

DEUTZ AG

ANALYSTS´ MEETING

Frankfurt, 28 March 2007

The engine company.





- **Highlights in 2006**

Gordon Riske, CEO

- **Key financials in 2006**

Helmut Meyer, CFO

- **Outlook**

Gordon Riske, CEO

- **Annex**



Financial year 2006: all goals achieved

		2006	2005	Change	
Operating profit* raised	✓	€ million	81.5*	62.5*	+30.4 %
Unit sales again increased	✓	Units	237,293	195,843	+21.2 %
Double-digit revenue growth	✓	€ billion	1.5	1.3	+12.6 %
EBIT margin raised	✓	%	5.5	4.7	
ROCE improved	✓	%	9.8	7.7	
Equity ratio increased	✓	%	30.8	23.2	
Further improvement in working capital ratio	✓	%	15.8	18.0	

* Operating profit = EBIT before one-off items



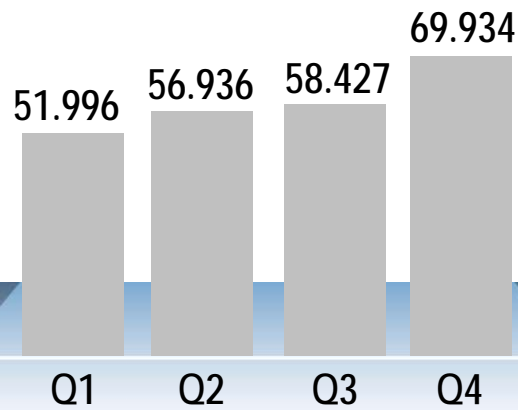
Key financials in 2006

€ million	2006	2005	Delta (%)
New orders	1,623.0	1,350.5	20.2
Unit sales	237,293	195,843	21.2
Revenue	1,490.0	1,322.8	12.6
EBITDA	158.8	180.0	-11.8
EBITDA (before one-off items)	146.8	121.5	20.8
EBIT	93.5	114.7	-18.5
Operating profit (EBIT before one-off items)	81.5	62.5	30.4
Net income	61.5	71.4	-13.9
Earnings per share, undiluted (€)	0.57	0.77	-26.0

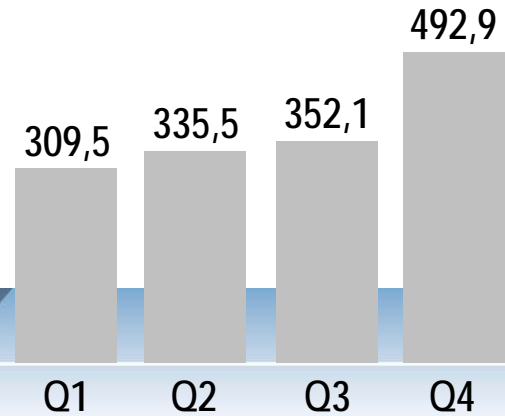


Greater momentum in Q4 2006

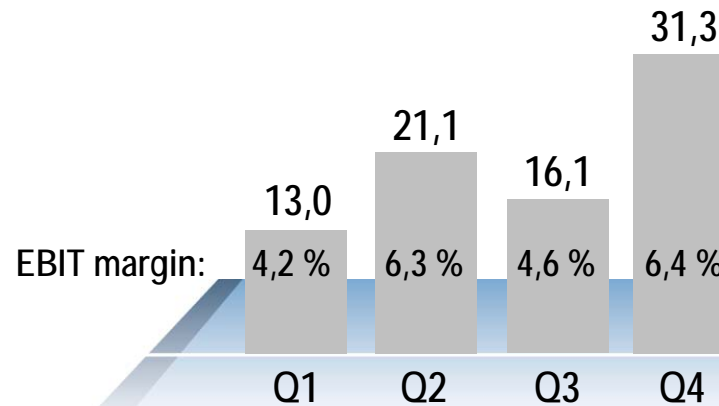
Unit sales 2006: 237,293



Revenue 2006: €1,490.0 million



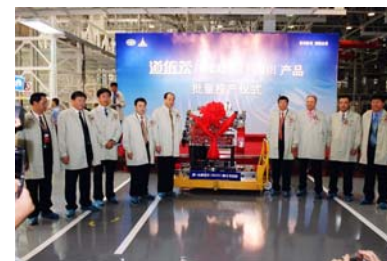
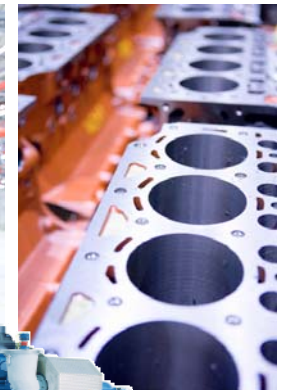
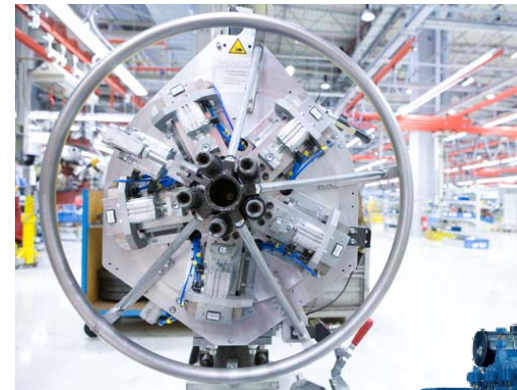
Operating profit 2006: €81.5 million





