

PRESS RELEASE

DEUTZ and SANY enter joint venture agreement

- Important milestone in the implementation of the growth strategy in China
- Production of around 75,000 new engines planned with joint venture for 2022
- Initial revenue target of €500 million for 2022

Cologne, 3 June 2019 – DEUTZ, one of the world’s leading manufacturers of innovative drive systems, entered the joint venture agreement with SANY, China’s largest construction equipment manufacturer.

DEUTZ will be investing a mid double digit million euro amount in the new joint venture and will hold a majority share of 51 per cent. The closing of the transaction is expected by the end of the year. The company will take over production of SANY’s current engine range with the aim of supplying SANY with around 75,000 new engines in 2022. These engines will comply with the China IV emissions standard for off-road applications and China 6 for on-road applications.

In addition to the successful conclusion of the joint venture deal with SANY, other elements of the international growth strategy are also going to plan in China. These include the strategic alliance with BEINEI to carry out production locally, with the DEUTZ management team overseeing the manufacture of approximately 20,000 engines for the Asian market in 2022 at a new factory in Tianjin. The ramp-up is set for 2020, when around 2,000 to 3,000 engines are to be produced.

Further progress has also been achieved in the partnership between DEUTZ and FAR EAST HORIZON to expand the local service business. With more than 80 branches, FAR EAST HORIZON is the largest player in China's construction equipment rental business and the ideal partner to meet the growing demand for innovative engines. DEUTZ customers will soon be able to benefit from digital services such as a shared online shop.

“The joint venture agreement marks an important milestone in the implementation of our new China strategy,” said DEUTZ CEO Dr Frank Hiller. “We are now ideally positioned to take advantage of the rapid growth in the world's largest individual market for engines. The alliances with our local partners will enable us to significantly increase our local presence for engines and we now have access to an attractive production network that will enable us to efficiently meet customer demand in the region. We can also tap into an extensive service network that we will systematically enhance with digital solutions. In an initial stage, we aim to achieve revenue of around half a billion euros by 2022.”¹

The Chinese engines market has grown steadily in recent years and the uptrend is set to continue for some years to come. Growth of up to 5 per cent is forecast in China's construction equipment application segment in 2019, while in material handling it is set to be up to 10 per cent.²

Upcoming financial dates

1 August 2019: Interim report for the first half of 2019

7 November 2019: Interim management statement for the first to third quarter of 2019

12 March 2020: 2019 annual report / annual results press conference

For further information on this DEUTZ AG press release, please contact:

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¹ The Joint Venture will be consolidated using the at equity method.

² Growth in unit sales; DEUTZ market estimates.

The engine company.



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About DEUTZ AG

DEUTZ AG, a publicly traded company headquartered in Cologne, Germany, is one of the world's leading manufacturers of innovative drive systems. Its core competences are the development, production, distribution and servicing of diesel, gas and electric engines for professional applications. It offers a broad range of engines delivering up to 620 kW that are used in construction equipment, agricultural machinery, material handling equipment, stationary equipment, commercial vehicles, rail vehicles and other applications. DEUTZ has around 4,700 employees worldwide and over 800 sales and service partners in more than 130 countries, and in 2018 generated revenue of €1,778.8 million.

Further information is available at www.deutz.com.

Forward-looking statements

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