 2023 and amounted to 4.54 percent (5,491,061 voting rights) on that date. Pursuant to section 34 WpHG, 4.54 percent (5,491,061 voting rights) are attributable to it.

On March 10, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on March 6, 2023 and amounted to 5.15 percent (6,224,197 voting rights) on that date. Pursuant to section 34 WpHG, 5.15 percent (6,224,197 voting rights) are attributable to it.

On March 13, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on March 7, 2023 and amounted to 4.64 percent (5,611,665 voting rights) on that date. Pursuant to section 34 WpHG, 4.64 percent (5,611,665 voting rights) are attributable to it.

On March 14, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on March 10, 2023 and amounted to 5.07 percent (6,130,370 voting rights) on that date. Pursuant to section 34 WpHG, 5.07 percent (6,130,370 voting rights) are attributable to it.

On March 16, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on March 13, 2023 and amounted to 4.75 percent (5,739,680 voting rights) on that date. Pursuant to section 34 WpHG, 4.75 percent (5,739,680 voting rights) are attributable to it.

On March 20, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on March 15, 2023 and amounted to 5.26 percent (6,354,441 voting rights) on that date. Pursuant to section 34 WpHG, 5.26 percent (6,354,441 voting rights) are attributable to it.

On March 21, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on March 16, 2023 and amounted to 4.86 percent (5,869,370 voting rights) on that date. Pursuant to section 34 WpHG, 4.86 percent (5,869,370 voting rights) are attributable to it.

On March 24, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on March 21, 2023 and amounted to 5.45 percent (6,587,051 voting rights) on that date. Pursuant to section 34 WpHG, 5.45 percent (6,587,051 voting rights) are attributable to it.

On March 27, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on March 22, 2023 and amounted to 4.77 percent (5,760,665 voting rights) on that date. Pursuant to section 34 WpHG, 4.77 percent (5,760,665 voting rights) are attributable to it.

On March 28, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on March 23, 2023 and amounted to 5.29 percent (6,399,115 voting rights) on that date. Pursuant to section 34 WpHG, 5.29 percent (6,399,115 voting rights) are attributable to it.

On March 30, 2023, pursuant to section 33 (1) WpHG, Daimler Truck Holding AG, Stuttgart, Germany, notified us that its voting share in our Company had exceeded the 3 percent threshold on March 23, 2023 and amounted to 4.19 percent (5,285,412 voting rights) on that date. Pursuant to section 34 WpHG, 4.19 percent (5,285,412 voting rights) are attributable to it. The voting rights attributable to it are held by the following company under its control, whose voting share in DEUTZ AG is 3 percent or more: Daimler Truck AG.

On April 5, 2023, pursuant to section 33 (1) WpHG, Ardan Livvey Investors B.V., Amsterdam, Netherlands, notified us that its voting share in our Company had fallen below the 5 percent threshold on March 28, 2023 and amounted to 4.46 percent (5,622,906 voting rights) on that date. Pursuant to section 33 WpHG, it holds 4.46 percent (5,622,906 voting rights).

On April 11, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on March 29, 2023 and amounted to 4.83 percent (6,088,684 voting rights) on that date. Pursuant to section 34 WpHG, 4.83 percent (6,088,684 voting rights) are attributable to it.

On May 2, 2023, pursuant to section 33 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 3 percent threshold on April 28, 2023 and amounted to 3.04 percent (3,834,363 voting rights) on that date. Pursuant to section 34 WpHG, 3.04 percent (3,834,363 voting rights) are attributable to it.

On April 25, 2023, pursuant to section 33 (1) WpHG, the Ministry of Finance on behalf of the State of Norway, Oslo, Norway, notified us that its voting share in our Company had fallen below the 3 percent threshold on April 24, 2023 and amounted to 2.97 percent (3,743,913 voting rights) on that date. Pursuant to section 34 WpHG, 2.97 percent (3,743,913 voting rights) are attributable to it.

On May 4, 2023, pursuant to section 33 (1) WpHG, Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 3 percent threshold on April 28, 2023 and amounted to 2.99 percent (3,778,030 voting rights) on that date. Pursuant to section 34 WpHG, 2.99 percent (3,778,030 voting rights) are attributable to it.

On May 10, 2023, pursuant to section 33 (1) WpHG, the Ministry of Finance on behalf of the State of Norway, Oslo, Norway, notified us that its voting share in our Company had exceeded the 3 percent threshold on May 9, 2023 and amounted to 3.25 percent (4,094,363 voting rights) on that date. Pursuant to section 34 WpHG, 3.25 percent (4,094,363 voting rights) are attributable to it. The voting rights attributable to it are held by the following company under its control, whose voting share in DEUTZ AG is 3 percent or more: Norges Bank.

On June 30, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on June 28, 2023 and amounted to 5.03 percent (6,341,580 voting rights) on that date. Pursuant to section 34 WpHG, 5.03 percent (6,341,580 voting rights) are attributable to it.

On July 31, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on July 27, 2023 and amounted to 4.95 percent (6,246,900 voting rights) on that date. Pursuant to section 34 WpHG, 4.95 percent (6,246,900 voting rights) are attributable to it.

