

PRESS RELEASE

Cologne, 17 December 2018

DEUTZ AG: New three-pillar growth strategy in China

- Joint venture with leading construction equipment group SANY
- Expansion of service business with HORIZON
- Manufacturing alliance with BEINEI
- Revenue of half a billion euros expected in 2022

Cologne/Beijing, 17 December 2018. DEUTZ AG is restructuring its market presence in China, entering into partnerships with three major Chinese companies – SANY, HORIZON and BEINEI – in order to benefit from the high-growth Chinese market. “China is the largest individual market for engines in the world,” says Dr Frank Hiller, Chairman of the DEUTZ Board of Management. “Thanks to its new partners, DEUTZ now has the ideal production network for efficiently supplying local customers with DEUTZ drive systems. At the same time, we have access to an extensive service network that we will systematically enhance with digital solutions.”

DEUTZ and SANY, China’s largest construction equipment group, signed a memorandum of understanding in Beijing. The two companies are forming a joint venture in which DEUTZ AG will be the majority shareholder with a stake of 51 per cent. Initially, the plan is to supply SANY with around 75,000 new engines for off- and on-road applications in 2022. These engines will comply with the China 4 and China 6 emissions standards. One of the leading engine manufacturers in the off-highway segment, DEUTZ AG is thus stepping up its activities in the on-highway segment as well. DEUTZ AG’s initial investment in the new joint venture is in the mid double-digit millions.

“We chose DEUTZ because it is one of the world’s top engine manufacturers,” says Lincoln Liang, a member of the Sany Group’s board of directors. “In this joint venture, we will benefit from working with an agile company that is looking to the future and driving forward technological innovation. DEUTZ thus brings to the table exactly what we need for our engine development.”

In addition, DEUTZ AG is entering into a cooperation agreement with HORIZON in order to strengthen its position in the attractive service business as well. With more than 80 branches, HORIZON is the largest player in the Chinese construction equipment rental business. It will become a local service partner for DEUTZ, servicing engines in the field and taking over the aftermarket sales business in China. HORIZON is also the ideal partner with regard to digital fleet service solutions.

Another element of the new strategy for China is a local contract manufacturing alliance with engine manufacturer BEINEI. This will act as a production hub for the Asian market. The DEUTZ management team is to oversee the manufacturing of approximately 20,000 engines in 2022 at a new factory in Tianjin.

In October 2018, DEUTZ AG sold its shares in DEUTZ Dalian, the Chinese joint venture that it had entered into with First Automotive Works (FAW). The new strategy now enables DEUTZ to fundamentally overhaul its market presence so that it can meet the growing demand for sophisticated engines not only in China but also in other Asian markets. On the back of its three pillar growth strategy, DEUTZ is aiming to generate revenue of around half a billion euros in China in 2022.¹

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¹ Whether this revenue will be fully consolidated is still to be reviewed.