

DEUTZ AG

GERMAN EQUITY FORUM

Dr Helmut Leube, CEO

Frankfurt/Main, 10 November 2008

The engine company.





Agenda

- DEUTZ overview

- Key financials Q1 – Q3 2008

- Outlook and action programme

- Appendix



The engine company.

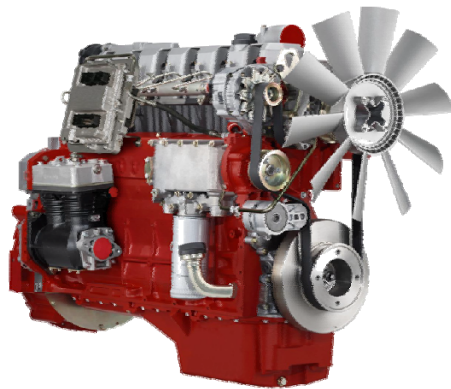
DEUTZ – independent manufacturer of diesel engines up to 500 kW



DEUTZ Group

Unit sales: 285,861 engines • Revenue: €1,524.2 • Employees: 4,617

Compact Engines



- Liquid-cooled engines < 4 liter and 4 - 8 liter
- For on- und non-road-applications
- High number of units

DEUTZ Customised Solutions



- Air-cooled engines < 4 to > 8 liter
- Liquid-cooled engines > 8 liter
- For on-road-, non-road- and marine-applications
- Xchange engines for all DEUTZ engine series
- Generators with air-cooled engines for electricity grid alternative and isolated operation from 30 - 150 kVA

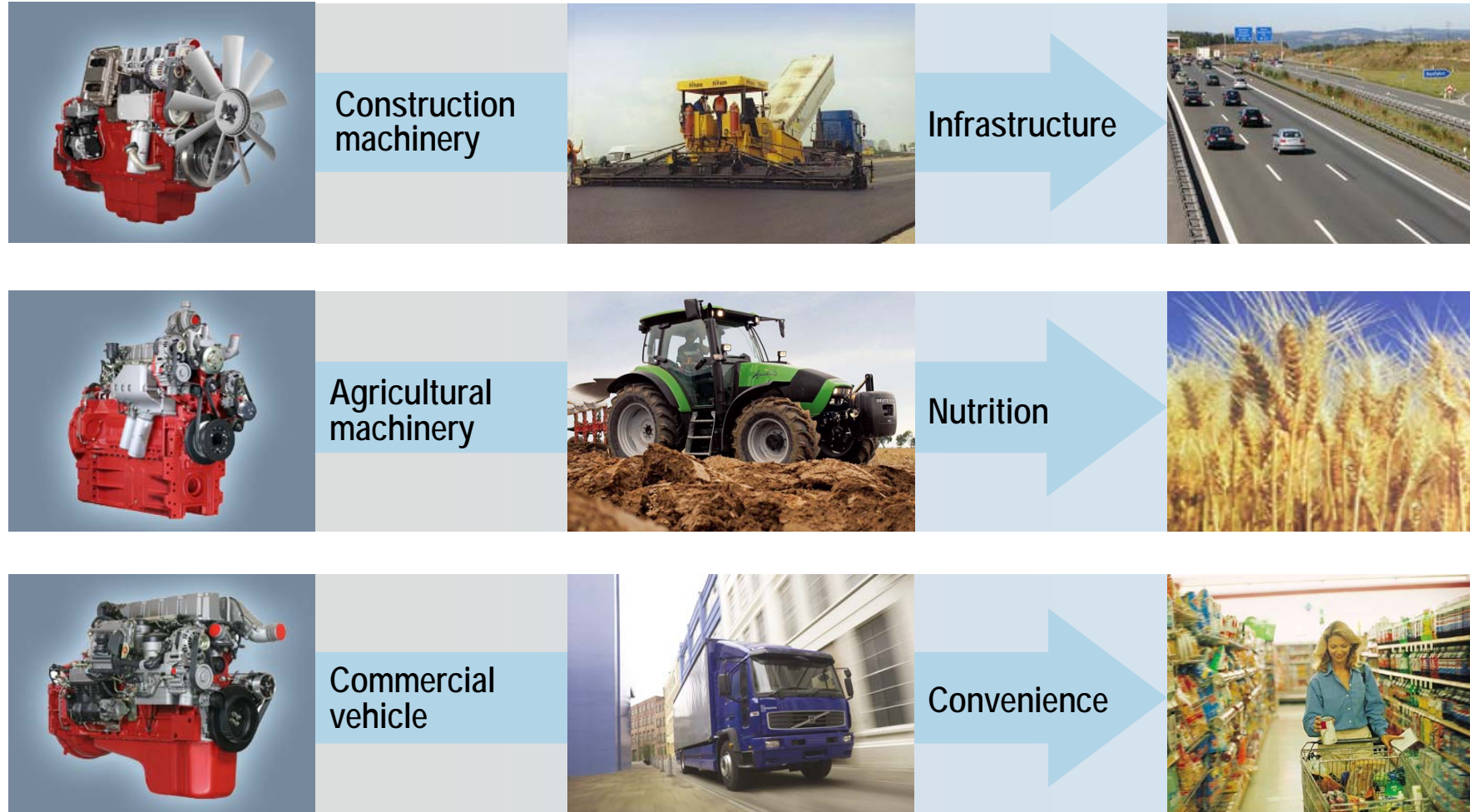
All figures relate to fiscal year 2007.



