

PRESS RELEASE

DEUTZ postpones its medium-term targets from 2022 to 2023/2024

- Medium-term targets for revenue (€2 billion) and EBIT margin before exceptional items (7 to 8 percent) expected to be achieved in 2023/2024
- Confirmation of revenue target for China of €800 million in 2022 and increase in revenue from service business to around €400 million in 2021
- Good progress on implementation of the global efficiency program, with projected total cost savings of around €100 million per annum from the end of 2022
- DEUTZ aiming to break even, in terms of operating profit, at the very least in 2021

Cologne, November 23, 2020 – The Company was previously aiming for an increase in revenue to €2 billion, along with an EBIT margin before exceptional items of 7 to 8 percent for 2022. At the present time, DEUTZ believes that these targets will not be reached until 2023/2024. In particular, this is due to the macroeconomic impact of the coronavirus crisis, which has caused DEUTZ's engine business to contract sharply this year. Over the months ahead, customers are expected to remain reluctant to invest and demand will therefore recover more slowly than originally anticipated.

“There were encouraging signs of recovery in our business performance in the third quarter, and we expect to see an improvement in our main sales markets over the coming months. Nonetheless, we must be in no doubt that the effects of the coronavirus crisis will continue to be felt in the medium term. From a current perspective, it will be a long time before we see a return to pre-crisis levels, both in our Company and in the wider economy,” says DEUTZ CEO Dr. Frank Hiller. “Although coronavirus means that we will not reach our medium-term targets until 2023/2024, we are still looking to the future with optimism. By launching our efficiency program, which should generate cost savings of around €100 million per annum from 2022, we have taken important steps to ensure our long-term success in the market. Despite the current situation, we are continuing to implement our strategic growth initiatives as planned, which will enable us to emerge stronger from the crisis.”

In connection with the updates to its medium-term planning, the Company has also adjusted the target set in 2018 for 2022 as part of the E-DEUTZ strategy, whereby electric drive systems are to account for between 5 percent and 10 percent of consolidated revenue. DEUTZ now aims to achieve this target in 2023/2024, although it anticipates almost reaching the 5 percent threshold in 2022.¹

Regardless of the updated medium-term planning, the Company reaffirms its intention to increase revenue from the profitable service business to around €400 million in 2021. It also confirms its 2022 revenue target for China, which was raised this year from around €500 million to approximately €800 million.²

Looking ahead to the 2021 financial year, it is still very difficult to make predictions about business due to the ongoing uncertainty about how the coronavirus crisis will continue to unfold. However, the main key figures are expected to improve significantly year on year. DEUTZ is aiming to lower its break-even point to around 130,000 engines in 2021 as a result of initiatives such as the cost-cutting measures put in place as part of the global efficiency program. This should allow the Company, at the very least, to break even in terms of operating profit (EBIT before exceptional items) next year.

Firmer guidance for 2021 will be provided when the full-year results for 2020 are published on March 18, 2021.

¹ In addition to electric motors, the calculation of the proportion of revenue attributable to E-DEUTZ will from now on include E-DEUTZ components and batteries from DEUTZ subsidiary Futavis as well.

² The revenue target of approximately €800 million includes the revenue generated by the joint venture with SANY. Under the equity method, this revenue is not recognized in the consolidated financial statements.

Contact

DEUTZ AG / Leslie Isabelle Iltgen / SVP Communications & Investor Relations

Tel: +49 (0)221 822 3600 / Email: Leslie.Iltgen@deutz.com

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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 competencies are the development, production, distribution, and servicing of diesel, gas, and electric drive systems 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 4,900 employees worldwide and over 800 sales and service partners in more than 130 countries. It generated revenue of €1,840.8 million in 2019.

Further information is available at www.deutz.com.