Group highlights 2006

- Start of series production of 130-560 kW non-road engines compliant with EU Stage III A und EPA* Tier 3 emission standards
- Start of series production of the new on-highway commercial vehicle engine TCD 2013 4V, compliant with Euro IV
- Consolidation of production of air-cooled engines in Ulm
- Significant expansion of gas engines business, market position strengthened
- DEUTZ AG joins MDAX index, almost threefold increase in market capitalisation to €1.15 billion
- Joint venture agreement signed in China
- Relocation of DEUTZ head office to Cologne-Porz



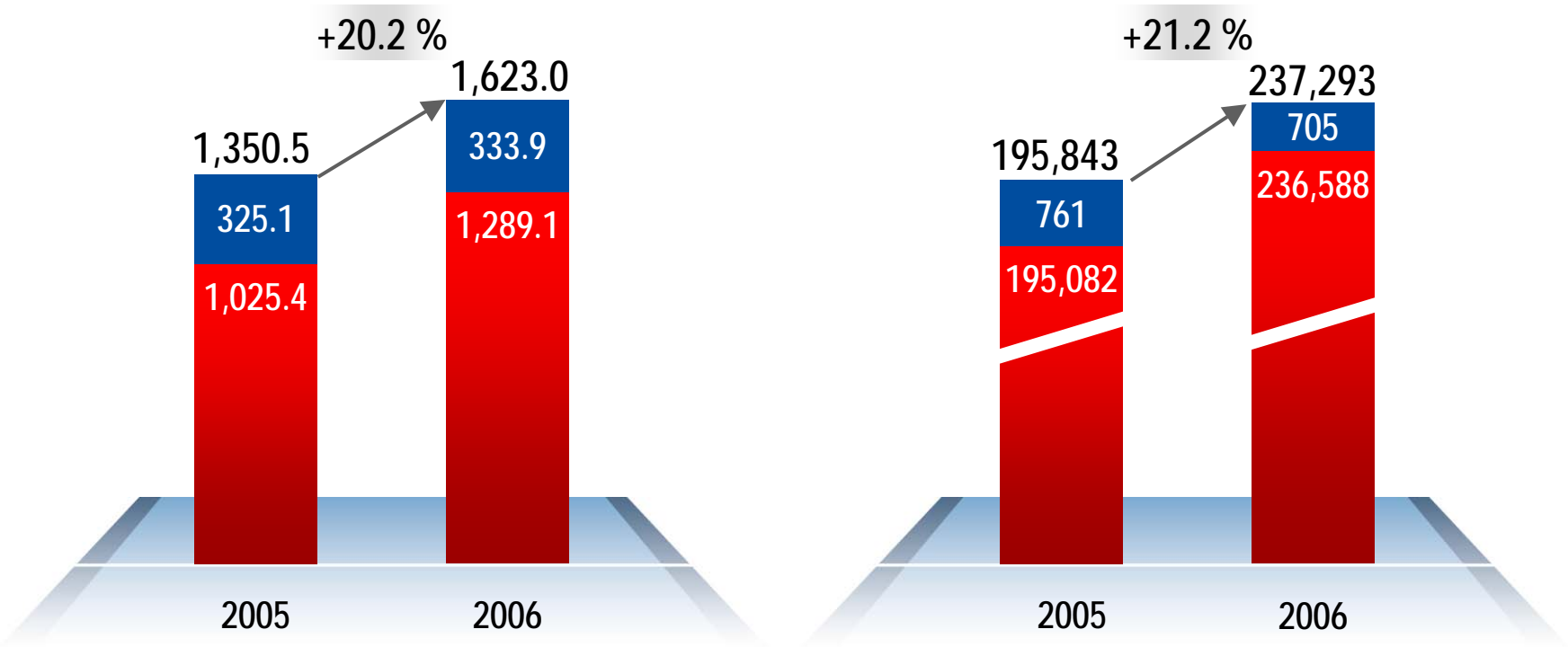
*Environmental Protection Agency



New orders and unit sales - increases in excess of 20 %

New orders (€ million)

Unit sales

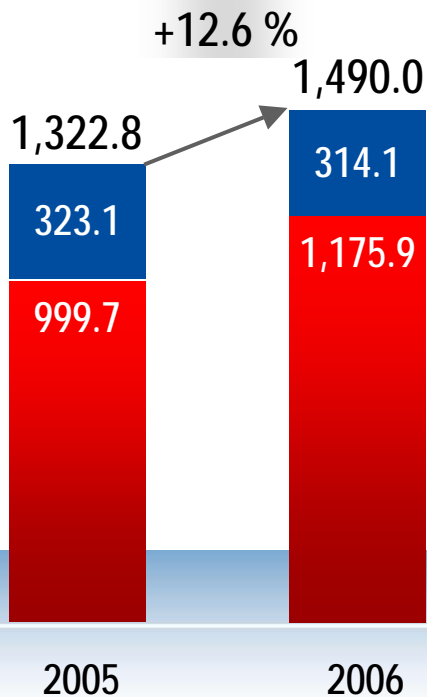


■ Compact Engines ■ DEUTZ Power Systems

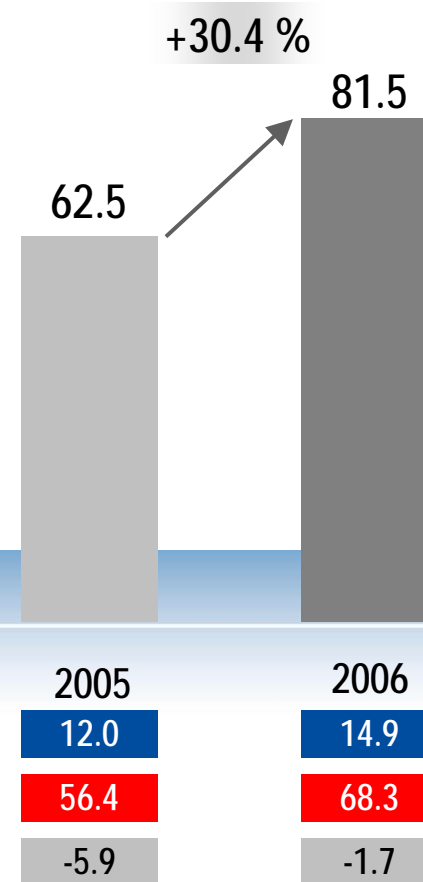


Operating profit gains 30 %

Revenue (€ million)