The engine company.



Engines for all applications (I)





The engine company.



Engines for all applications (II)



Ground support equipment



Passenger traffic

178	Dresden	21:20	61
24	Leipzig/Halle	21:20	61
696	Genf	21:20	H2
952	Düsseldorf	21:25	60
876	Warschau	21:25	H1
18	Wien	21:25	648
46	Genua	21:30	665
95	Ostrava	21:35	H24
36	Berlin/Tegel	21:35	608
72	Bangkok	21:45	
04	Doha		



Ships



Recreation



Gensets



Energy





The engine company.



DEUTZ customers – leaders in their markets



中國第一汽車集團公司





Competitors

Market segment	Application	Major competitors
Mobile Machinery	Construction equipment Material handling equipment Ground support equipment	Kubota (J), Yanmar (J), Perkins (UK)
Stationary Equipment	Generator sets Pumps Compressors	Perkins (UK), Cummins (USA), Caterpillar (USA)
Agricultural Machinery	Tractors Harvesters Forest machinery	Perkins (UK), Deere & Company (USA), Sisu Diesel (FIN)
Automotive	Trucks Busses Railcars	Cummins (USA), Caterpillar (USA), MAN (GER)



Core competence: production and assembly

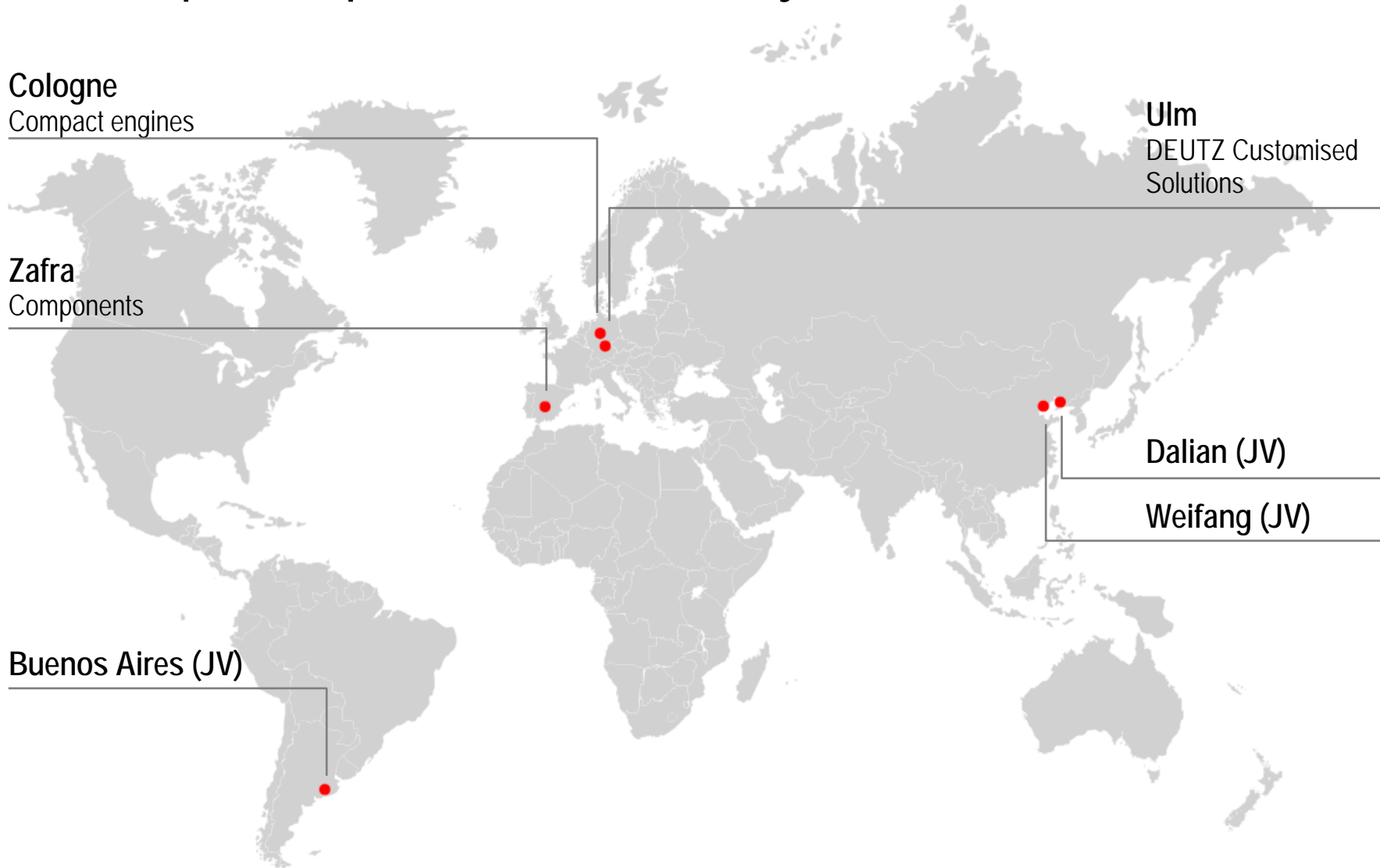
Cologne
Compact engines

Ulm
DEUTZ Customised
Solutions

Zafra
Components

Dalian (JV)
Weifang (JV)

