

ANALYST CONFERENCE

Financial year 2008

Frankfurt/Main, 20 March 2009

The engine company.



- **Overview of FY 2008**

Dr.-Ing. Helmut Leube, Chairman of the Management Board

- **Key performance indicators for FY 2008**

Helmut Meyer, CFO

- **Outlook and "MOVE" programme**

Dr.-Ing. Helmut Leube, Chairman of the Management Board

- **Appendix**

Overview of financial year 2008

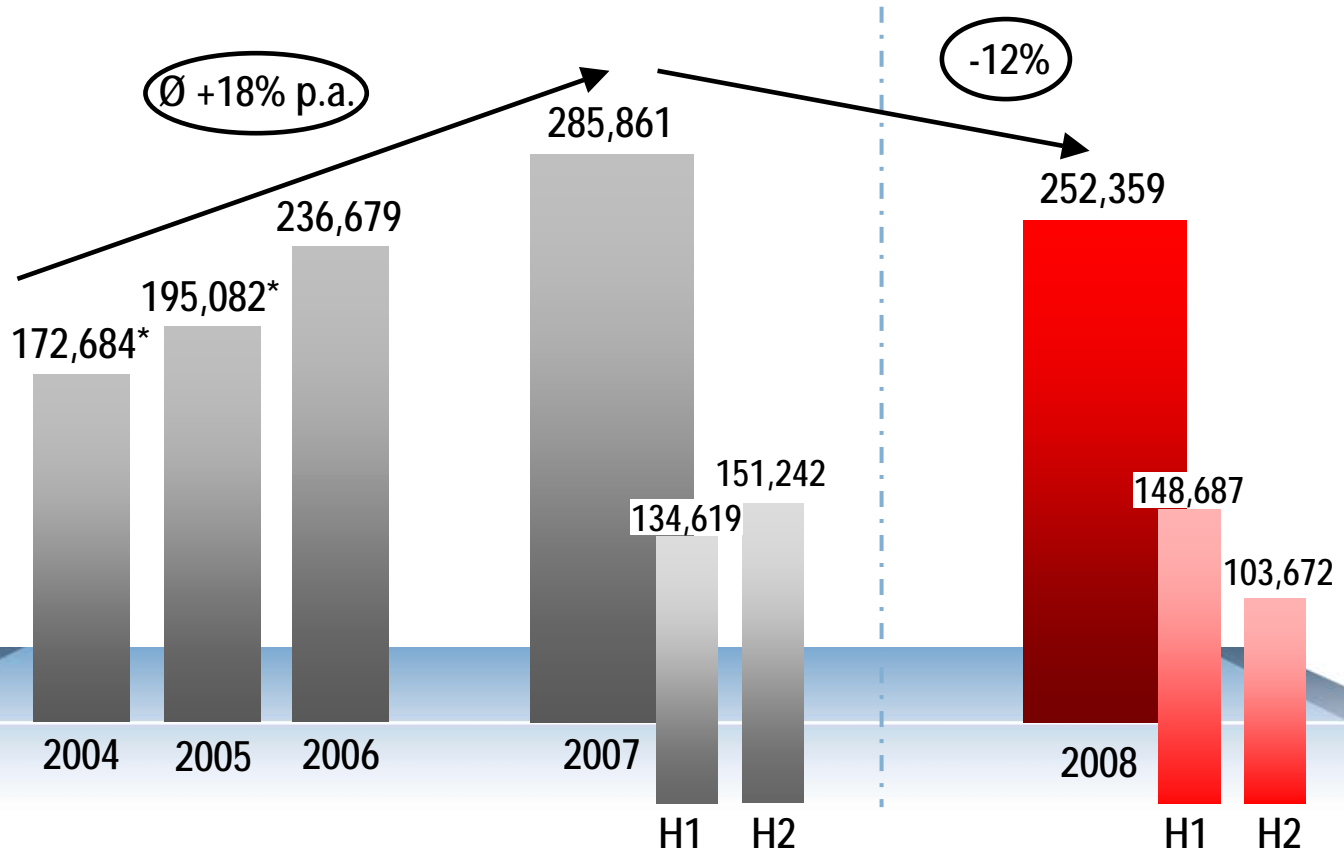
- **The year 2008 ended with the greatest financial and economic crisis in decades**
 - Good business performance in H1 2008; no drop in orders seen
 - Decline in demand grows in intensity after mid-year
 - Significant consumer industries of DEUTZ affected including the construction sector, commercial vehicles industry
 - Difficulty in forecasting will persist in FY 2009 due to the extreme economic uncertainty
 - Solid balance sheet structure: equity ratio 42%, liquidity €208 million, financing independent of banks

- **"MOVE": comprehensive package of measures to safeguard earnings and future viability**
 - Short-term savings with focus on safeguarding profitability
 - Structural measures for sustained improvement of earnings
 - Alignment of processes and structures to lower unit sales
 - Objective: to achieve a somewhat positive operating profit in the current financial year with "MOVE"

- **Investments in future technologies will be continued**
 - Continuation of high double-digit expenditures for R&D projects
 - As of 2011, the focus will be on future exhaust gas emissions standards and exhaust gas aftertreatment systems

5-year comparison of sales trends

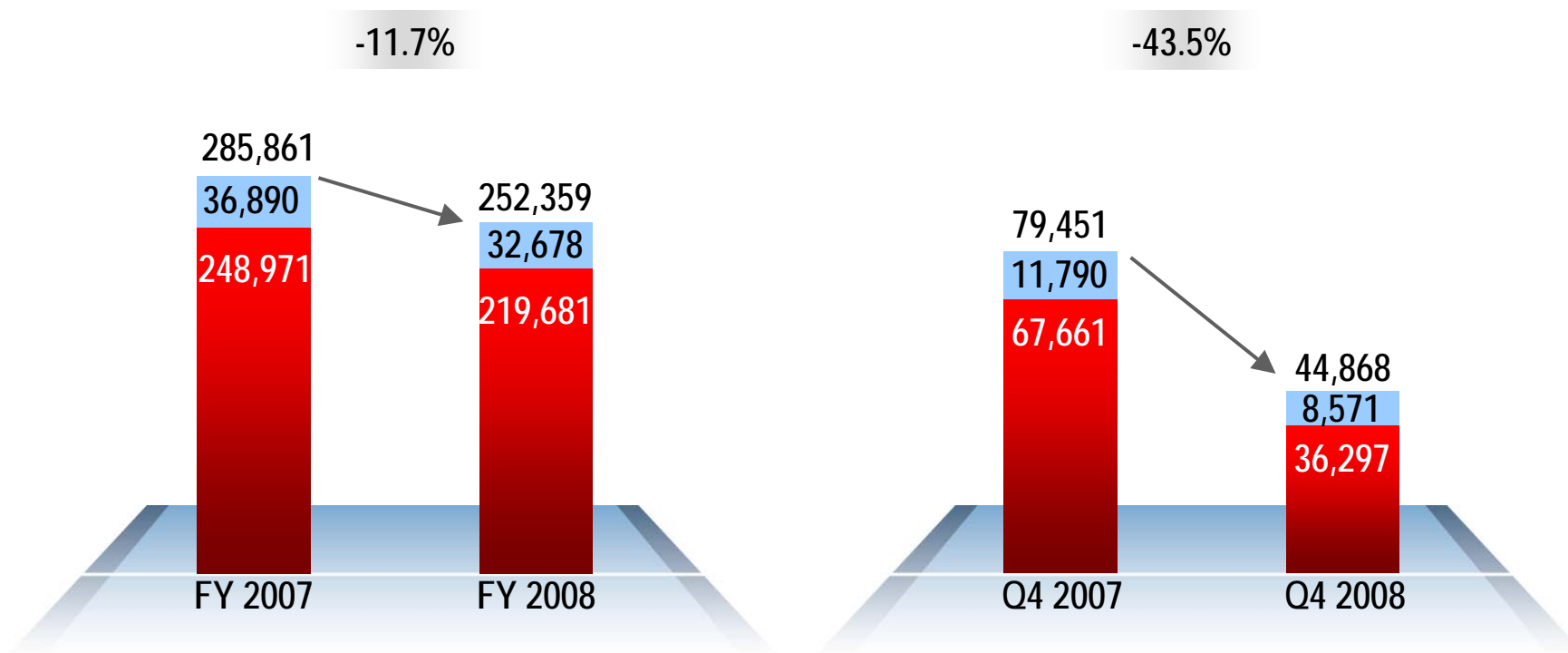
units



- After several years of growth in a row, the global financial and economic crisis prevents the occurrence of another record year.
- The good business performance in the 1st half of 2008 was followed by a sales slump in Q3 and Q4 2008