On August 3, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had exceeded the 5 percent threshold on July 31, 2023 and amounted to 5.10 percent (6,431,310 voting rights) on that date. Pursuant to section 34 WpHG, 5.10 percent (6,431,310 voting rights) are attributable to it.

On August 23, 2023, pursuant to section 33 (1) WpHG, DWS Investment GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 5 percent threshold on August 18, 2023 and amounted to 4.95 percent (6,242,658 voting rights) on that date. Pursuant to section 34 WpHG, 4.95 percent (6,242,658 voting rights) are attributable to it.

On November 10, 2023, pursuant to section 33 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany, notified us that its voting share in our Company had fallen below the 3 percent threshold on November 9, 2023 and amounted to 2.77 percent (3,500,000 voting rights) on that date. Pursuant to section 34 WpHG, 2.77 percent (3,500,000 voting rights) are attributable to it.

41. Supervisory Board and Board of Management

Information on the members of the Supervisory Board and the Board of Management, including non-executive directorships held at other companies, is given in the following separate lists: SUPERVISORY BOARD; SUPERVISORY BOARD COMMITTEES, and BOARD OF MANAGEMENT.

Cologne, February 26, 2024

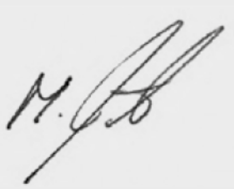
DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman

Timo Krutoff

Dr. Ing. Petra Mayer



Dr. Ing. Markus Müller

SHAREHOLDINGS OF DEUTZ AG

As at December 31, 2023

Ref. no.	Name and registered office of the company	Held via	Holding (%)	Equity (€ thousand)	Net income (in Tsd.)
1	DEUTZ AG, Cologne			751,743	77,193
Consolidated companies in Germany					
2	DEUTZ Amerika Holding GmbH, Cologne[269,270,271]	1	100.0	92,275	0
3	DEUTZ Beteiligung GmbH, Cologne[269]	1	100.0	8,450	-2,791
4	DEUTZ China Verwaltungs GmbH, Cologne[269,270,271]	1	100.0	48,350	0
5	DEUTZ Deutschland GmbH, Stockstadt am Rhein[269,270,271]	1	100.0	24	-1
6	DEUTZ Verwaltungs GmbH, Cologne[269,270,271]	1	100.0	16,125	0
7	Deutz-Mülheim Grundstücksgesellschaft mbH, Cologne[269,270,271]	6	100.0	45	1
8	Futavis GmbH, Aachen[269,270]	1	100.0	944	107
9	Torqeedo GmbH, Wessling[269,270,272]	1	100.0	42,081	-1,519
10	Unterstützungsgesellschaft mbH der DEUTZ Aktiengesellschaft, Cologne[269]	1	100.0	-852	35
Consolidated companies outside Germany					
11	Ausma Motorenrevisie B.V., Roden (Netherlands)[269]	26	100.0	375	25
12	DEUTZ Asia-Pacific (Pte.) Ltd., Singapore (Singapore)[269]	1	100.0	16,885	6,587
13	Deutz Australia (Pty) Ltd., Braeside (Australia)[269]	1	100.0	7,011	1,031
14	Deutz Austria GmbH, Vienna (Austria)[269]	1	100.0	2,200	868
15	DEUTZ (Beijing) Engine Co., Ltd., Beijing (China)[269]	1	100.0	4,417	118
16	Deutz Belgium N.V, Antwerp (Belgium)[269]	18	100.0	3,630	239
17	Deutz Benelux B.V., Rotterdam (Netherlands)[269]	1	100.0	3,600	0
18	Deutz Corporation, Atlanta (USA)[269]	2	100.0	38,540	13,189
19	DEUTZ CS s.r.o., Modrice (Czech Republic)[269]	1	100.0	1,049	256
20	DEUTZ DO BRASIL LTDA., São Paulo (Brazil)[269]	1	100.0	2,692	1,070
21	DEUTZ Engines (India) Private Limited, Pune (India)[269]	1	100.0	1,170	531
22	DEUTZ FRANCE SAS, Gennevilliers (France)[269]	1	100.0	14,313	3,301
23	DEUTZ Global Service Center, S.L., Zafra (Spain)[269]	1	100.0	1,277	117
24	DEUTZ Italy S.r.l., Milan (Italy)[269]	1	100.0	13,544	5,399
25	DEUTZ Japan GK, Tokio (Japan)[269]	1	100.0	36	-14
26	DEUTZ Netherlands B.V., Dordrecht (Netherlands)[269]	17	100.0	3,170	-538
27	DEUTZ Nordic AB, Järfälla (Sweden)[269,273]	1	100.0	5,277	-234
28	DEUTZ Nordic ApS, Risskov (Denmark)[269,273]	1	100.0	3,707	135
29	DEUTZ Nordic Oy, Helsinki (Finland)[269,273]	1	100.0	1,762	-9

[269] Equity and net income in accordance with the annual financial statements prepared for consolidation purposes.
[270] Profit-and-loss transfer agreement within the DEUTZ Group.
[271] Forms a tax group with DEUTZ AG for VAT purposes.
[272] The exemption rules pursuant to sections 264 (3) and 291 HGB are exercised for this company, meaning that no consolidated financial statements, including notes to the financial statements and management report, will be prepared for it, nor will its annual financial statements be published.
[273] Consolidated for the first time as at October 2, 2023. Formerly Diesel Motor Nordic Group, name changed with effect from January 2, 2024.
[274] Consolidated for the first time as at July 31, 2023.
[275] Consolidated using the equity method.
[276] Figures as at November 30, 2023, measured using exchange rate as at December 31, 2023.
[277] The company is in liquidation.