Buenos Aires (JV)





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Overview Q1 – Q3 2008 (I)

- **Rapidly deteriorating market environment since mid-2008**
 - Financial crisis is clearly affecting real economy
 - Pace of economic downturn almost unprecedented
 - Very cautious approach amongst DEUTZ's customers:
sharp fall in new orders and cancellations of existing orders
 - Market downturn has spread from the US to Europe; first signs of slowdown in China

- **Top-line growth at DEUTZ mainly a result of strong first half**
 - Q3 numbers displaying adverse market trend
 - DEUTZ Customised Solutions continues to perform well
 - Service business generating encouraging growth

- **“MOVE”:** action programme launched to secure profitability and future prospects
 - Comprehensive measures to strengthen profitability and improve efficiency
 - Significant additional earnings contribution in a high double-digit million euro range



Overview Q1 – Q3 2008 (II)

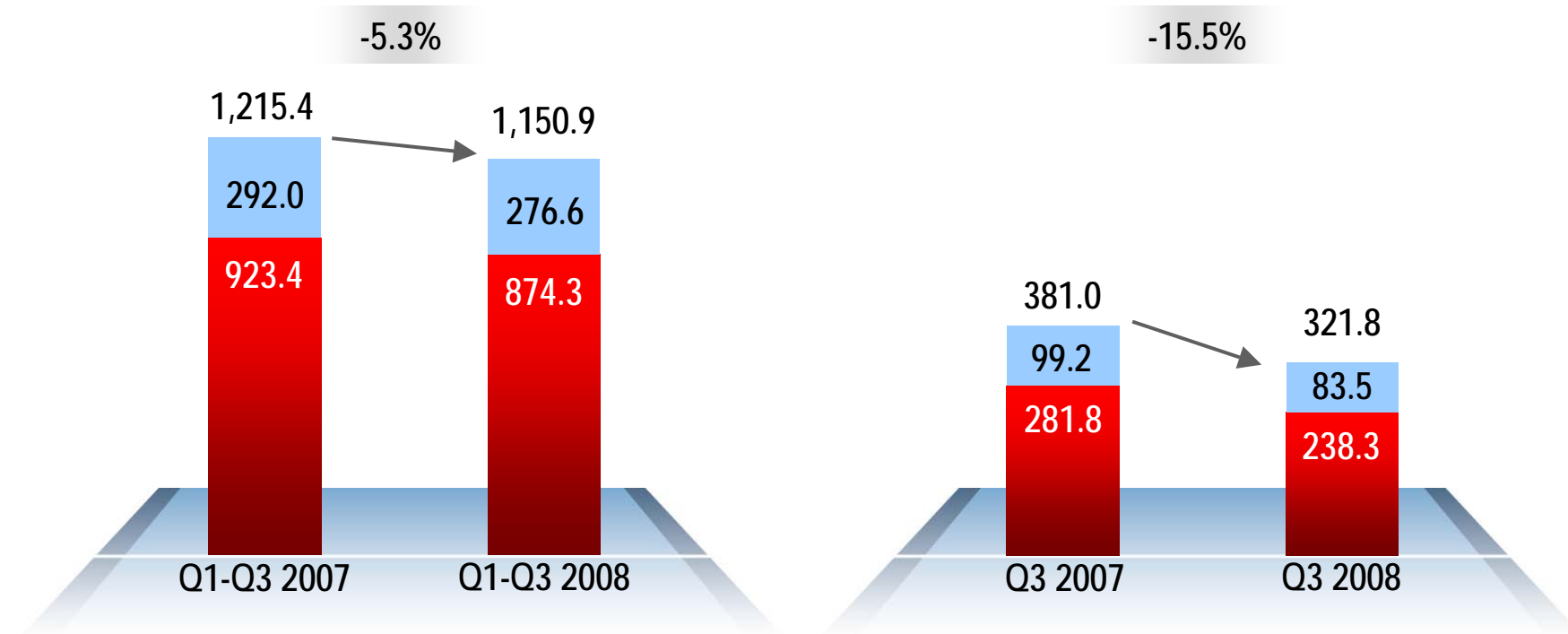
- EBIT impacted by decline in unit sales, especially of compact engines in Q3, and higher cost of materials:
 - DEUTZ Group €43.9 million (€71.0 million)
 - Compact Engines incl. DDE €9.0 million (€34.1 million)
 - Start-up losses DDE* €7.0 million (€2.2 million)
 - DEUTZ Customised Solutions €35.2 million (€31.3 million)
- Net income: €28.0 million (€35.6 million); further improvement in net interest expense
- Cash flow from operating activities grew to €77.2 million (-€111.2 million)
- Sound balance sheet as at 30 Sept 2008:
 - Positive net financial position of €25.6 million (€37.0 million)
 - Equity ratio of 41.0% (38.2%)
 - US private placement secures long-term financing