Unit sales overview

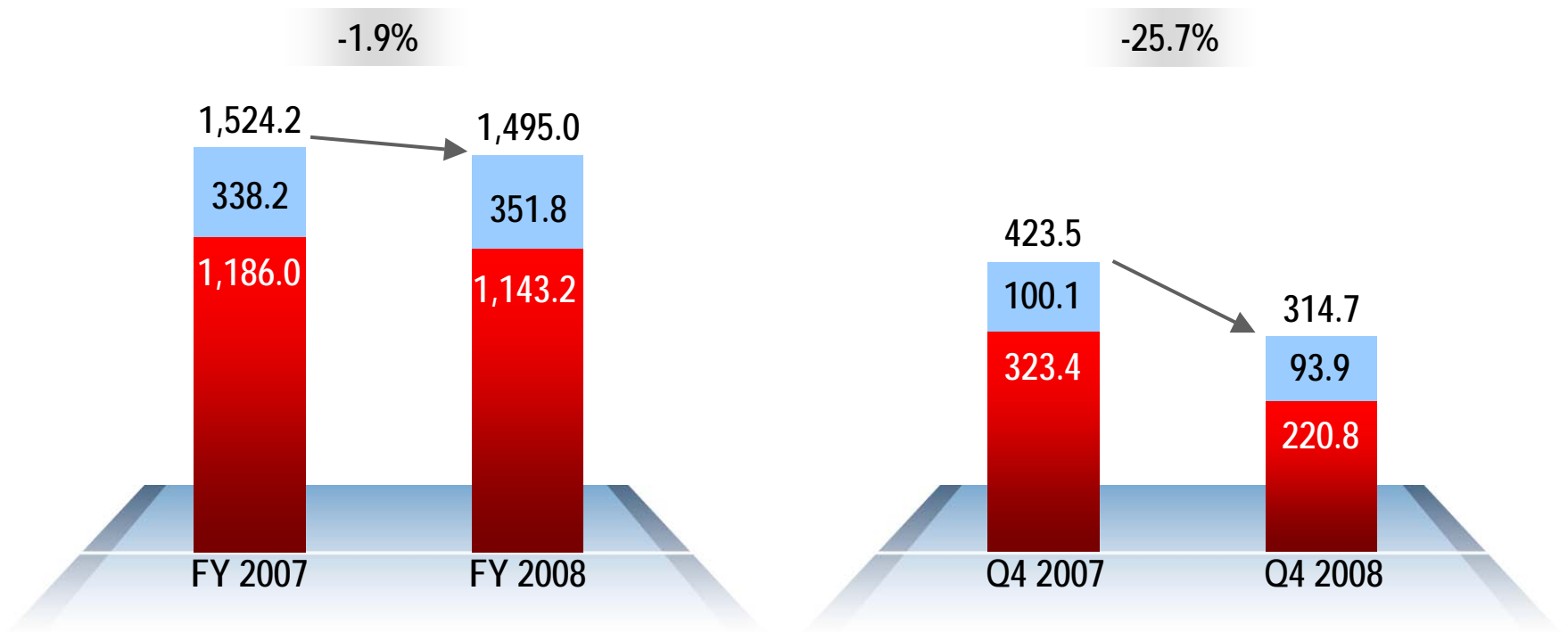
units



- Reduction in unit sales impacts all regions and all application segments, especially construction equipment and material handling equipment; definite sales slump in Q4
- Decline in unit sales of engines at DEUTZ Customised Solutions: primarily due to elimination of small air-cooled engines in Spain and a major customer's changeover from air-cooled to water-cooled DEUTZ engines