Operating profit (€ million)



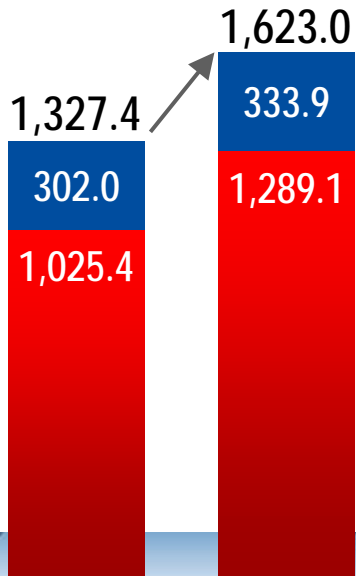
■ Compact Engines
 ■ DEUTZ Power Systems
 ■ Other



Even stronger growth on like-for-like basis

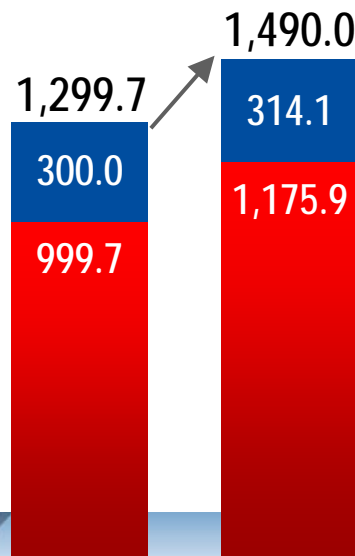
New orders* (€ million)

+22.3 %



Revenue* (€ million)

+14.6 %



Operating profit* (€ million)