() = Q1-Q3 2007



Overview: new orders

€ million

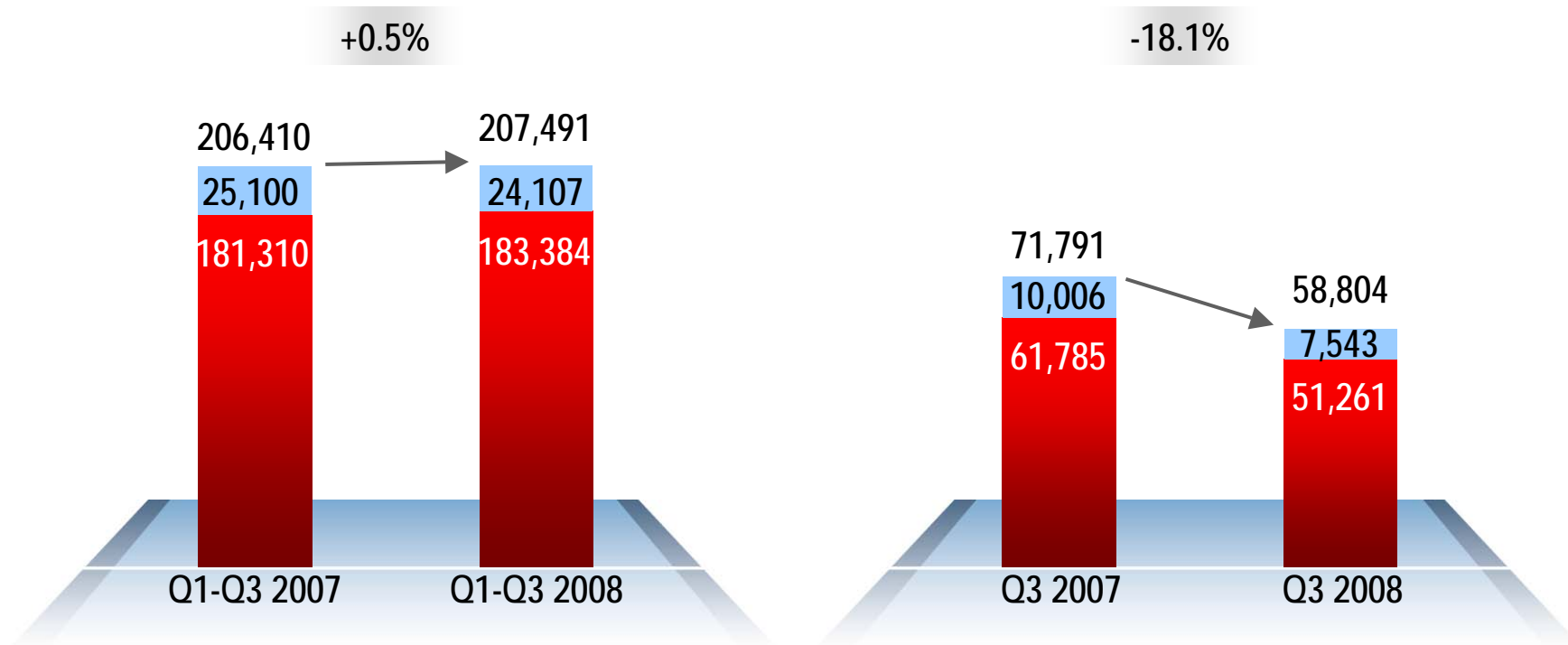


- Economic downturn is affecting DEUTZ's business environment, especially in compact engines
- By application segment, Mobile Machinery with strongest decline in orders (-17%); Agricultural Machinery continuing positive order trend (+46%)
- Sharp fall in new orders in Q3 reflecting very cautious approach amongst customers
- Decline at DEUTZ Customised Solutions due to strong prior-year period