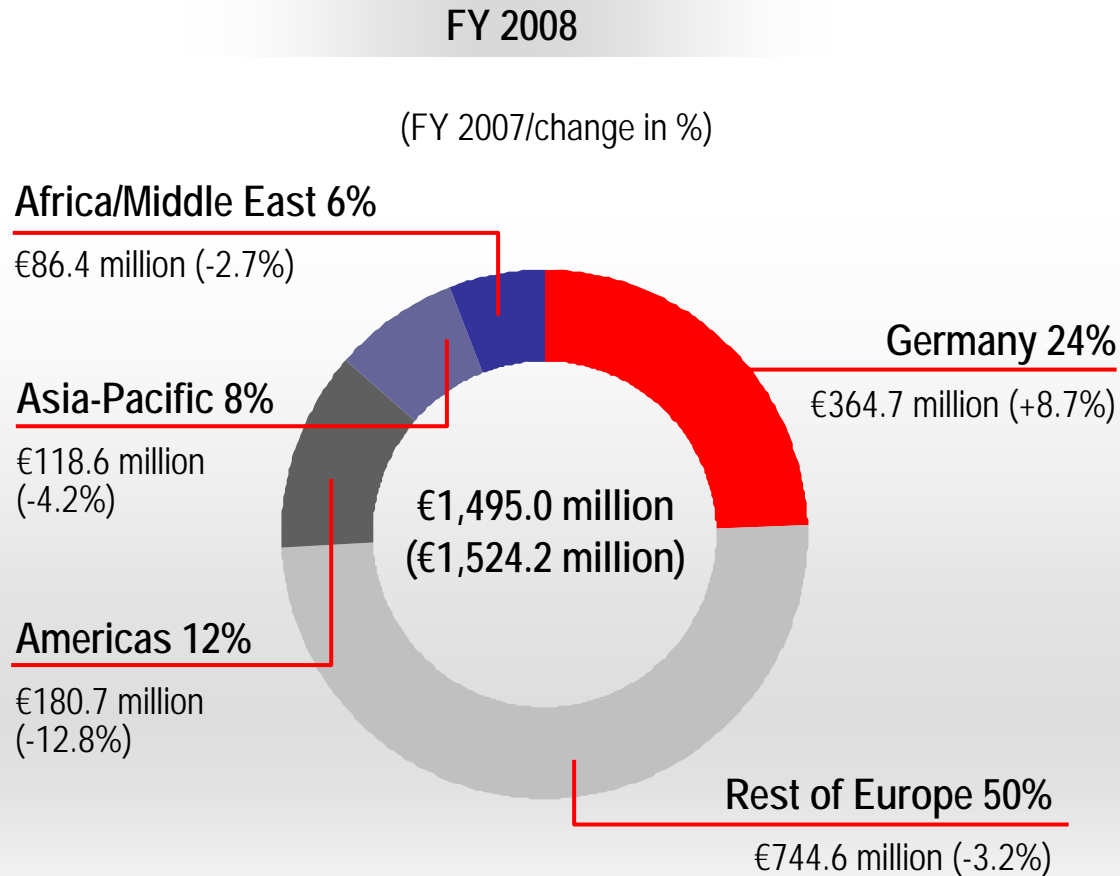
Revenue overview

€ million



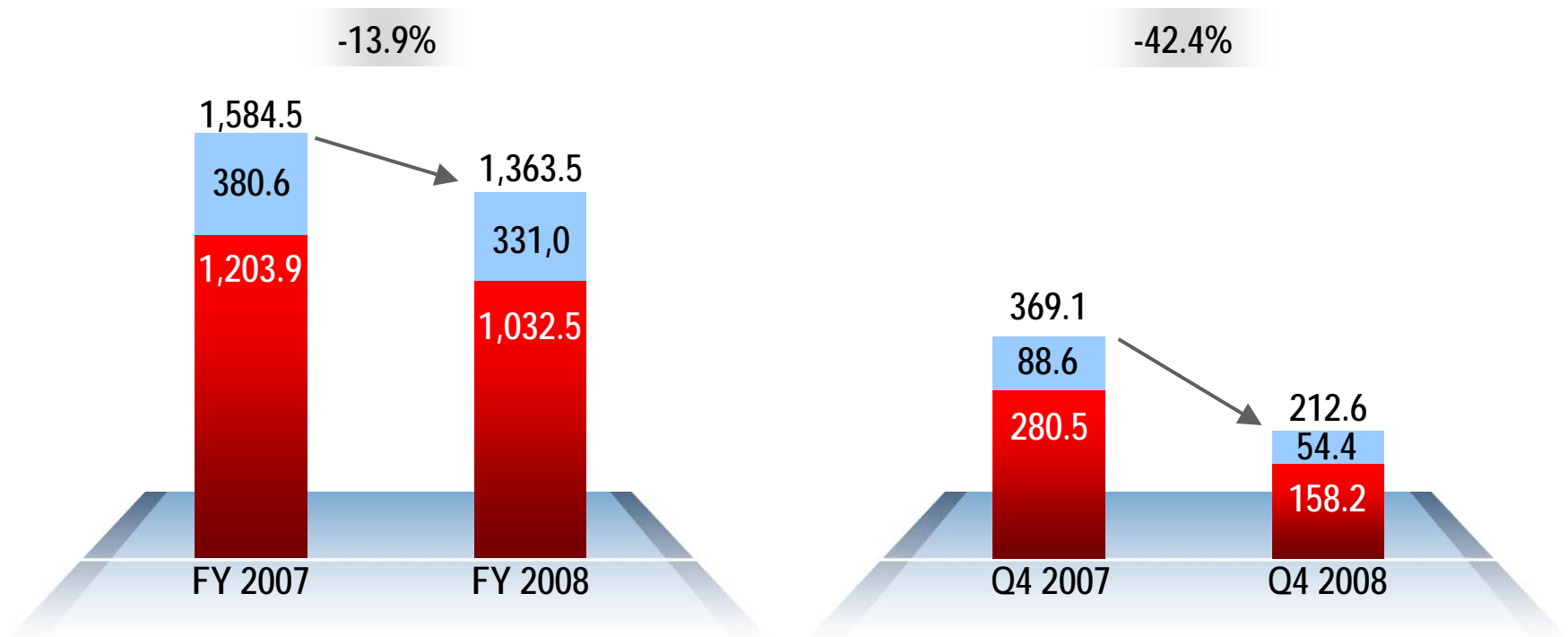
- Mix effects soften the decline in revenue compared to unit sales; year on year increase in revenue for DEUTZ Customised Solutions (+4%)
- Group-wide service business expanded (+4%) despite declining total revenue
- Performance of Agricultural Machinery continues to be pleasing, although momentum has let up

Revenue by region



New orders overview

€ million



- Decline in demand accelerated even further in Q4 2008; particularly in Mobile Machinery
- Development of new orders reflects forecasts of relevant associations (e.g. VDMA)
- No recovery expected in H1 2009

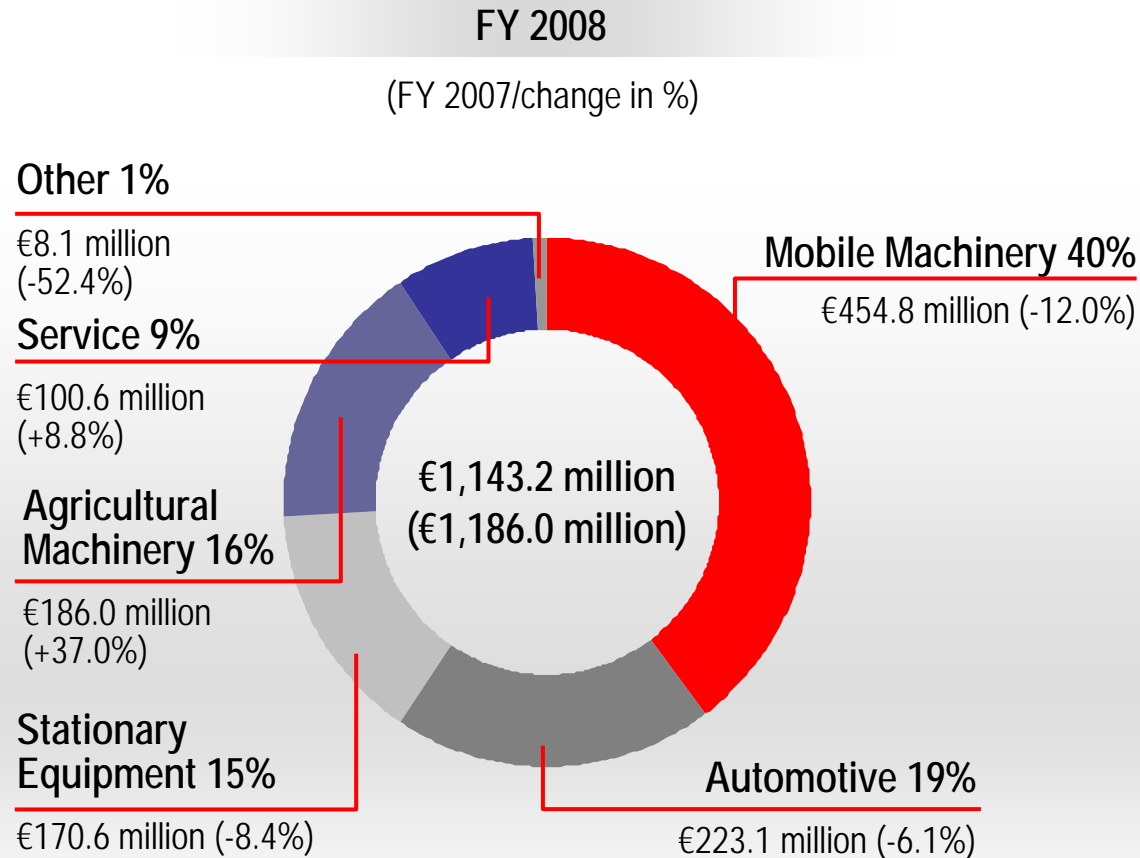
Segments overview: Compact Engines

€million	FY 2008	FY 2007	Delta in %
New orders	1,032.5	1,203.9	-14.2
Unit sales (units)	219,681	248,971	-11.8
Revenue	1,143.2	1,186.0	-3.6
EBIT (before one-off items)	-13.6	45.3	--

€million	Q4 2008	Q4 2007	Delta in %
New orders	158.2	280.5	-43.6
Unit sales (units)	36,297	67,661	-46.4
Revenue	220.8	323.4	-31.7
EBIT (before one-off items)	-22.6	11.2	--

- Definite decline in demand for engines with less than 4 litres capacity after the middle of the year; at year-end this also affected engines with 4 - 8 litres capacity (including TCD 2013 4V commercial vehicle engine)
- Decline in unit sales and revenue particularly in Q4; declining sectoral trend negatively impacts application segments Mobile Machinery, Stationary Equipment and Automotive
- Pleasing year on year increase in revenue in Agricultural Machinery (+37%) and Service (9%)
- Negative segment earnings due to decline in volume and increase in cost of material as well as DEUTZ Dalian start-up losses (€11.1 million in FY 2008)
- EBIT after one-off items (primarily expenses for personnel structure measures): €-25.9 million (FY 2008)