+50.4 %

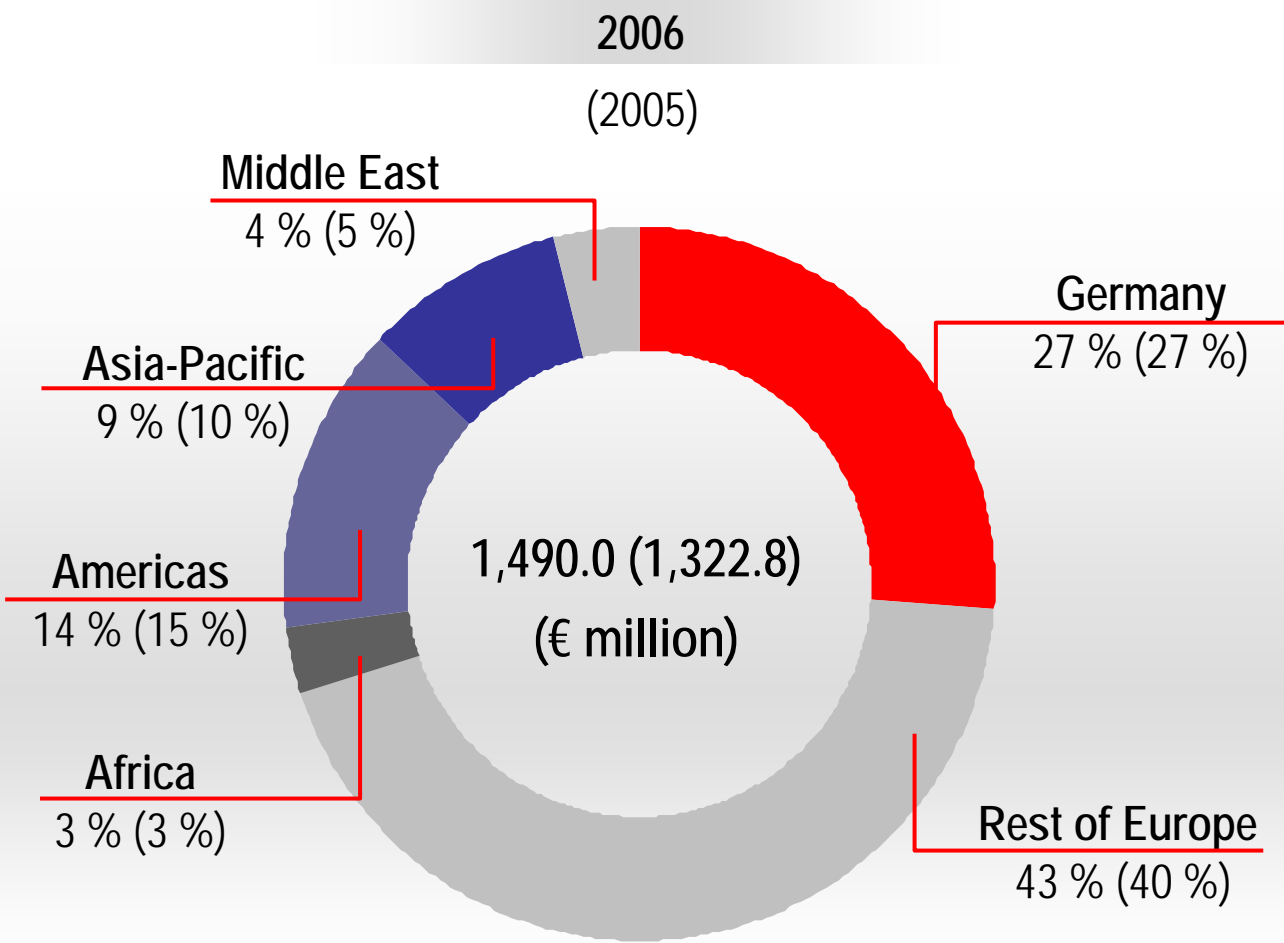


■ Compact Engines ■ DEUTZ Power Systems ■ Other

* Like-for-like comparison: 2005 restated without marine service business for Q1

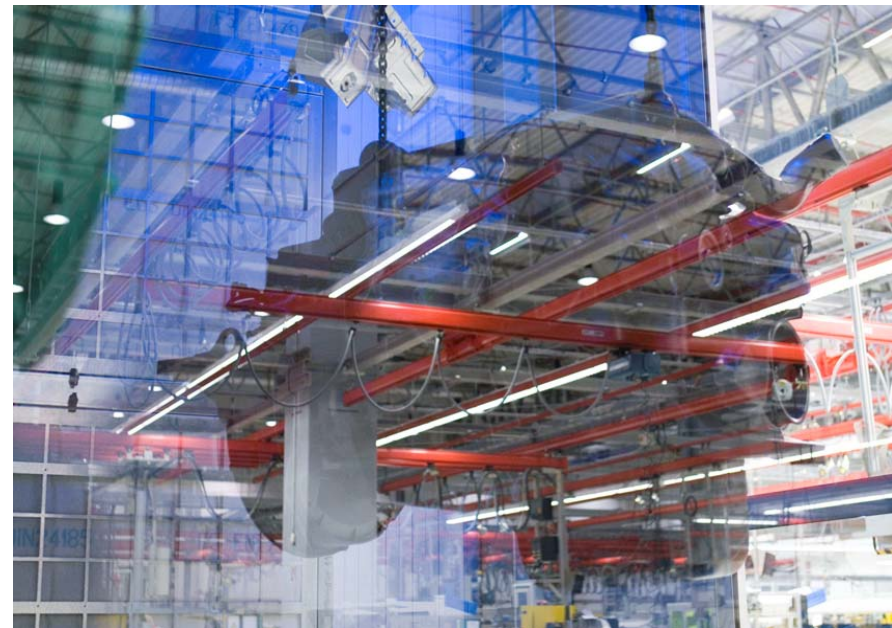


Revenue by region



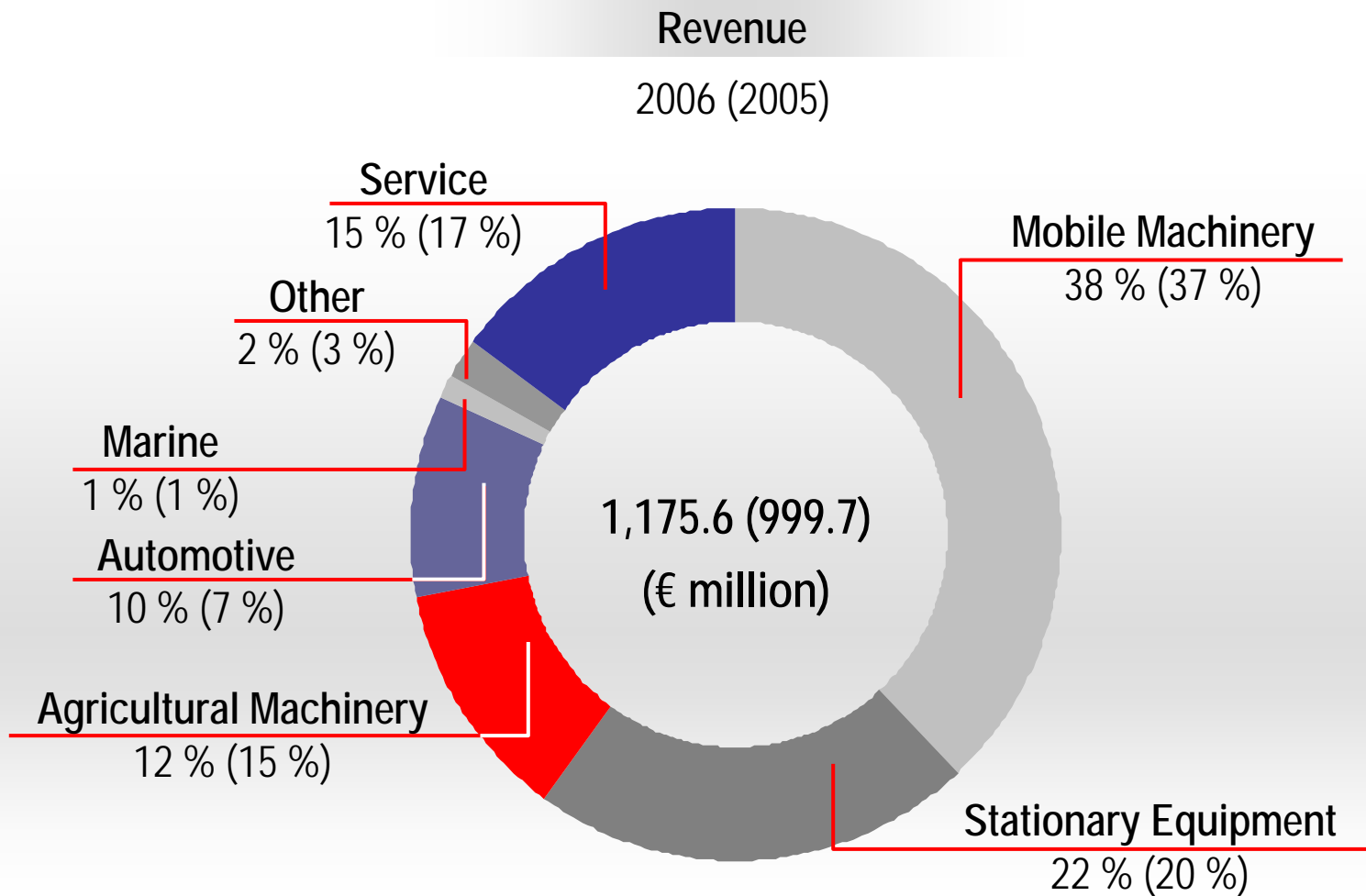
Highlights 2006 - Compact Engines

- Around 30 % growth in new orders for engines
- Revenue up 18 %, operating profit up 21 % to €68.3 million
- EBIT margin 5.8 %
- Unit sales of 4-litre to 8-litre engines up 28 %, less than 4-litre engines up 17 %