SHAREHOLDINGS OF DEUTZ AG

As at December 31, 2023

Ref. no.	Name and registered office of the company	Held via	Holding (%)	Equity (€ thousand)	Net income (in Tsd.)
30	DEUTZ Romania S.r.l., Galati (Romania)[269]	24	100.0	742	193
31	DEUTZ (SHANGHAI) INTERNATIONAL TRADE Co., Ltd., Shanghai (China)[269]	1	100.0	6,636	1,321
32	DEUTZ Spain S.A., Zafra (Spain)[269]	1	100.0	47,944	2,267
33	Kirkwell Ltd. (South Coast Diesels), Kildare (Irland)[269]	1	100.0	3,709	406
34	Mauricio Hochschild Ingeniería y Servicios S.A., Santiago (Chile)[269,274]	32	100.0	7,604	246
35	Motor Center Austria GmbH, Wels (Austria)[269]	1	100.0	316	-15
36	Nlle Ste MAGIDEUTZ S.A., Casablanca (Morocco)[269]	22	100.0	3,813	80
37	OOO DEUTZ Vostok, Moscow (Russia)[269]	1	100.0	1,425	-724
38	Torqeedo Inc. Illinois (USA)[269]	9	100.0	177	-1,319
39	Torqeedo Asia-Pacific Ltd., Bangkok (Thailand)[269]	9	100.0	-1,494	-467
40	D. D. Power Holdings (Pty) Ltd., Elandsfontein (South Africa)[275,276]	1	30.0	9,693	3,052
41	DEUTZ Power Solution (Xuzhou) Co., Ltd., Xuzhou, Jiangsu (China)[275]	4	40.0	2,756	1,179
42	Hunan DEUTZ Power Co., Ltd., Changsha (China)[275]	4	51.0	53,096	-9,950
Unconsolidated companies in Germany					
43	DEUTZ Sicherheit Gesellschaft für Industrieservice mbH, Cologne[270,271]	1	100.0	26	0
44	Feld & Hahn GmbH i. L., Cologne[270,277]	1	100.0	455	0
Unconsolidated companies outside Germany					
45	AROTRIOS S.A., Nea Filadelfia (Greece)[277]	1	100.0	–	–
46	DEUTZ ENGINEERING druzba za projektiraje, proizvodnjo in trgovino d.o.o., Maribor (Slovenia)	1	100.0	744	153
47	DEUTZ UK LTD, Cannock (UK)	1	100.0	162	-8
Other equity investments					
48	Blue World Technologies, Aalborg (Denmark)	1	9.1	36,739	-10,740

[269] Equity and net income in accordance with the annual financial statements prepared for consolidation purposes.
[270] Profit-and-loss transfer agreement within the DEUTZ Group.
[271] Forms a tax group with DEUTZ AG for VAT purposes.
[272] The exemption rules pursuant to sections 264 (3) and 291 HGB are exercised for this company, meaning that no consolidated financial statements, including notes to the financial statements and management report, will be prepared for it, nor will its annual financial statements be published.
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[274] Consolidated for the first time as at July 31, 2023.
[275] Consolidated using the equity method.
[276] Figures as at November 30, 2023, measured using exchange rate as at December 31, 2023.
[277] The company is in liquidation.

Annual Financial statements in accordance with the German Commercial Code (HGB)

BALANCE SHEET OF DEUTZ AG

€ million

Assets	**Dec. 31, 2023**	Dec. 31, 2022
Intangible assets	84.4	69.5
Property, plant and equipment	247.5	244.8
Investments	450.5	392.4
Non-current assets	**782.4**	**706.7**
Inventories	242.7	233.3
Receivables and other assets	220.2	246.0
Cash and cash equivalents	31.3	20.6
Current assets	**494.2**	**499.9**
Prepaid expenses	7.7	6.1
Deferred tax assets	111.2	93.5
Excess of plan assets over post-employment benefit liability	6.2	6.0
Total assets	**1,401.7**	**1,312.2**

Equity and liabilities	**Dec. 31, 2023**	Dec. 31, 2022
Issued capital	322.5	309.0
Additional paid-in capital	38.3	26.8
Retained earnings		
Legal reserve	4.5	4.5
Other retained earnings	329.8	291.2
Accumulated income	56.7	37.0
Equity	**751.8**	**668.5**
Provisions	269.0	284.7
Other liabilities	379.8	357.8
Deferred income	1.1	1.2
Total equity and liabilities	**1,401.7**	**1,312.2**

INCOME STATEMENT OF DEUTZ AG

€ million

	2023	2022
Revenue	1,721.1	1,667.8
Cost of sales	-1,433.3	-1,407.1
Gross profit	**287.8**	**260.7**
Research and development costs	-107.7	-85.2
Selling expenses	-67.9	-56.6
General and administrative costs	-50.8	-39.8
Other operating income	36.1	48.7
Other operating expenses	-21.7	-25.4
thereof expenses pursuant to art. 67 (1) and (2) of the Introductory Act to the HGB (EGHGB)	-2.3	-2.3
Net investment income	1.1	-3.8
Interest expenses, net	-5.9	-1.6
Write-downs of investments	-4.2	-24.5
Income taxes	11.0	1.8
Profit after income taxes	**77.8**	**74.3**
Other taxes	-0.6	-0.5
Net income	**77.2**	**73.8**
Profit/ Loss carried forward	18.1	0.1
Additions to other retained earnings	-38.6	-36.9
Accumulated income	**56.7**	**37.0**

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operation of the Group, and the group management report presents a true and fair view 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."