Compact Engines: Revenue by application segment

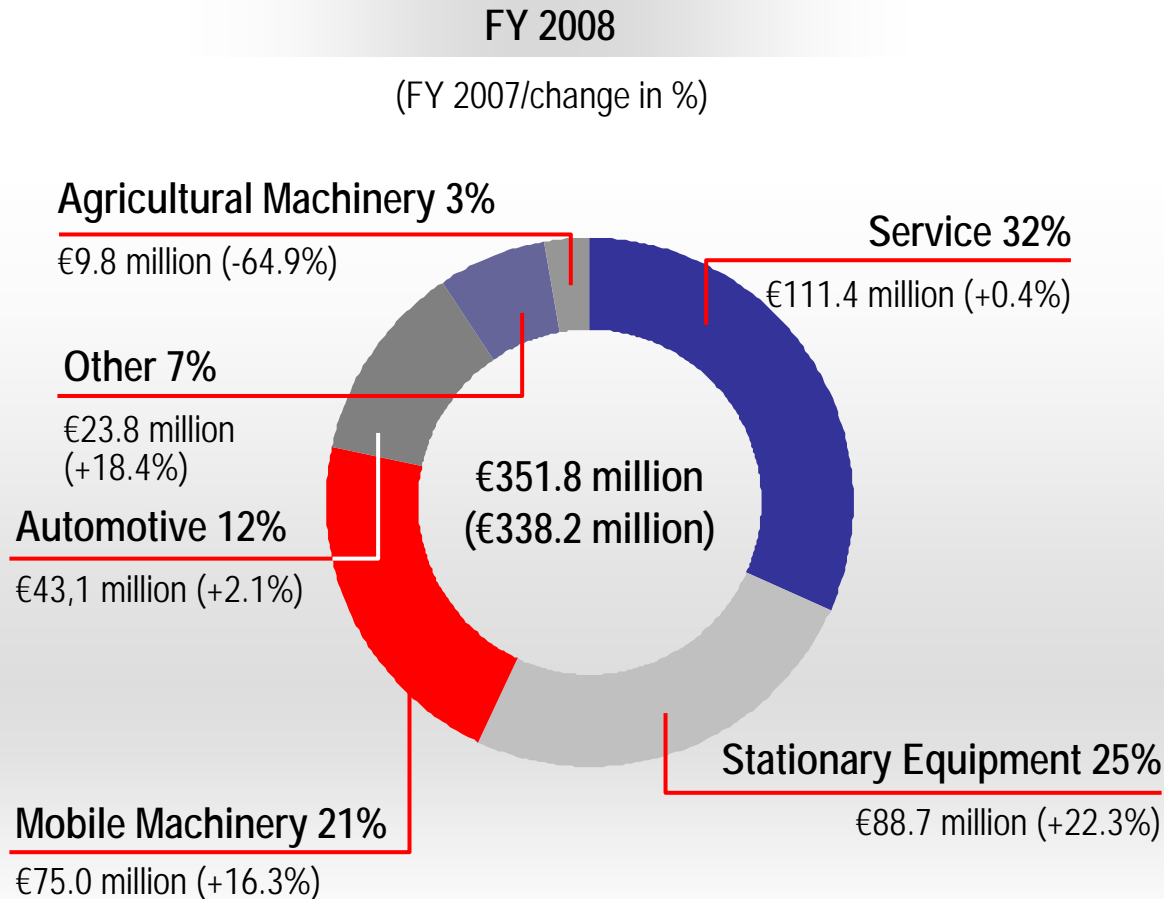


Segments overview: DEUTZ Customised Solutions

€million	FY 2008	FY 2007	Delta in %	€million	Q4 2008	Q4 2007	Delta in %
New orders	331.0	380.6	-13.0	New orders	54.4	88.6	-38.6
Unit sales (units)	32,678	36,890	-11.4	Unit sales (units)	8,571	11,790	-27.3
Revenue	351.8	338.2	4.0	Revenue	93.9	100.1	-6.2
EBIT (before one-off items)	47.1	44.7	5.4	EBIT (before one-off items)	11.9	13.4	-11.2

- Decline in new orders for new engines especially in Q4 (primarily construction equipment, mining equipment) but also in Service due to the economic situation
- Agricultural Machinery: A major customer's changeover from air-cooled to water-cooled DEUTZ engines leads to significantly double-digit declines (%) in new orders, unit sales, revenue
- Rise in revenues in all other application segments, in particular Stationary Equipment +22% (better product mix, elimination of small air-cooled engines in Spain); stabilising service business is the largest revenue contributor (approximately 1/3 of the segment revenue)
- Pleasing development in large engines (more than 8 litres capacity) for rail or marine applications
- EBIT rise due to increased revenue, improved product mix and high services component

DEUTZ Customised Solutions: Revenue by application segment



Agenda

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Overview of key performance indicators financial year 2008

- Significant decline in unit sales, higher cost of material, start-up losses of DEUTZ Dalian (DDE) and one-off items have negative impact on EBIT
 - EBIT before one-off items **€31.8 million** (€95.5 million)
 - thereof DDE start-up losses* €11.1 million (€6.0 million)
 - one-off effects^{*)}* €14.3 million (€-- million)
 - EBIT after one-off items **€17.5 million** (€95.5 million)
- Further improvement of net interest expense to **€-13.3 million** (€-18.1 million); negative net income due primarily to one-off items at **€-4.2 million** (€+59.4 million)
- Cash flow from operating activities rises to **€89.7 million** (€-38.7 million): reduced borrowing requirements for working capital and elimination of compensation payments for vested company pension rights
- Net financial position: **€-12.2 million** (€+89.7 million); equity ratio **42.4%** (40.4%)
- Long-term financing independent of banks (U.S. private placement)
- Utilisation of DEUTZ AG accumulated income: carry-forward to new account^{**)}

() = FY 2007

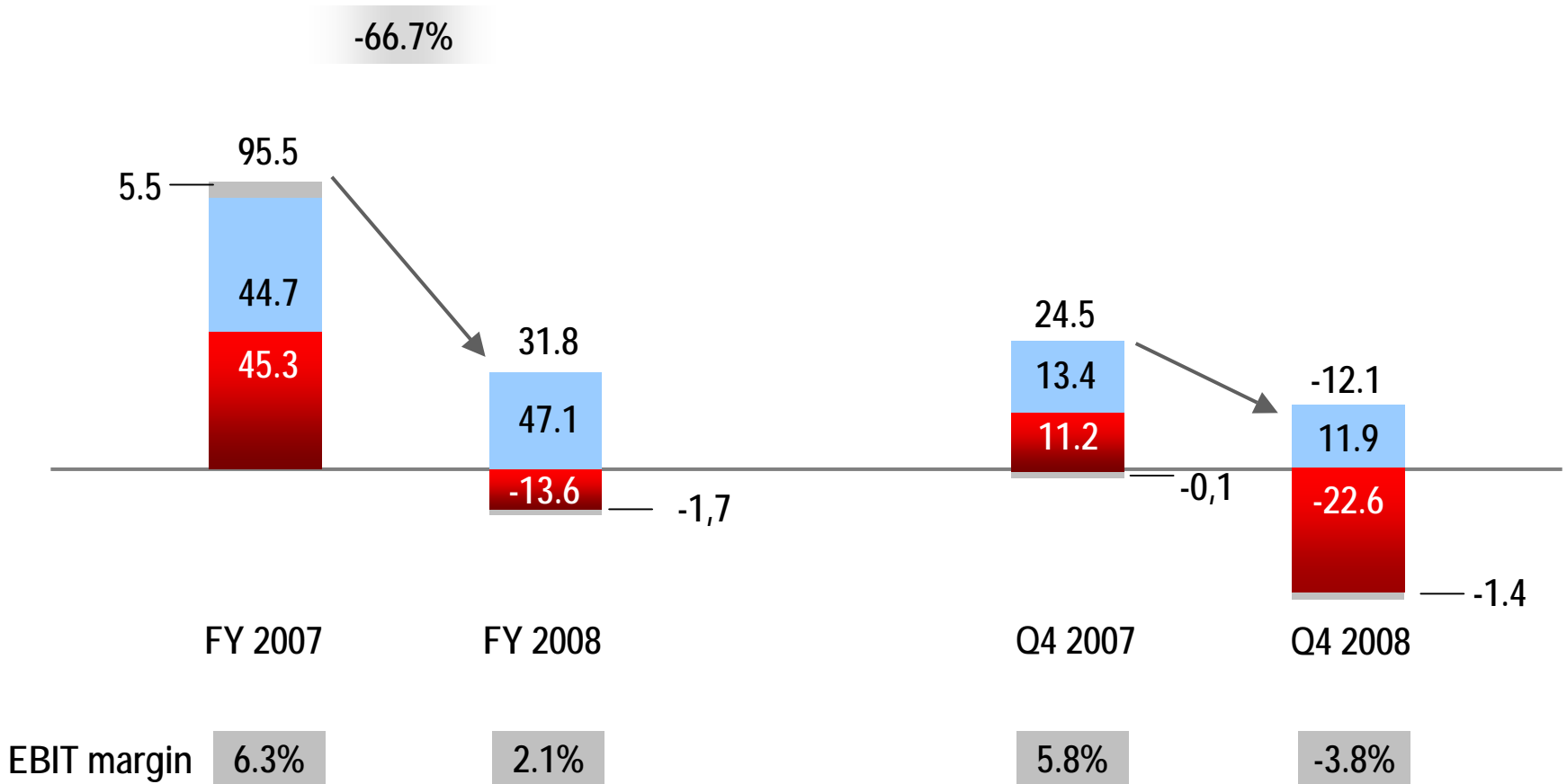
^{*)} primarily expenses for personnel structure measures, posted in Q4 2008