- Increase in commercial vehicle engine production impacts on second half year revenue





Compact Engines - Revenue by application segment



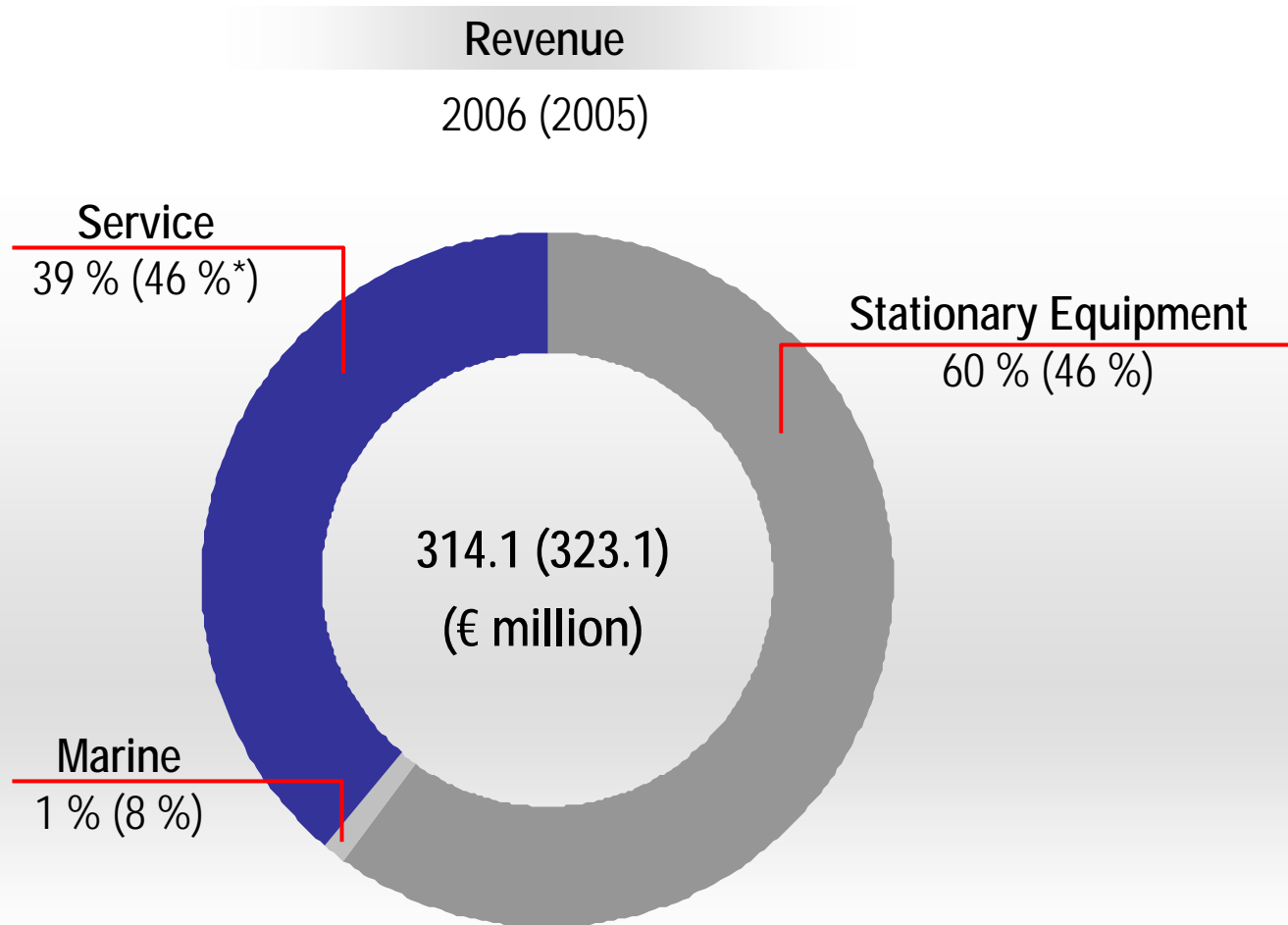
Highlights 2006 - DEUTZ Power Systems

- New orders up 11 % on like-for-like basis
- Fourfold increase in like-for-like operating profit to around €15 million
- EBIT margin 4.7 %
- Gas engines account for around 90 % of unit sales and of new-engine revenue
- Special gases (primarily biogas) account for 33 % of installed output