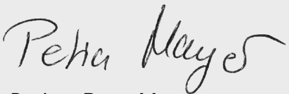
Cologne, February 26, 2024

DEUTZ Aktiengesellschaft

The Board of Management

Dr. Sebastian C. Schulte
Chairman

Timo Krutoff



Dr. Ing. Petra Mayer

Dr. Ing. Markus Müller

Independent auditor's report

To DEUTZ Aktiengesellschaft, Köln

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of DEUTZ Aktiengesellschaft, Köln, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of DEUTZ Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1) **Accounting treatment of internally generated intangible assets**

2) **Recoverability of goodwill**

3) **Corporate transaction - Daimler Truck AG**

Our presentation of these key audit matters has been structured in each case as follows:

1) Matter and issue

2) Audit approach and findings

3) Reference to further information

Hereinafter we present the key audit matters:

1) Accounting treatment of internally generated intangible assets

1) Expenses for the development of new technologies – in particular the development of new engine series – amounting to EUR 82.8 million (5.2 % of consolidated total assets) are reported under the "Intangible assets" balance sheet item in the consolidated financial statements of the Company. Development costs are capitalized based on milestones within the development process that are defined by the Company. The assets are generally subject to amortization on a straight-line basis over the expected production cycle of eight to ten years.

A test is performed as of each balance sheet date to determine whether there are indications that an asset may be impaired. An impairment test is carried out at least once annually for intangible assets that are not yet available for use. Impairments are calculated by comparing the carrying amount against the recoverable amount. The recoverable amount of an asset is either the fair value of an asset or a cash-generating unit, less costs to sell, and the value in use, whichever is higher. For the purposes of impairment testing, assets are grouped, at the lowest level that makes sense, into cash-generating units for which cash inflows can be identified largely independently. In order to calculate the value in use, the expected future cash flows are discounted to their present values using a discount rate that reflects the current market expectations regarding the interest rate effect and the specific risks associated with the asset or cash-generating unit.

The calculations are based on model calculations that take into account the projections, with a finite planning period, and the corresponding carrying amounts as of 31 December 2023. These projections were also used to prepare the Group's medium-term plan prepared by the executive directors and adopted by the Supervisory Board. The financial surpluses are discounted using the weighted cost of capital of the asset in question or the cash-generating unit in question that applies based on the relevant term.

The impairment test determined that it was necessary to recognize write-downs related to two series in the amount of EUR 14.3 million.

The valuations are highly dependent not only on the estimates made by the executive directors with respect to the future cash inflows from the respective assets or cash-generating units, the discount rate used and other assumptions but also the impacts of the macroeconomic conditions, and are therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2) For the purposes of our audit, we first of all asked for the development process to be explained to us and assessed adherence to the requirements for capitalizing development costs based on milestones that had been reached.

We also assessed the procedures for identifying and evaluating issues and developments which could result in an impairment of the intangible assets, including the controls established. In a further step, we reviewed, among other things, the method used for performing impairment tests and assessed the assumptions and parameters used to determine whether they form an appropriate basis overall for the Company's executive directors to test internally generated intangible assets for impairment. After matching the future cash inflows used for the calculation against the model calculations and the medium-term business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this context, we also assessed the executive directors' estimate as to the impacts of the macroeconomic conditions on the Group's business and evaluated how this was taken into consideration in calculating the future cash inflows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. We performed ad hoc sensitivity analyses in order to reflect the uncertainty inherent in the projections. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3) The Company's disclosures relating to internally generated intangible assets are contained in the sections of the notes to the consolidated financial statements entitled "Accounting policies" and "Notes to the balance sheet".

2) Recoverability of Goodwill

1) In the Company's consolidated financial statements goodwill amounting in total to EUR 38.0 million (2.4 % of consolidated total assets) is reported under the "Intangible assets" balance sheet item.

Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. These projections also factor in expectations as to the future development of the market and assumptions as to the development of macroeconomic variables, as well as the expected impacts of the macroeconomic conditions on the Group's business. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units.

The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent not only on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore also against the background of the impacts of the macroeconomic conditions, subject to considerable uncertainty.

Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2) As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the impacts of the macroeconomic conditions on the business activities of the Group and examined how they were taken into account in determining the future cash flows. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3) The Company's disclosures relating to goodwill are contained in the sections of the notes to the consolidated financial statements entitled "Accounting policies" and "Notes to the balance sheet".