^{**)} proposal to the Annual General Meeting

Key performance indicators: EBIT before one-off items

€ million

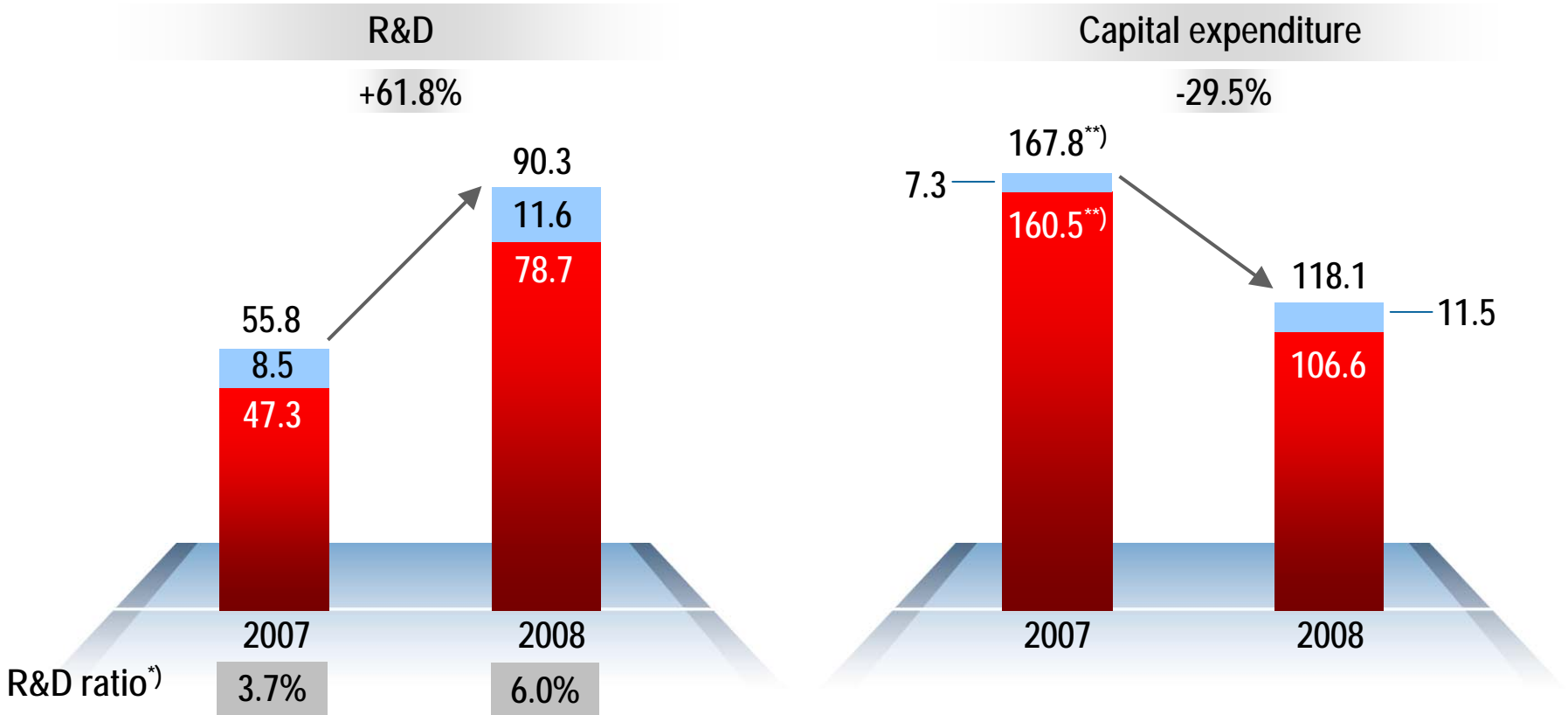
-66.7%



■ Compact Engines ■ DEUTZ Customised Solutions ■ Other

Key performance indicators: R&D and capital expenditure

€ million



- Increased expenditures for R&D in light of pending exhaust gas emissions standards starting in 2011 (TIER 4 engines)
- Focus on exhaust gas aftertreatment technologies

- Planned investments for capacity expansion were postponed
- Share of capitalised development costs: €48.2 million (2007: €24.3 million)

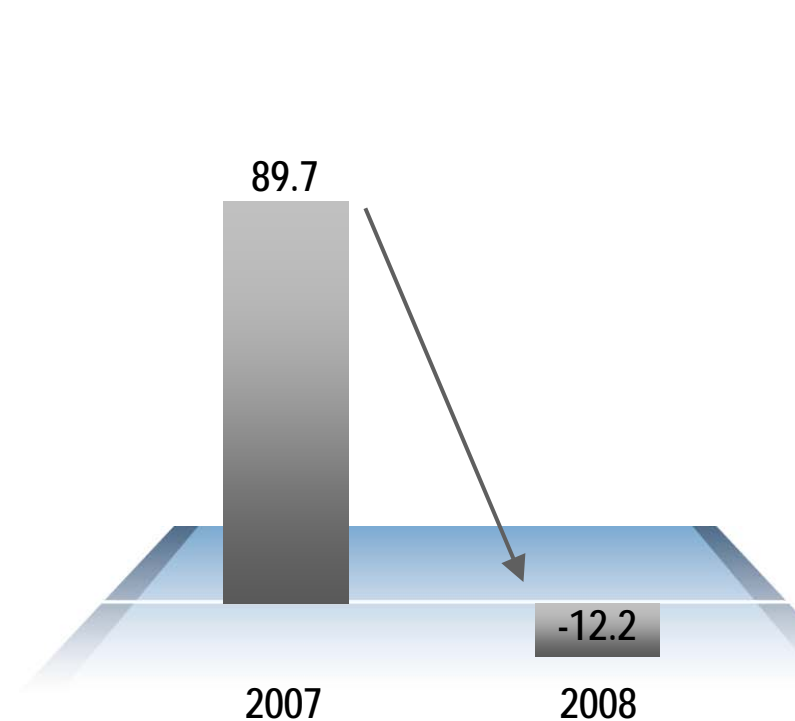
^{*)} R&D expense/consolidated revenue

^{**)} incl. investments for DDE: €58 million

Key performance indicators: net financial position and working capital

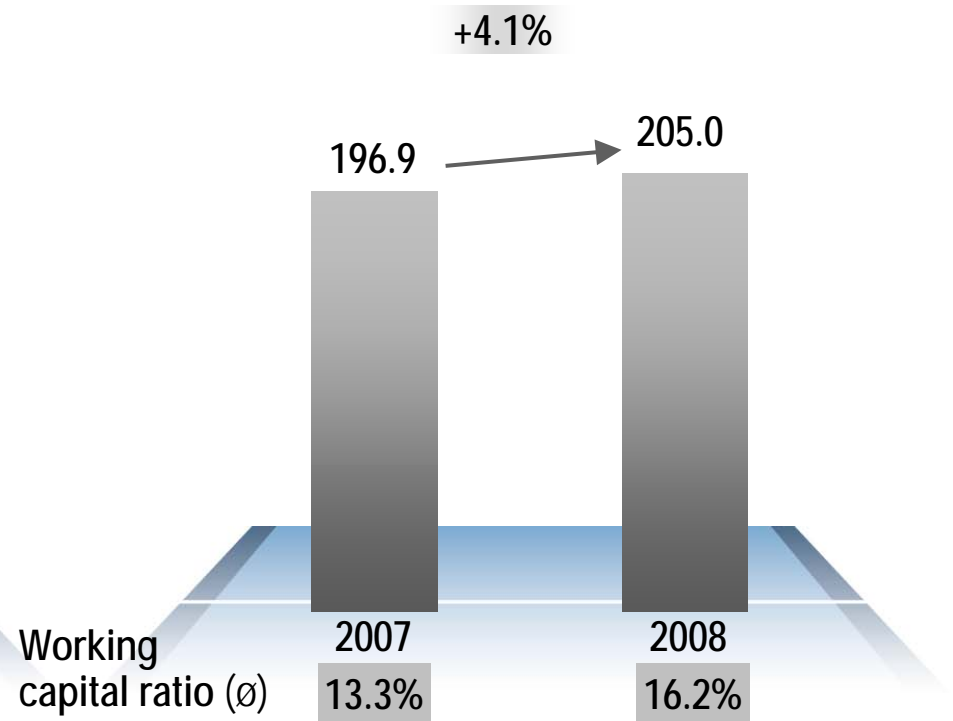
€ million

Net financial position



- Previous year's value influenced by inflow of funds from the sale of DEUTZ Power Systems
- Higher cash and cash equivalents on 31 Dec 2008: approximately €208 million