DEUTZ Power Systems - Revenue by application segment



* Comparable 41 %



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Finance highlights in 2006

- Enhanced profitability
- Accumulated loss of DEUTZ AG entirely eliminated
- Equity ratio raised to 31 %
 - conversion of profit-sharing rights and convertible bonds + €49 million
 - Net income for the year + €62 million
- Working capital target exceeded
- ROCE improved, due in large part to positive development of results



Selected income statement items

€ million	2006	2005	Delta (%)
Revenue	1,490.0	1,322.8	12.6
Other operating income	51.8	126.7	-59.1
Cost of materials	-933.8	-787.9	18.5
Other operating expenses	-157.7	183.3	-14.0
EBIT	93.5	114.7	-18.5
thereof one-off items	12.0	52.2	-77.0
EBIT before one-off items	81.5	62.5	30.4
Interest expenses, net	-22.1	-28.5	-22.5
Net income	61.5	71.4	-13.9



Cash flow statement

DEUTZ Group:

Summary cash flow statement

€ million

2006

2005

EBIT

93.5

114.7

Cash flow from operating activities

110.2

143.4

Capital expenditure on intangible assets, property, plant and equipment and investments

-95.7

-83.5

Cash receipts from the sale of business and proceeds from the sale of non-current assets

-1.1

85.0

Cash flow from investing activities

-96.8

1.5

Cash flow from financing activities

-11.8

-104.7

Change in cash and cash equivalents

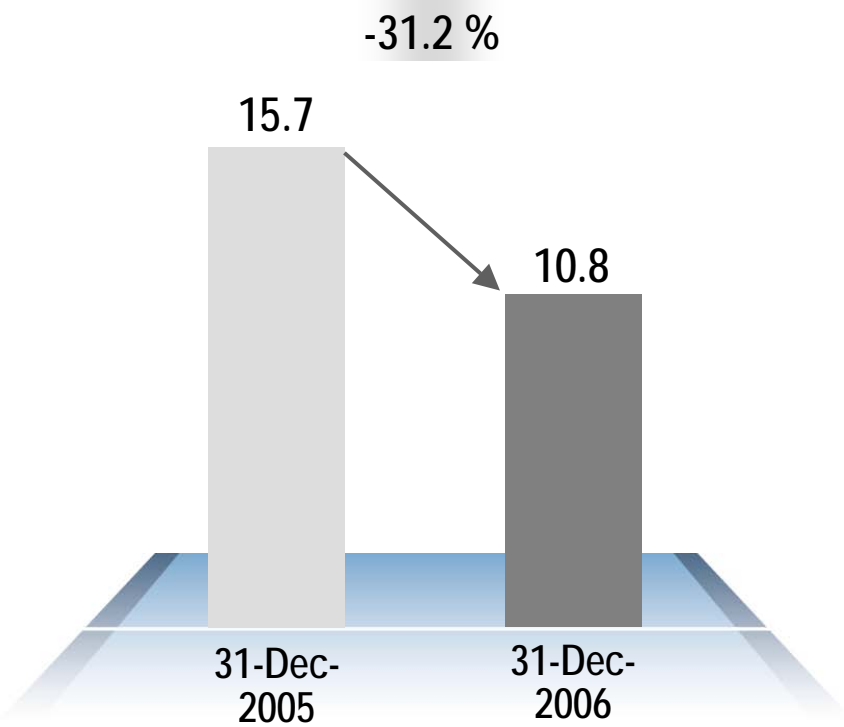
1.6

40.2

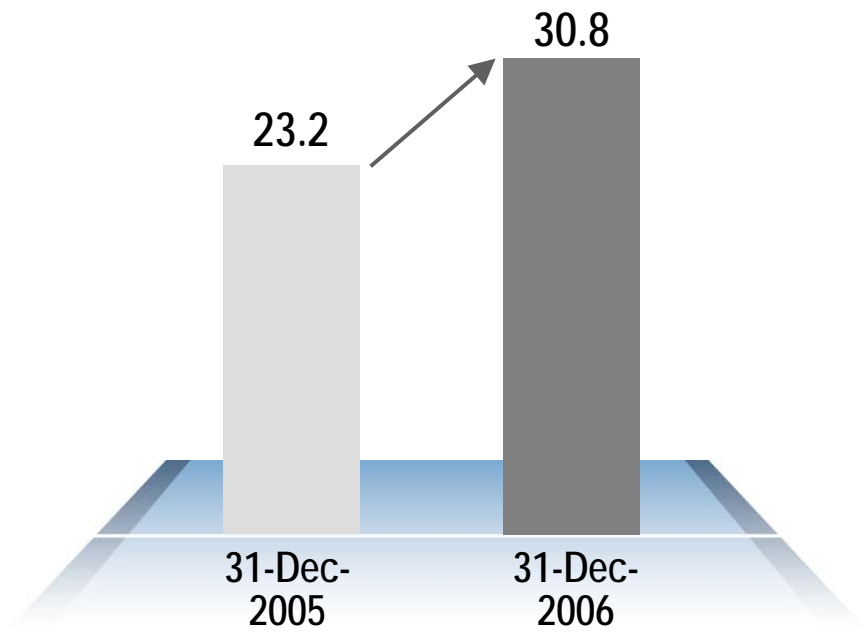


Further reduction in net financial debt, significant increase in equity ratio

Net financial debt (€ million)