■ Compact Engines ■ DEUTZ Customised Solutions



Overview: unit sales



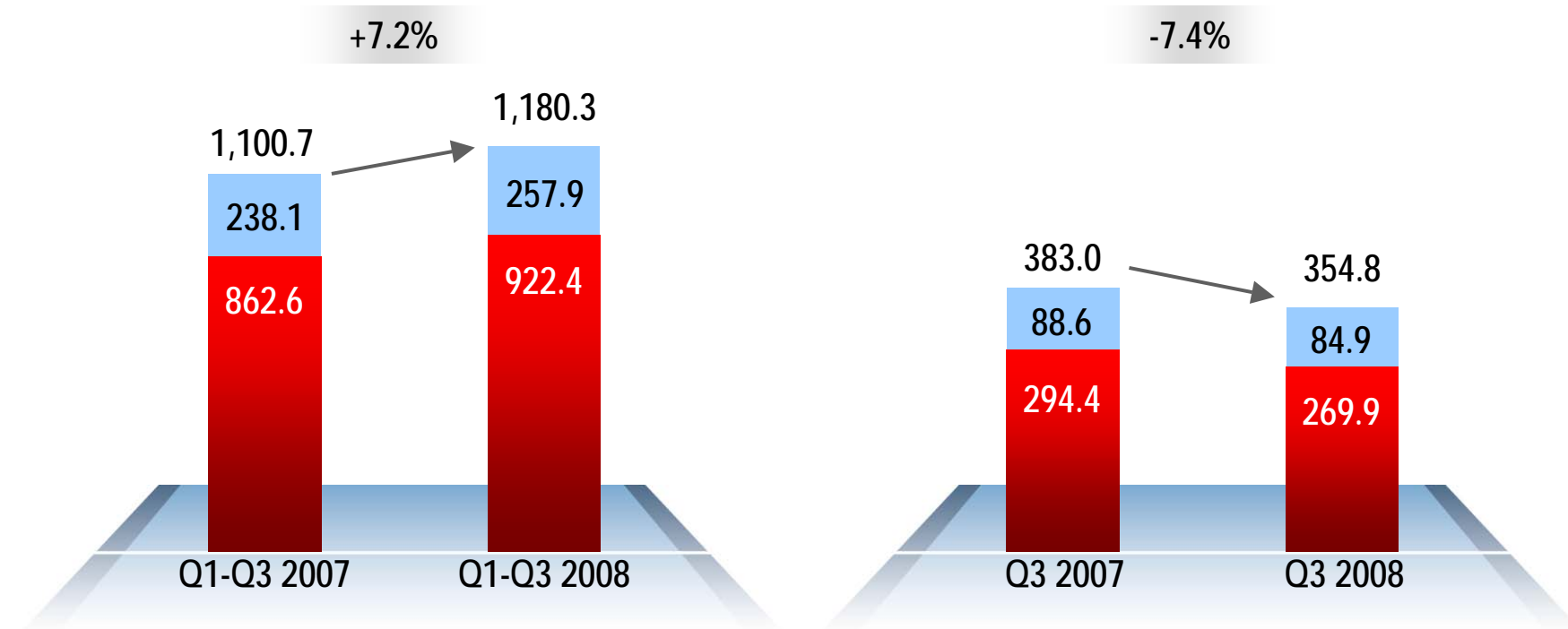
- Unit sales flat after 9 months; supported by volume growth in H1
- Q3: fall in unit sales, especially in compact engines < 4 litres
- Decrease of engine sales at DEUTZ Customised Solutions mainly attributable to change in product portfolio

■ Compact Engines ■ DEUTZ Customised Solutions



Overview: revenue

€ million



- Increase in revenue resulting from positive development in H1
- Decline in Q3 most pronounced in Mobile Machinery (construction equipment, material handling)
- Agricultural Machinery with continued encouraging performance, albeit less dynamic

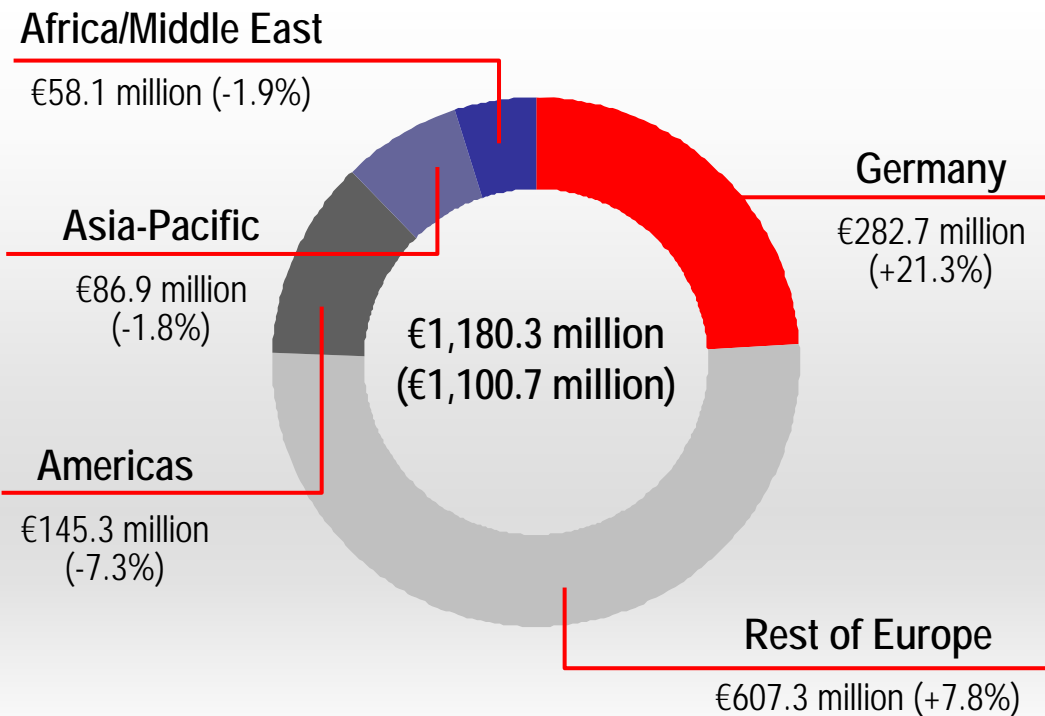
■ Compact Engines ■ DEUTZ Customised Solutions