Working capital



- Increased inventories result in higher working capital
- WC ratio as at 31 Dec 2008: 13.7%

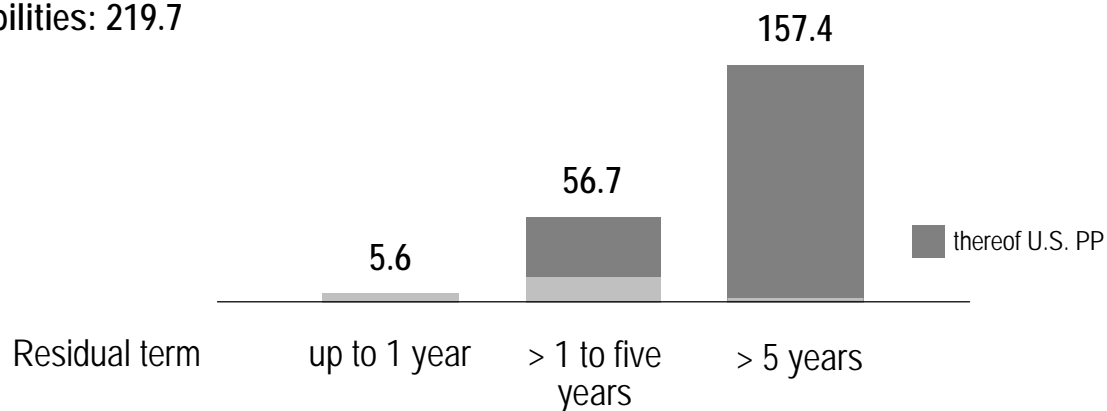
Financial liabilities and due dates

€million	31 Dec. 2008	31 Dec. 2007
Convertible bonds	--	2.7
Bond (U.S. private placement) ^{*)}	196.2	190.1
Liabilities to banks	23.4	28.5
Liabilities from finance leases	0.1	0.1
Total	219.7	221.4

*) amount of bond on date of placement: \$274 million

Total financial liabilities: 219.7

€ million



➔ **Indebtedness with long terms to maturity – no short-term need for refinancing!**

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Great economic uncertainty makes it difficult to make reliable forecasts

	Outlook FY 2009
New orders/unit sales/revenue	significantly below previous year
EBIT + successful implementation of "MOVE"	slightly positive operating earnings
Capital expenditure (excl. R&D)	at the level of FY 2008*), flexible consistent with market development
Research and development	continued at the high level of FY 2008*)
Employees	short-time work: continued until further notice; adjustment of workforce and organisational structures

→ Current assessment: negative trend from Q4 2008 will continue in H1 2009

*) FY 2008:
capital expenditure (excluding R&D): €69.9 million
Research and development: €90.3 million

MOVE

Programme to safeguard earnings and future viability

Short-term measures for safeguarding profitability focus in 2009

- Reduction of overhead cost (personnel and administrative costs)
- Reduction of cost of materials
- Adjustment of employee working hours to changed unit sales forecasts
- Increase of efficiency in R&D
- Reasonable pricing policy

Structural measures for sustained improvement of earnings beyond 2009

- Successful product launches (TIER 4 interim/final, exhaust gas aftertreatment)
- Continuous increase in productivity by process optimisation
- Further alignment of organisation
- Improvement in earnings of the joint venture DEUTZ Dalian

 "MOVE" is geared to react flexibly to continuously changing economic developments in order to generate a modestly positive operating profit in FY 2009.

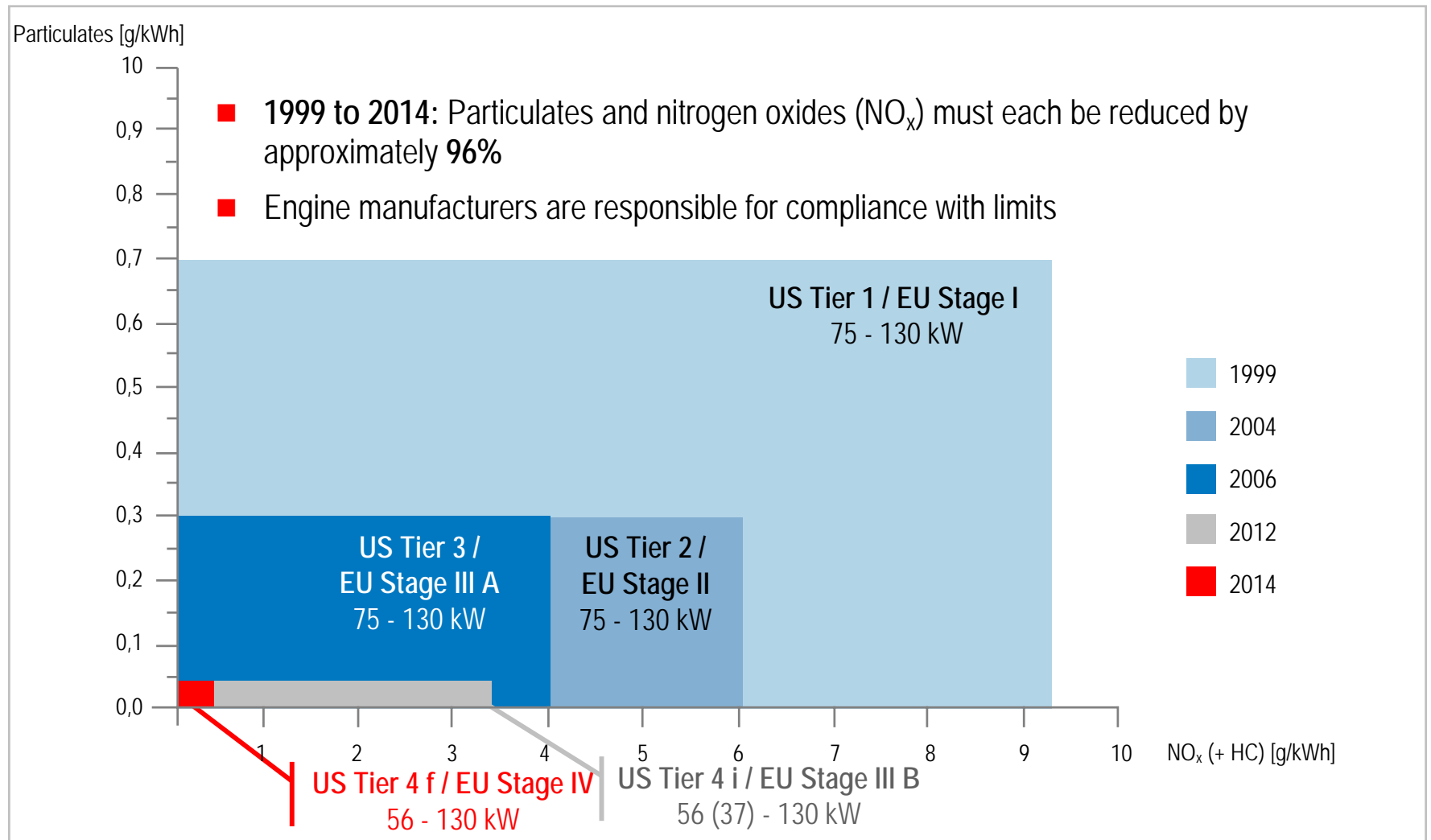
Adjustment of workforce structures to the changed unit sales situation

- **Number of flex-time employees significantly reduced since mid-year**
 - 06/2008: about 1,200 persons, 12/2008: about 400 persons
 - Expiry of additional temporary contracts throughout 2009