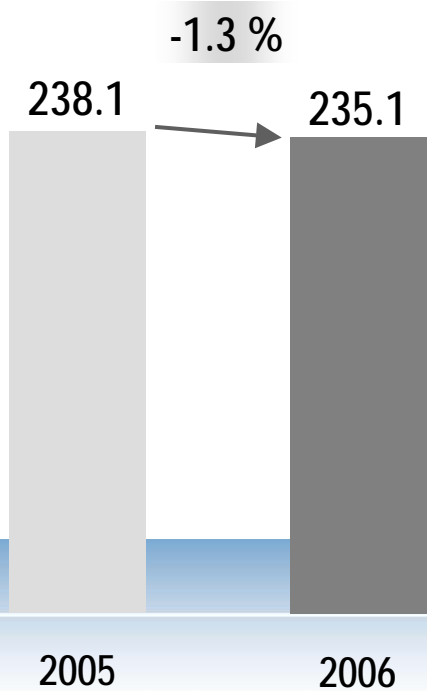
Equity ratio (%)



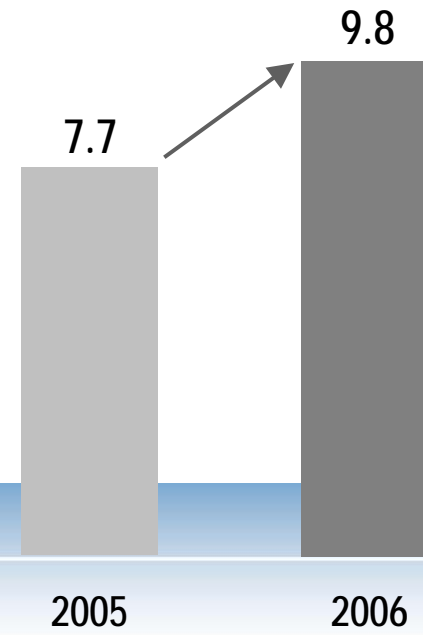


Working capital target exceeded, significant improvement in ROCE

Working capital (€ million)



ROCE (%)



	2005	2006
WC-ratio Balance sheet date	18.0 %	15.8 %
WC-ratio Average	24.0 %	18.5 %

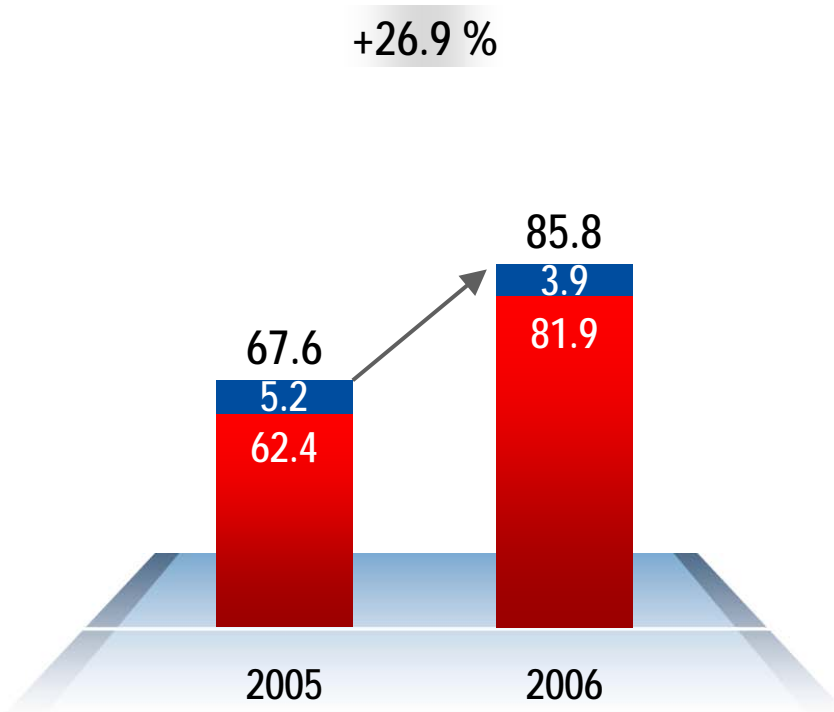
	2005	2006
Capital employed (€ million)	813	833



Compact engines capacity expanded, High level of R&D expenditure maintained

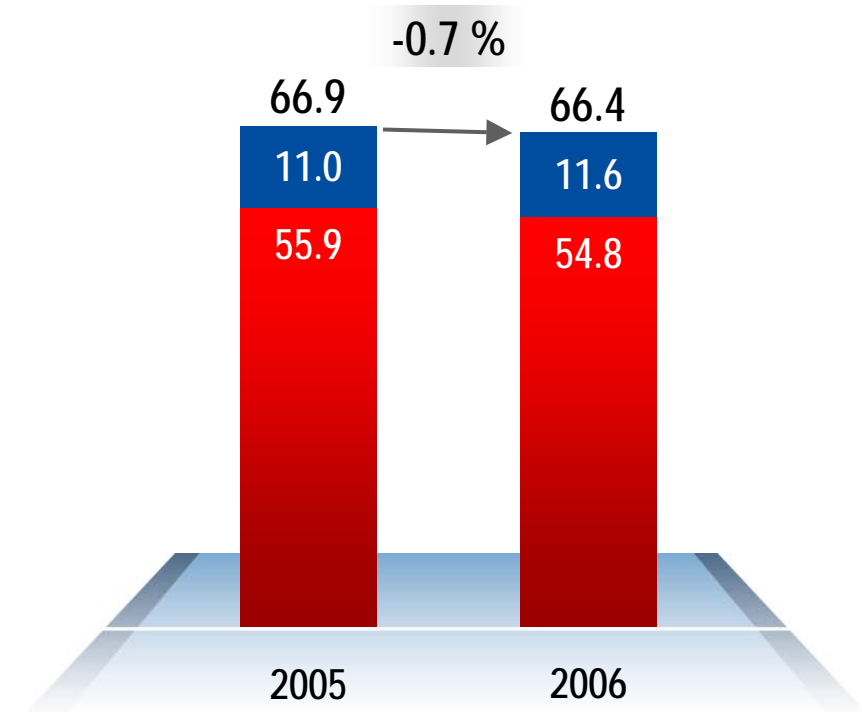
Capital expenditure* (€ million)