3) Corporate transaction - Daimler Truck AG

1) On 30 January 2023, DEUTZ and Daimler Truck AG entered into contracts under which DEUTZ acquired intellectual property (IP) rights and license rights for medium-duty engines and license rights for heavy-duty engines of Daimler Truck AG (acquisition date: 28 March 2023). The specific subject matter of the contracts was in particular the acquisition of on-highway IP rights and license rights for the development, production and sale of medium-duty Daimler truck engines (Medium-Duty Engine Generation – MDEG) in the amount of EUR 25.0 million by way of an in-kind capital increase against the issue of new DEUTZ shares. Furthermore, DEUTZ primarily acquired license rights for the development and sale of the next generation of heavy-duty engines under development at Daimler Truck AG (Heavy-Duty Engine Generation – HDEP) for a total purchase price of EUR 30.0 million. Each was recognized as an intangible asset.

Due to the complexity of the underlying contractual agreements with regard to the measurement and presentation in the consolidated financial statements and the overall material impact of the amounts involved in the corporate transaction on the assets, liabilities, financial position and financial performance of the Group, this matter was of particular significance in the context of our audit.

2) As part of our audit, we initially inspected and assessed the contractual agreements and reconciled the purchase price paid and the issue of new DEUTZ shares as consideration for the acquired business with the supporting documentation provided to us. On that basis, we assessed the appropriateness of the models underlying the measurements and the measurement inputs and assumptions applied for measuring the acquired rights. In each case, we verified the allocation of the expenses to be paid on the basis of the relative fair values of the individual rights. Given the special features involved in determining the fair values, valuation specialists assisted us in the process. We also evaluated the required disclosures in the notes to the financial statements. Overall, we were able to satisfy ourselves that this corporate transaction was appropriately presented in the financial statements and that the estimates and assumptions made by the executive directors are comprehensible and adequately substantiated.

1) The Company's disclosures relating to the corporate transaction are contained in the sections of the notes to the consolidated financial statements entitled "Accounting policies" and "Notes to the balance sheet".

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section „Corporate Governance Declaration pursuant to sections 289f and 315d HGB“ of the group management report
- the sections "Assessment of the appropriateness and effectiveness of the financial risk management system", “Internal control system” and "Assessment of the appropriateness and effectiveness of the internal control system" of the group management report

The other information comprises further

- the non-financial statement pursuant to § 289b to § 289e HGB and § 315b to 315c HGB included in section „Non-financial

Report pursuant to sections 289b and 315b HGB" of the group management report

- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible

- all remaining parts of the annual report - excluding cross-references to external information - with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file deutz-KA-LB-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 27 April 2023. We were engaged by the supervisory board on 18 October 2023. We have been the group auditor of the DEUTZ Aktiengesellschaft, Köln, without interruption since the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Harald Wimmer."

Köln, den 13. März 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Wimmer	ppa. Clivia Döll
Wirtschaftsprüfer	Wirtschaftsprüferin

Glossary

Audit An analysis examining whether processes comply with policy and/or meet the requirements of certain standards, for example for certification in accordance with a particular ISO standard.

CNG (compressed natural gas) Fuel gas composed mainly of methane that is compressed to a pressure of approximately 200 to 250 bar for storage. Engines powered by CNG emit far fewer pollutants than equivalent engines run on gasoline or diesel fuels. And because CNG combustion is very quiet, the engine noise is much lower than in diesel-powered applications.

Cold testing An inspection method in the assembly process for internal combustion engines. It checks whether the preceding stages of assembly were carried out correctly and whether the assembled engine components function properly. Contrary to hot testing, cold testing involves running diagnostic programs without any fuel being used.

Compliance Denotes the entirety of measures taken by a company to comply with laws, regulations, and directives and also to comply with contractual obligations and self-imposed obligations.

Conflict minerals Minerals or similar natural resources that are extracted in a part of the world afflicted by armed conflicts and that are sold in order to fund these conflicts.

Conrod Component connecting the crankshaft and piston in a piston engine.

Corporate citizenship Denotes a company's corporate social responsibility activities.

Corporate governance Responsible management and control of a company with a view to long-term value creation and increasing shareholder value.

Corporate Social Responsibility The responsibility of companies for the impact of their activities on society. This includes social, environmental and economic aspects.

Corporate Sustainability Reporting Directive (CSRD) EU directive that creates a framework for companies' sustainability reporting.

Counterparty risk The risk that a counterparty, i.e. a contractual partner, does not fulfill its contractual obligations in full or in part.

Diversity A concept encompassing the acceptance of and respect for all people, regardless of their social background, ethnicity, gender, sexual orientation, religious beliefs, age, physical and mental capabilities, or how they see the world and live their lives. A tolerant corporate culture that accepts the differences between individual employees can be utilized to boost the success of a company.

Downsizing Reduction of technical dimensions (such as weight and engine capacity) but delivering the same or similar power output.

eFuels Synthetic fuels that are produced from water and carbon dioxide (CO_2) using electricity.

End of life assessment In engine manufacturing, the term end of life (EOL) describes the transition from full production of a model to its discontinuation or post-production phase. The focus of the assessment is therefore on the end of the product lifecycle.

ESG Abbreviation for environmental, social, and corporate governance. These are the three areas of corporate responsibility related to sustainability.