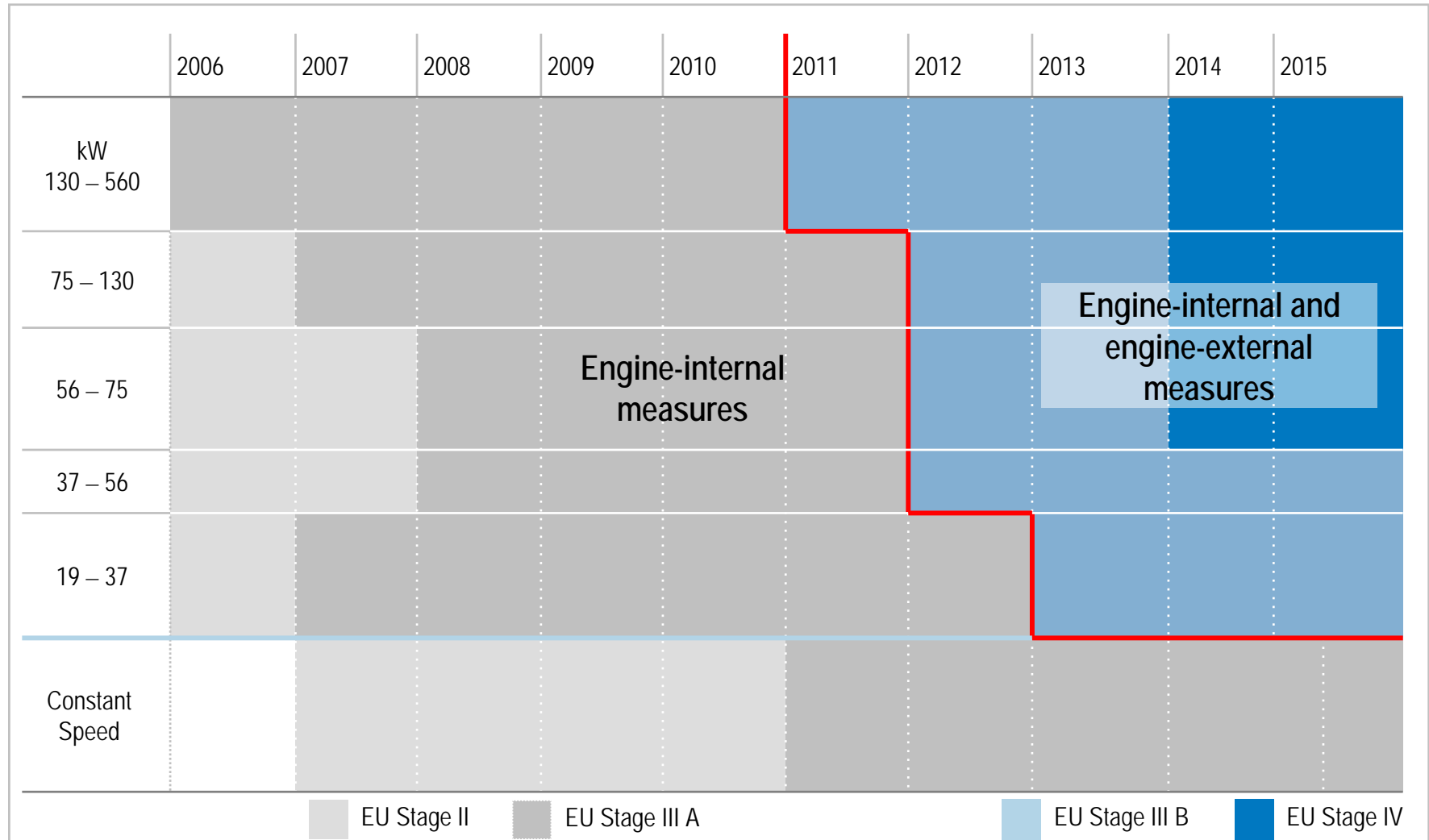
- **Short-time work since December 2008**
 - FY 2008: Short-time work in Production/Assembly in Cologne starting in early December
 - FY 2009: Short-time work expanded to all areas except R&D starting in January
 - Short-time work will be continued until further notice; monthly review depending on orders

- **Further workforce structure measures planned**
 - Provision for reduction of 200 indirect employees amounts to €10.2 million in FY 2008
 - Instrument of short-time work and other socially-responsible solutions offer further scope, we intend to make maximum use of these
 - The goal is to safeguard as many jobs as possible; however, this depends strongly on the further economic development

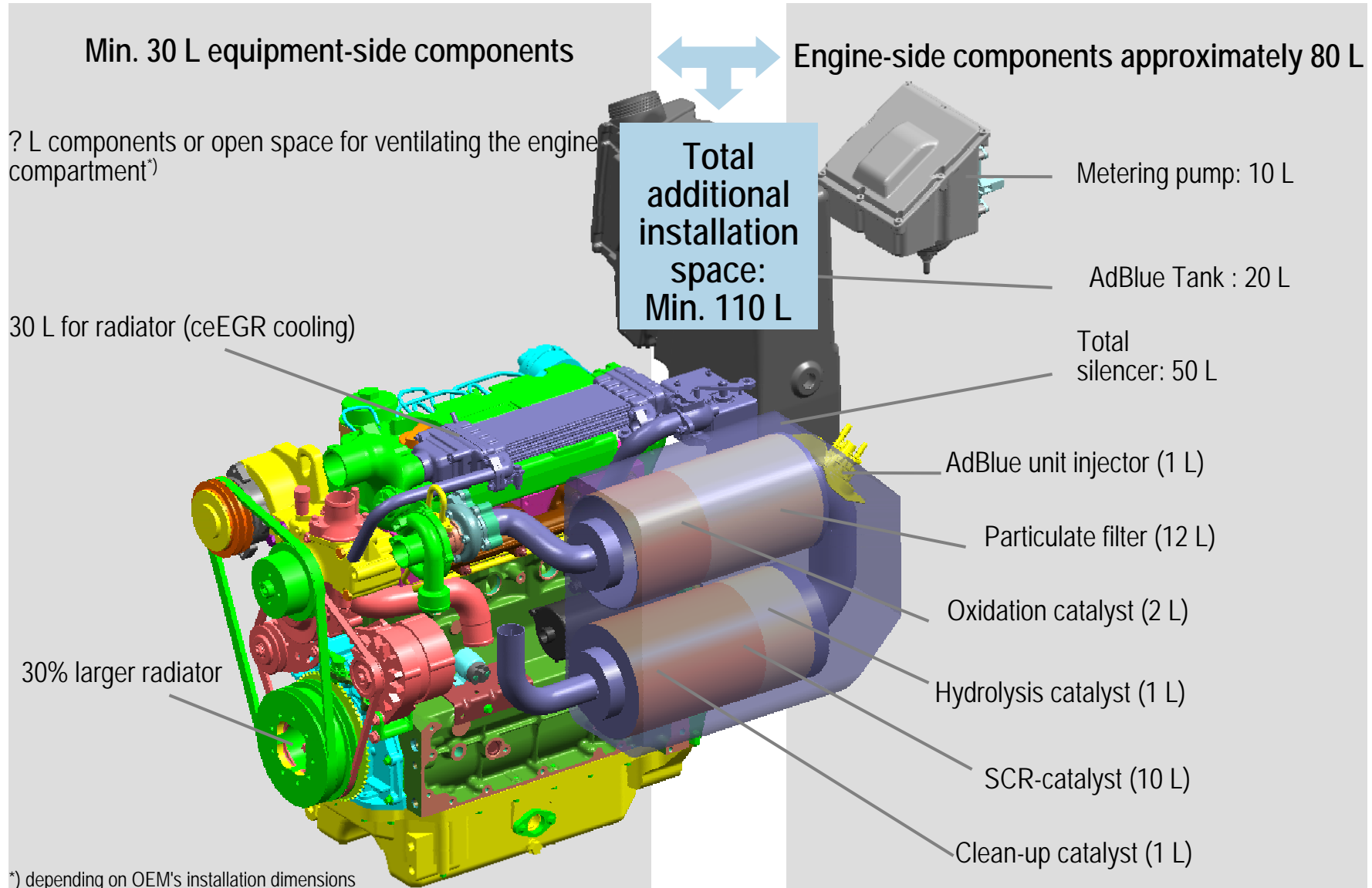
21st century challenges for R&D: tightened limits, reduced emissions



21st century challenges for R&D: more stringent directives require additional technologies



Installation impacts brought about by EU Stage III B and EU Stage IV technology – design study for Stage IV / 4 litre engine



*) depending on OEM's installation dimensions

“All in all, the prospects are very good that DEUTZ will quickly be able to return to its path of profitable growth once the economic crisis has passed.”