Revenue by region

Q1-Q3 2008

(Q1-Q3 2007 / change in %)





Compact Engines: segment overview

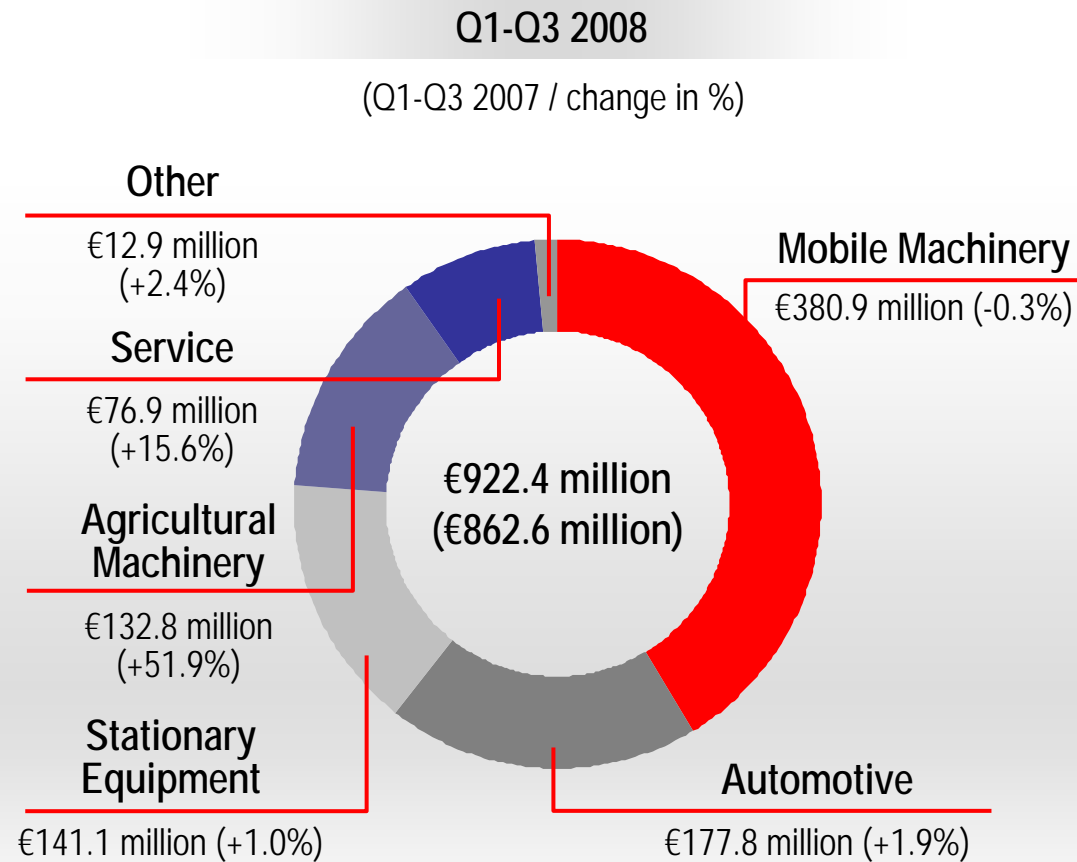
€ million	Q1-Q3 2008	Q1-Q3 2007	Change (%)
New orders	874.3	923.4	-5.3
Unit sales (no.)	183,384	181,310	1.1
Revenue	922.4	862.6	6.9
EBIT	9.0	34.1	-73.6

€ million	Q3 2008	Q3 2007	Change (%)
New orders	238.3	281.8	-15.4
Unit sales (no.)	51,261	61,785	-17.0
Revenue	269.9	294.4	-8.3
EBIT	-11.8	14.6	--

- Acceleration of decline in new orders and unit sales, especially for engines < 4 litres
- Decrease in all application segments except for Agricultural Machinery and in all regions except for eastern Europe
- 4–8 litre engines: increase in unit sales supported by strong first half; slowdown expected
- Service business with double-digit growth after 9 months
- EBIT clearly impacted by lower volumes in Q3 and higher cost of materials; start-up costs for DEUTZ Dalian Engines: €7.0 million (Q1-Q3 2008)