EU emissions standard Exhaust emissions standard laid down by the European Union for off-highway applications. It sets limits for pollutants such as nitrogen oxide, hydrocarbons, and soot particulates in exhaust gas.

European Sustainability Reporting Standards (ESRS) A framework for corporate reporting on environmental, social and governance ESG issues. The standards must be complied with by all companies that are subject to the CSRD.

Factoring Form of funding for companies in which open receivables, e.g. trade receivables, are sold to a third party in order to improve the company's liquidity.

Field defects Engine defects experienced while operating the application and/or when the end customer is using it in the field.

General Equal Treatment Act (AGG) In force in Germany since 2006 and implements four European directives. The AGG protects people who experience discrimination for particular reasons.

Genset A generator unit that generates electrical energy from available resources, specifically so that the equipment being powered is not dependent on the electricity grid.

German Corporate Governance Code (DCGK) Sets out statutory provisions concerning the management and supervision of listed companies in Germany. It also contains recommendations and suggestions on good and responsible corporate governance.

German Sustainability Code Transparency standard for reporting on the sustainability efforts of companies from across all sectors. It contains 20 criteria that can be used as a framework for preparing non-financial reports.

Green Deal Sets out the EU's objective of cutting net greenhouse gas emissions to zero by 2050, thus making Europe the world's first climate-neutral continent. Its initiatives cover the areas of finance, energy, transportation, commerce, industry, agriculture, and forestry.

HVO (hydrotreated vegetable oil) An innovative biofuel produced from biological waste, slurry, and used cooking oils and fats, and is therefore not in competition with food production. Its properties are very similar to fossil-based diesel and as a result it can be used as a direct replacement.

ILO fundamental conventions Labor standards of the International Labour Organization (ILO) that define universal minimum standards for decent work. They apply regardless of a country's level of development and cover the four areas of freedom of association, prohibition of discrimination in respect of employment and occupation, abolition of child labor, and elimination of forced labor.

IMS (integrated management system) Standardized structure bringing together methods and tools for ensuring compliance with requirements in various areas, such as quality, environmental protection, and health and safety, in order to enable comprehensive management and control.

Industry 4.0 Describes the digital transformation of industry. Components autonomously communicate with the production plant and, if needed, can request a repair or order materials themselves. Industry 4.0 is characterized by the intelligent networking of people, machines, and industrial processes.

Kaizen Kai is Japanese for 'change' and zen means 'better', but kaizen is usually translated as 'continuous improvement'. It is a principle in which interdisciplinary improvements are developed and implemented in small steps, for example in the kaizen workshop week.

Lean Philosophy/guidelines promoting customer-focused, lean processes without waste in every area of a company. Important aspects include the pull principle, the reduction of lead times, flexibility, and the ability to synchronize with the customer. Lean manufacturing, for example, describes a way of organizing production processes that aims to improve productivity, production factors, product quality, and production flexibility by avoiding any type of resources being wasted, be it time, human resources, money, material, or space.

LPG (liquified petroleum gas) Mixture of gases that can be liquefied at room temperature under a relatively low pressure of between 5 and 15 bar. The main components of LPG (also known as autogas) are propane and butane. Autogas burns very cleanly. No soot is produced by burning LPG and its nitrogen oxide emissions are lower than for diesel despite the less complicated exhaust aftertreatment system.

Materials compliance Adherence to environmental and material-specific laws, regulations, and directives – such as REACH, RoHS, and the provisions governing the use of conflict minerals – that restrict or prohibit various substances and materials in products with the aim of protecting people and the environment. It is also the name of the department at DEUTZ that deals with implementation of the relevant rules.

Material handling Equipment for moving goods within contained areas, such as airports or factories. Examples include forklift trucks, telehandlers, lifting platforms, and ground support equipment.

Net method Method for determining the net or residual risk. It calculates the risk that would remain after implementation of risk-mitigating measures: gross risk less all potentially negative effects, which have been reduced by taking suitable measures.

NOx (nitrogen oxide) A generic term for numerous gaseous compounds of nitrogen and oxygen, with nitric oxide (NO) and nitrogen dioxide (NO2) grouped together as NOx. They are unwanted byproducts of the burning of fuel, for example in internal combustion engines and in coal, oil, gas, wood, and waste furnaces.

OECD Guidelines The guidelines of the Organisation for Economic Co-operation and Development (OECD) representing an international instrument for promoting responsible business conduct. They contain principles and standards in the areas of human rights, social responsibilities, environment, combating of corruption, taxation, consumer interests, information disclosure, research, and competition. The guidelines constitute non-binding recommendations from the OECD member states to multinational enterprises. Although the guidelines are not legally binding, the German government expects German companies to comply with them in their international activities.

OEM (original equipment manufacturer) Manufacturer from which another company purchases components for its own production operations and then sells them on under its own brand name or markets them without any branding.

Off-highway Segment comprising engine-powered applications whose use on roads is subject to restrictions, e.g. trains, ships, agricultural vehicles, and construction vehicles.

On-road Engine-powered applications that, unlike off-highway applications, traditionally use the roads, e.g. trucks.

On-site audit Verification of whether processes conform to guidelines and/or meet the requirements of certain standards, where the auditor is on site and therefore has personal access to the source of information.