Dr.-Ing. Helmut Leube

Chairman of the Management Board of
DEUTZ AG

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Overview of key performance indicators (I)

€ million	2008	2007	Delta in %
Revenue	1,495.0	1,524.2	-1.9
EBITDA	91.9	161.0	-42.9
EBIT	17.5	95.5	-81.7
EBIT before one-off items	31.8	95.5	-66.7
EBIT margin	1.2	6.3	--
EBIT margin before one-off items (in %)	2.1	6.3	--
Net income	-4.2	59.4	--
Basic earnings per share (€)	-0.04	0.51	--
Number of employees as at 31 December	4,701	4,617	1.8

Overview of key performance indicators (II)

€ million	2008	2007	Delta in %
Total equity and liabilities	1,206.3	1,378.6	-12.5
Equity	511.3	557.1	-8.2
Equity ratio (%)	42.4	40.4	--
Cash flow from operating activities (continuing operations)	89.7	-38.7	--
Free cash flow	-23.3	-111.5	79.1
Net financial position	-12.2	89.7	--
Working capital at balance sheet date of 31 December	205.0	196.9	4.1

Income statement

€ million	2008	2007	Delta in %
Revenue	1,495.0	1,524.2	-1.9
Change in inventories and other own work capitalised	25.4	30.1	-15.6
Other operating income	65.0	66.7	-2.5
Cost of materials	-1,039.7	-1,029.7	1.0
Staff costs	-290.0	-275.0	5.5
Depreciation and amortisation	-71.8	-65.5	9.6
Impairment	-2.6	--	--
Other operating expenses	-159.9	-155.3	2.4
Profit/loss from equity-accounted investments	-6.3	-1.7	--
Other investment income	1.6	1.5	6.7
Reversal of impairment losses on non-current financial assets	--	0.2	--
EBIT	17.5	95.5	-81.7
thereof one-off items	-14.3	--	--
thereof operating profit (EBIT before one-off items)	31.8	95.5	-66.7
Interest expense net	-13.3	-18.1	-26.5
Other taxes	-1.5	-1.3	15.4
Net income before taxes on continuing operations	2.7	76.1	-96.5
Income taxes	-6.9	-16.7	-58.7
Net income after taxes on continuing operations	-4.2	59.4	--
Net income after taxes on discontinued operations	-4.1	123.9	--
Net income	-8.3	183.3	--

Balance sheet: assets

Assets, in € million	31 Dec 2008	31 Dec. 2007	Delta in %
Non-current assets (before deferred tax assets)	539.7	511.3	5.6
Deferred tax assets	33.1	49.4	-33.0
Inventories	222.0	214.2	3.6
Trade receivables	121.1	188.8	-35.9
Other receivables and assets	82.0	102.9	-20.3
Cash and cash equivalents	207.5	311.1	-33.3
Non-current assets and disposal groups held for sale	0.9	0.9	--
Total equity and liabilities	1,206.3	1,378.6	-12.5

Balance sheet: equity and liabilities

Equity and liabilities, in € million	31.12.2008	31.12.2007	Delta in %
Equity	511.3	557.1	-8.2
Provisions for pensions and similar obligations	169.3	176.7	-4.2
Deferred tax provisions	0.1	--	--
Other provisions	45.7	46.5	-1.7
Financial liabilities	214.1	216.0	-0.9
Other liabilities	1.7	10.0	-83.0
Non-current liabilities	430.9	449.2	-4.1
Provisions for pensions and similar obligations	16.4	16.7	-1.8
Other provisions/provisions for current taxes	50.9	75.0	-32.1
Financial liabilities	5.6	5.4	3.7
Trade payables	138.1	206.1	-33.0
Other liabilities	53.1	69.1	-23.2
Current liabilities	264.1	372.3	-29.1
Total equity and liabilities	1,206.3	1,378.6	-12.5

Summary cash flow statement

€ million	31.12.2008	31.12.2007
EBIT	17.5	95.5
Cash flow from operating activities (continuing operations)	89.7	-38.7
Cash flow from operating activities (discontinued operations)	0.0	-9.1
Cash flow from operating activities (total)	89.7	-47.8
Capital expenditure on intangible assets, property, plant and equipment and investments	-97.5	-159.0
Cash receipts from the sale of businesses and proceeds from the sale of non-current assets	0.2	14.9
Cash flow from investing activities (continuing operations)	-97.3	-144.1
Cash flow from investing activities (discontinued operations)	-26.8	296.4
Cash flow from investing activities (total)	-124.1	152.3
Cash flow from financing activities	-69.2	161.9
Change in cash and cash equivalents	-103.6	266.4

Segments overview FY 2008

	FY 2008	FY 2007	Delta in %
New orders (€ million)			
Compact Engines	1,032.5	1,203.9	-14.2
DEUTZ Customised Solutions	331.0	380.6	-13.0
Total activities	1,363.5	1,584.5	-13.9

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DEUTZ Customised Solutions	351.8	338.2	4.0
Total activities	1,495.0	1,524.2	-1.9
Germany	24.4 %	22.0 %	--
Exports	75.6 %	78.0 %	--

	FY 2008	FY 2007	Delta in %
Unit sales (units)			
Compact Engines	219,681	248,971	-11,8
DEUTZ Customised Solutions	32,678	36,890	-11,4
Total activities	252,359	285,861	-11,7

	FY 2008	FY 2007	Delta in %
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	-13.6	45.3	--
<i>DEUTZ Dalian Engines (DDE)</i>	<i>-11.1</i>	<i>-6.0</i>	<i>-85.0</i>
<i>Compact Engines excluding DDE</i>	<i>-2.5</i>	<i>51.3</i>	<i>--</i>
DEUTZ Customised Solutions	47.1	44.7	5.4
Other	-1.7	5.5	--
Total activities	31.8	95.5	-66.7

Segments overview Q4 2008

	Q4 2008	Q4 2007	Delta in %
New orders (€ million)			
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Total activities	314.7	423.5	-25.7
Germany	26.0 %	24.2 %	--
Exports	74.0 %	75.8 %	--

	Q4 2008	Q4 2007	Delta in %
Unit sales (units)			
Compact Engines	36,297	67,661	-46.4
DEUTZ Customised Solutions	8,571	11,790	-27.3
Total activities	44,868	79,451	-43.5

	Q4 2008	Q4 2007	Delta in %
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	-22.6	11.2	--
<i>DEUTZ Dalian Engines (DDE)</i>	<i>-4.1</i>	<i>-3.8</i>	<i>-7.9</i>
<i>Compact Engines excluding DDE</i>	<i>-18.5</i>	<i>15.0</i>	<i>--</i>
DEUTZ Customised Solutions	11.9	13.4	-11.2
Other	-1.4	-0.1	--
Total activities	-12.1	24.5	--

Financial Dates 2009

- | | | |
|---|----------------|-----------------|
| ■ Annual Results press conference
Publication Annual Report 2008 | Cologne | 19 March 2009 |
| ■ Analysts' meeting | Frankfurt/Main | 20 March 2009 |
| ■ Annual General Meeting | Cologne | 30 April 2009 |
| ■ Publication Report 1st Quarter 2009
Conference call with analysts and investors | | 7 May 2009 |
| ■ Publication Report 1st Half-year 2009
Conference call with analysts and investors | | 12 August 2009 |
| ■ Publication Report 1st to 3rd Quarter 2009
Conference call with analysts and investors | | 5 November 2009 |

Contact

DEUTZ AG

Sandra Siegele

Investor Relations

Ottostrasse 1

51149 Cologne (Porz-Eil)

Phone: +49 (0)221 822 2492

Fax: +49 (0)221 822 15 2492

E-mail: siegele.s@deutz.com

www.deutz.com

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