Compact Engines: revenue by application segment





DEUTZ Customised Solutions: segment overview

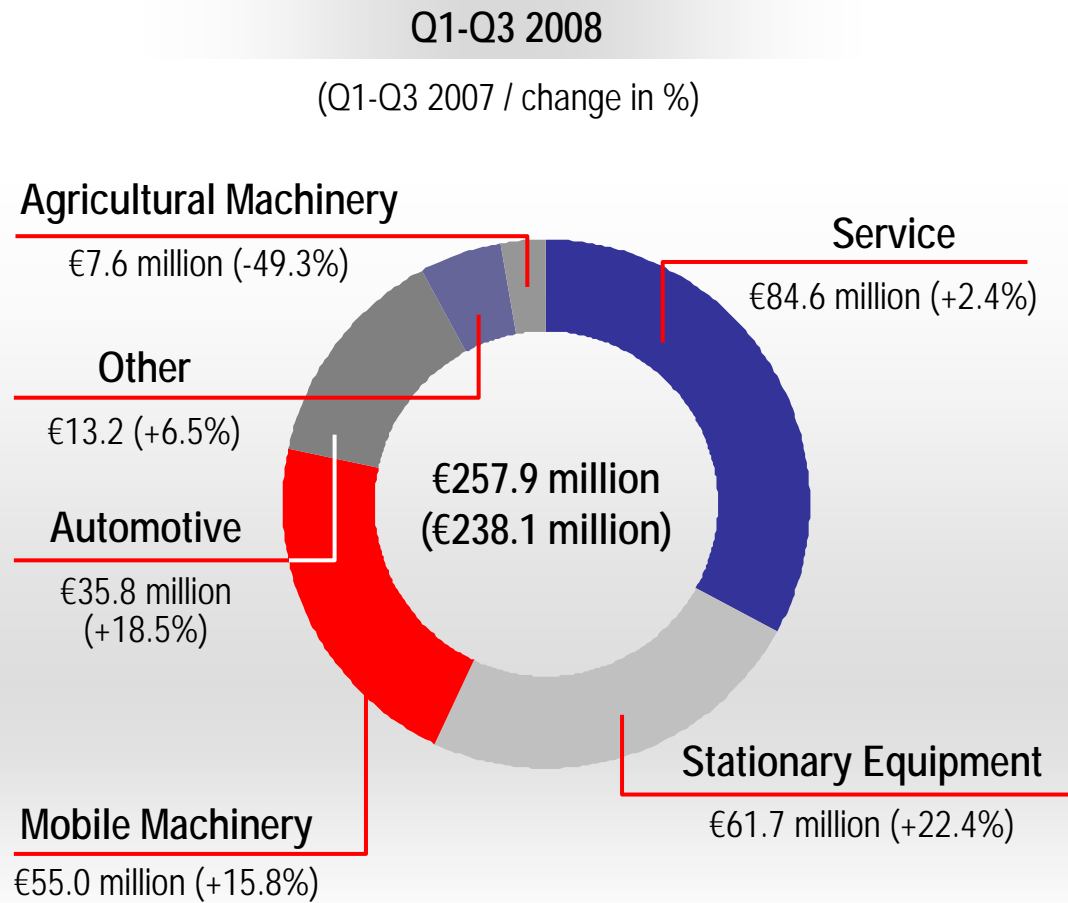
€ million	Q1-Q3 2008	Q1-Q3 2007	Change (%)
New orders	276.6	292.0	-5.3
Unit sales (no.)	24,107	25,100	-4.0
Revenue	257.9	238.1	8.3
EBIT	35.2	31.3	12.5

€ million	Q3 2008	Q3 2007	Change (%)
New orders	83.5	99.2	-15.8
Unit sales (no.)	7,543	10,006	-24.6
Revenue	84.9	88.6	-4.2
EBIT	12.9	13.5	-4.4

- In Agricultural Machinery, switch from air-cooled to water-cooled DEUTZ engines by one major customer impacted new orders, unit sales and revenue
- All other application segments with clear increase in sales
- Service business with further expansion and strongest contribution to overall sales
- EBIT with double-digit increase after 9 months, supported by high-margin service business



DEUTZ Customised Solutions: revenue by application segment





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Outlook reflecting rapidly changing global market conditions

	Outlook 2008
Unit sales (DEUTZ Group)	~ 260,000
Revenue growth (%)	up by as much as 2%
EBIT margin (%)	~ 2%
R&D (€ million)	90
Unit sales (DEUTZ Dalian)	~ 100,000
Revenue (DEUTZ Dalian, € million)	~ 240

→ Reliability of forecast impacted by high level of uncertainty among our customers



DEUTZ prepares its business to withstand tough market conditions

Challenges

- The financial crisis is now affecting the real economy.
- The effects of current market trends are being felt throughout the engineering sector.
- Economic conditions are expected to continue to deteriorate sharply in 2009; DEUTZ expects the operating environment to remain volatile and markets to remain flat or turn down.