Paris Agreement Agreement adopted on December 12, 2015 that was signed by 195 parties at the UN climate change conference in Paris. It sets out a global framework for avoiding climate change catastrophe by keeping the rise in global temperatures to well below 2°C and ideally limiting the increase to 1.5°C.

Percentile ranking Percentage rank in an ordered data set that indicates which percentage of all data points are smaller or equal to the associated point.

Product carbon footprint (PCF) A method of calculating greenhouse gas emissions, also known as the cradle-to-grave analysis. It looks at all phases of the product lifecycle, from the extraction of the raw materials and the usage phase to the disposal of the product.

REACH (Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals) European Union regulation concerning the registration, evaluation, authorization, and restriction of chemicals.

Recordable Incident Rate (RIR) Number of reportable accidents at work per year per 1 million hours worked. An accident is deemed reportable if it occurs during working hours on the Company's premises while an insured activity is taking place and results in an absence of more than three calendar days.

Responsible Minerals Initiative (RMI) An organization that supports companies in ensuring responsible mineral sourcing in their supply chains.

RoHS (Restriction of Hazardous Substances) Abbreviation for Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment, which governs the use and placement in the market of hazardous substances in electrical and electronic components.

SCM (supply chain management) The coordination and optimization of value chains and supply chains. It encompasses various procurement and manufacturing departments as well as distribution to customers.

Supply Chain Due Diligence Act (LkSG) Act (LkSG) Germany's Act on Corporate Due Diligence to Prevent Human Rights Violations in Supply Chains, which came into force on January 1, 2023 and sets out companies' responsibility for respecting human rights in global supply chains. Based on eleven internationally recognized human rights conventions, the law defines requirements for companies' operations, such as protection against child labor, the right to fair wages, and environmental protection.

Sustainable Development Goals (SDG) Policy objectives set by the UN that are intended to foster sustainable development at economic, societal, and environmental level and on a global basis. The 17 SDGs entered into force on January 1, 2016 and have a term of 15 years (up to 2030).

Sustainable Finance Action Plan adopted by the European Commission in 2018 with the aim of putting ESG criteria at the heart of Europe's financial system and, in doing so, increase the flow of money into sustainable initiatives throughout the European Union.

Synthetic fuels See eFuels.

Transparency International e.V. International non-governmental organization whose purpose is to combat corruption and prevent corruption-related offenses.

UN Guiding Principles on Business and Human Rights A global instrument for the elimination and prevention of human rights violations in economic contexts. The 31 Guiding Principles refer to the International Bill of Human Rights and the Declaration of Principles of the International Labour Organization (ILO) and give concrete form to the Protect, Respect and Remedy framework.

United Nations Global Compact (UNGC) A global pact for sustainable and responsible corporate governance. The signatories (businesses, non-governmental organizations, and other non-business entities) commit to embedding ten universally accepted principles into their strategy and contributing to the implementation of the sustainable development goals. (see also UNGC principles and sustainable development goals).

Universal Declaration of Human Rights Proclaimed by the United Nations General Assembly on December 10, 1948. In its 30 articles, the declaration formulates civil, political, economic, social, and cultural rights. As a declaration of the UN General Assembly, it does not have the legally binding force of a treaty that can be ratified by individual states, but it carries great political and moral weight.

VRA (vendor risk assessment) An assessment in which DEUTZ checks how business partners that process data from DEUTZ's area of responsibility in accordance with instructions (as part of order processing) ensure the implementation of the GDPR and guarantee the protection of the rights of the person affected by the processing, even if the data is processed outside the EU.

Virtual performance shares (VPS) Virtual shares allocated on a conditional basis. The final number of shares is determined at the end of the performance period based on the attainment of previously specified performance targets. Payment is in cash rather than in the form of shares.

Waiver (request) Request made to a business partner to waive a particular provision or condition despite this provision or condition being contractually agreed.

Women's Empowerment Principles (WEP) Joint initiative of UN Women and UN Global Compact that provides a framework for the empowerment of women in business. The seven principles offer guidance to companies on how to promote gender equality in the workplace and in society.

World Health Organization (WHO) The most important specialist UN agency in the health sector. The organization's role is to coordinate the international public health system.

Xchange Professionally reconditioned engines and parts that represent a quick, economic, and eco-friendly alternative to purchasing a new product. Xchange engines and parts have to meet the same quality standards as apply to the manufacturing of new ones.

Xetra (Exchange Electronic Trading) Name given to the electronic dealing system run by Deutsche Börse (also known as screenbased trading).

Zero-hour defects Number of engine defects per one million engines delivered.

DEUTZ GROUP: MULTI-YEAR OVERVIEW

	2019	2020	2021	Continuing operations 2022[278]	**Continuing operations 2023**
New orders	1,654.3	1,322.5	2,012.6	1,980.8	1,749.9
Unit sales (units)[279]	211,667	150,928	201,283	181,268	187,116
DEUTZ Compact Engines	164,677	102,054			
DEUTZ Customized Solutions	26,048	18,980			
Other	20,942	29,894			
DEUTZ Classic			160,880	181,249	186,718
DEUTZ Green			40,403	19	398
Revenue[280]	1,840.8	1,295.6	1,617.3	1,892.1	2,063.2
DEUTZ Compact Engines	1,446.4	943.8			
DEUTZ Customized Solutions	362.5	310.1			
Other	35.5	44.4			
Consolidation	-3.6	-2.7			
DEUTZ Classic			1,563.4	1,889.4	2,058.2
DEUTZ Green			53.9	2.7	5.0
EBITDA	175.5	-0.2	123.1	186.6	232.2
EBITDA (before exceptional items)	166.2	31.7	126.2	192.5	252.3
EBIT	88.1	-106.6	34.1	97.6	123.5
Adjusted EBIT margin (before exceptional items)	78.8	-74.7	37.2	103.5	143.6
EBIT margin (%)	480.0	-820.0	210.0	515.8	598.6
Adjusted EBIT margin (before exceptional items, %)	4.3	-580.0	2.3	5.5	7.0
Net income	52.3	-107.6	38.2	95.4	106.9
Earnings per share (€)	0.43	-0.89	0.32	0.79	0.86
Dividend per share (in the year of distribution, €)	0.15	0.00	–	0.15	0.15
Equity[281]	652.4	535.2	588.4	668.8	743.2
Equity ratio (%)[282]	50.1	45.3	45.6	45.3	46.7
Free cash flow	-36.6	-35.8	21.6	6.4	41.8
Net financial position[283]	-15.2	-83.8	-79.7	-155.9	-163.4
Working capital[284]	239.2	235.0	253.2	313.8	379.8
Working capital ratio (average, %)[285]	17.4	21.8	15.5	15.6	17.7
Capital expenditure (after deducting grants)[286]	86.5	91.7	65.7	99.6	114.5
Research and development expenditure (after deducting grants)	95.8	81.4	82.3	84.7	97.9
Employees (number as at December 31)[287]	4,906	4,586	4,751	4,773	5,084

[278] The previous year's figure has been adjusted for comparison purposes and presented from the perspective of continuing operations.
[279] New segmentation since 2022. The 2021 figures have been adjusted accordingly.
[280] New segmentation since 2022. The 2021 figures have been adjusted accordingly.
[281] Key figure from the perspective of the entire Group including discontinued operations.
[282] Key figure from the perspective of the entire Group including discontinued operations.
[283] Cash and cash equivalents less current and non-current interest-bearing financial liabilities.
[284] Inventories plus trade receivables less trade payables.
[285] Working capital as the average of the last four quarterly reporting dates in relation to sales over the past twelve months.
[286] Investments in property, plant and equipment (incl. right-of-use assets from leases since 2019) and intangible assets without capitalisation of R&D.
[287] Since 2019, the number of employees has been stated in FTE (Full Time Equivalent). The 2018 figure has been adjusted accordingly.

DEUTZ GROUP: MULTI-YEAR OVERVIEW

	2019	2020	2021	Continuing operations 2022	**Continuing operations 2023**
Revenue by region					
€ million					
	1,840.8	**1,295.6**	**1,617.3**	**1,892.1**	**2,063.2**
Europe/Middle East/Africa	1,141.9	829.2	1,030.6	1,170.5	1,252.6
Americas	404.3	222.5	294.6	419.6	504.0
Asia-Pacific	294.6	243.9	292.1	302.0	306.6
Revenue by application segment					
€ million					
	1,840.8	**1,295.6**	**1,617.3**	**1,892.1**	**2,063.2**
Construction Equipment	535.5	378.5	490.7	577.0	586.1
Material Handling	398.9	172.5	284.1	355.4	467.9
Stationary Equipment	155.8	114.3	120.3	179.7	184.8
Agricultural Machinery	293.3	178.7	206.1	275.3	272.3
Service	352.4	348.3	403.1	449.8	483.8
Miscellaneous[288]	104.9	103.3	113.0	54.9	68.3
Key figures for DEUTZ shares					
Number of shares (Dec. 31)	120,861,783	120,861,783	120,861,783	120,861,783	126,147,195
Number of shares (average)	120,861,783	120,861,783	120,861,783	120,861,783	124,901,865
Share price (Dec. 31, €)[289]	5.57	5.10	6.57	4.05	4.80
Share price high (€)[290]	8.84	5.77	8.29	7.00	6.03
Share price low (€)[291]	4.86	2.74	5.10	3.02	3.69
Market capitalization (€ million)[292]	673.2	616.4	794.1	489.0	605.5
Earnings per share (€)	0.43	-0.89	0.32	0.66	0.66
Earnings per share (before exceptional items, €)	0.37	-0.63	0.34	0.83	1.00

[288] From the 2019 financial year, the Other segment also includes revenue from the Automotive segment, which was presented separately up to and including the 2018 financial year. The 2018 figures have been adjusted accordingly.
[289] Xetra closing prices; period 01/01/2023 to 31/12/2023.
[290] Xetra closing prices; period 01/01/2023 to 31/12/2023.
[291] Xetra closing prices; period 01/01/2023 to 31/12/2023.
[292] Xetra closing prices; period 01/01/2023 to 31/12/2023.

FINANCIAL CALENDAR

2024	
April 30	Quarterly 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	Quarterly statement for the first to third quarters of 2024 Conference call with analysts and investors
2025	
March	2025 annual report Annual results press conference with analysts and investors
May	Annual General Meeting

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

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DEUTZ 2023