Key aspects of DEUTZ's action programme

- Improve profitability in new engines business
- Ensure that major new products are launched over the next three years
- Expand and strengthen investment in China
- Improve efficiency of all business-related processes
- Adjust staffing levels in operating units and administrative functions

▶ DEUTZ has launched **MOVE** action programme to shore up its profitability

▶ **MOVE** is intended to significantly improve DEUTZ's earnings by a high double-digit million euro amount



DEUTZ roundup

- DEUTZ is an independent diesel manufacturer focused on compact diesel engines up to 500 kW
- Regarding the non-captive diesel market, we have top global market positions, especially in the applications segments Mobile Machinery and Stationary Equipment
- As part of the internationalization strategy, our main target is to strengthen our operations in China and expand future business in Asia
- A strong balance sheet provides us with financial flexibility
- DEUTZ prepares for future challenges by launching an action programme to secure the Group's profitability



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Product overview

		Mobile Machinery	Agricultural Machinery	Stationary Equipment	Automotive	Marine
2008/2009	9 – 50 kW	■		■		
2010	50 – 74,9 kW	■	■	■		
2011	22 – 74,9 kW	■	■	■		
2012	60 – 155 kW	■	■	■		
2013 2V	74,9 – 200 kW	■	■	■	■	
2013 4V	118 – 243 kW	■	■	■	■	
912/913	24 – 149 kW	■	■	■	■	■
914	38,5 – 176 kW	■	■	■	■	
413/513	77 – 441 kW	■			■	
1013 MC	72 – 195 kW					■
1015 MC	195 – 440 kW					■
2015	240 – 520 kW	■	■	■	■	

■ Compact engines ■ DEUTZ Customised Solutions



Key financial data

€ million	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Revenue	1,180.3	1,100.7	7.2
EBITDA	97.9	119.6	-18.1
EBIT	43.9	71.0	-38.2
EBIT margin before one-off items (%)	3.7	6.5	--
Net income on continuing operations	28.0	35.6	-21.3
Basic earnings per share (€)	0.23	0.31	-25.8
Number of employees as at 30 Sept	4,907	4,930	-0.5



Key balance sheet figures

€ million	30 Sep 2008	31 Dec 2007	Change (%)
Total assets	1,333.8	1,378.6	-3.2
Equity	546.5	557.1	-1.9
Equity ratio (%)	41.0	40.4	--
Cash flow from operating activities (continuing operations)	77.2	-38.7	--
Net financial position	25.6	89.7	-71.5
Working capital	242.9	196.9	23.4



Segment overview Q1 – Q3 2008

New orders (€ million)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines	874.3	923.4	-5.3
DEUTZ Customised Solutions	276.6	292.0	-5.3
Total	1,150.9	1,215.4	-5.3

Revenue (€ million)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines	922.4	862.6	6.9
DEUTZ Customised Solutions	257.9	238.1	8.3
Total	1,180.3	1,100.7	7.2
Germany	24.0%	21.2%	--
outside Germany	76.0%	78.8%	--

Unit sales (no.)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines	183,384	181,310	1.1
DEUTZ Customised Solutions	24,107	25,100	-4.0
Total	207,491	206,410	0.5

EBIT (€ million)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines incl. DDE	9.0	34.1	-73.6
<i>DEUTZ Dalian Engines (DDE)</i>	-7.0	-2.2	--
<i>Compact Engines excl. DDE</i>	16.0	36.3	-55.9
DEUTZ Customised Solutions	35.2	31.3	12.5
Other	-0.3	5.6	--
Total	43.9	71.0	-38.2



Segment overview Q3 2008

New orders (€ million)	Q3 2008	Q3 2007	Change (%)
Compact Engines	238.3	281.8	-15.4
DEUTZ Customised Solutions	83.5	99.2	-15.8
Total	321.8	381.0	-15.5

Revenue (€ million)	Q3 2008	Q3 2007	Change (%)
Compact Engines	269.9	294.4	-8.3
DEUTZ Customised Solutions	84.9	88.6	-4.2
Total	354.8	383.0	-7.4
Germany	23.4%	22.3%	--
outside Germany	76.6%	77.7%	--

Unit sales (no.)	Q3 2008	Q3 2007	Change (%)
Compact Engines	51,261	61,785	-17.0
DEUTZ Customised Solutions	7,543	10,006	-24.6
Total	58,804	71,791	-18.1

EBIT (€ million)	Q3 2008	Q3 2007	Change (%)
Compact Engines incl. DDE	-11.8	14.6	--
<i>DEUTZ Dalian Engines (DDE)</i>	-2.3	-1.2	--
<i>Compact Engines excl. DDE</i>	-9.5	15.8	--
DEUTZ Customised Solutions	12.9	13.5	-4.4
Other	-0.8	2.5	--
Total	0.3	30.6	-99.0



Financial calendar 2009

- | | | |
|---|----------------|-----------------|
| ■ Annual Results Press Conference
Publication of annual report for 2008 | Cologne | 19 March 2009 |
| ■ Annual Results Analysts' Meeting | Frankfurt/Main | 20 March 2009 |
| ■ Annual General Meeting | Cologne | 30 April 2009 |
| ■ Interim report on Q1 2009
Conference call with analysts and investors | | 7 May 2009 |
| ■ Interim report on H1 2009
Conference call with analysts and investors | | 12 August 2009 |
| ■ Interim report on Q1 – Q3 2009
Conference call with analysts and investors | | 5 November 2009 |



Contact

DEUTZ AG

Sandra Siegele

Investor Relations

Ottostrasse 1

51149 Cologne (Porz-Eil)

Germany

Tel.: +49 (0)221 822 2492

Fax: +49 (0)221 822 2498

www.deutz.com



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