+26.9 %



R & D (€ million)

-0.7 %



* Excl. capitalised development costs

■ Compact Engines ■ DEUTZ Power Systems

R&D-ratio

6.6 %

5.6 %



Financial year 2006: Segments

Unit sales	2006	2005	Delta in %
Compact Engines	236,588	195,082	21.3
DEUTZ Power Systems	705	761	-7.4
Total	237,293	195,843	21.2

Revenue (€ million)	2006	2005*	Delta in %
Compact Engines	1,175.9	999.7	17.6
DEUTZ Power Systems	314.1	323.1	-2.8
Total	1,490.0	1,322.8	12.6
Germany	26.6 %	27.0 %	
Export	73.4 %	73.0 %	

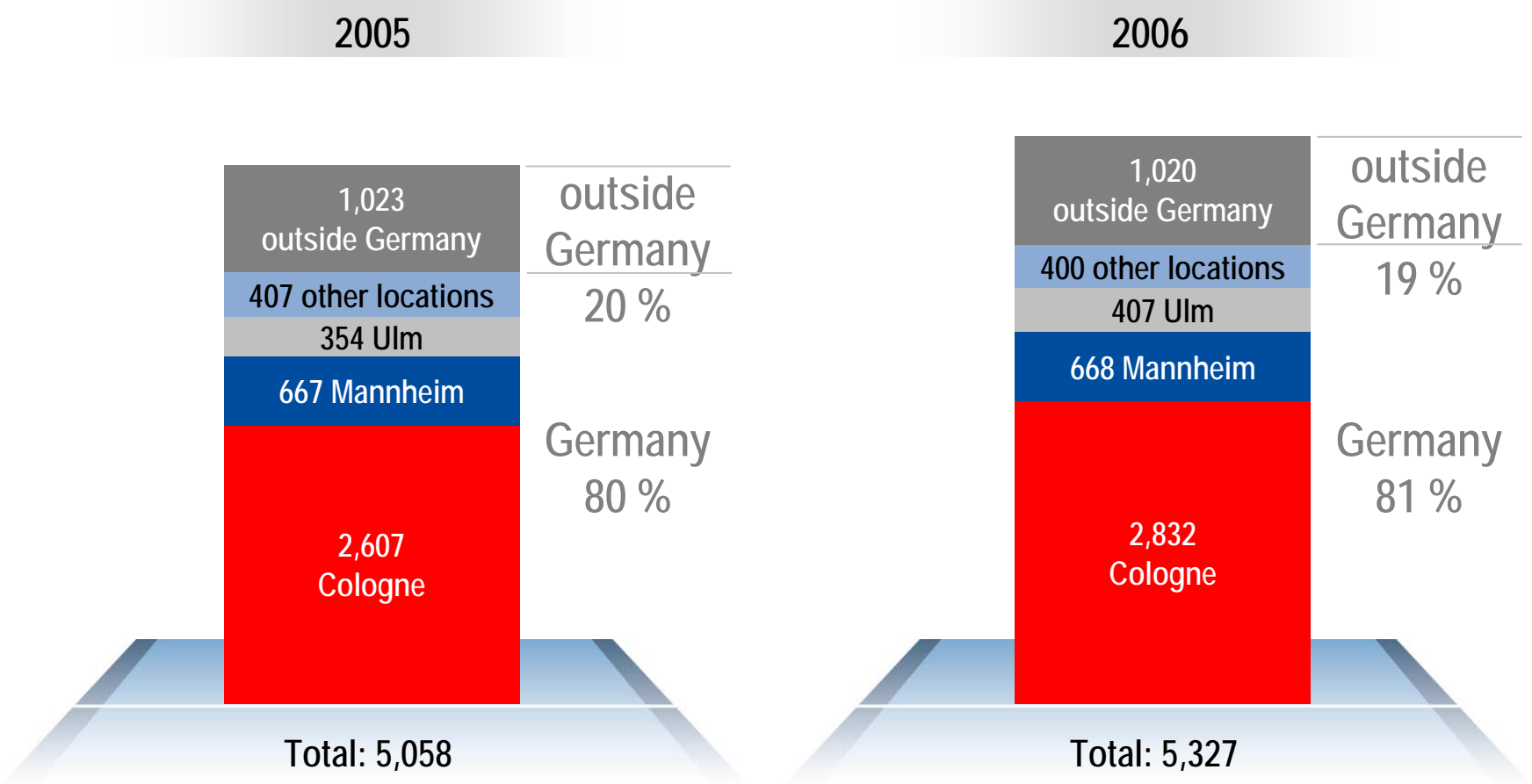
New orders (€ million)	2006	2005*	Delta in %
Compact Engines	1,289.1	1,025.4	25.7
DEUTZ Power Systems	333.9	325.1	2.7
Total	1,623.0	1,305.5	20.2

Operating profit (€ million)	2006	2005*	Delta in %
Compact Engines	68.3	56.4	21.1
DEUTZ Power Systems	14.9	12.0	24.2
Other	-1.7	-5.9	-
Total	81.5	62.5	30.4

* Including marine service business Q1 2005



Number of employees* rises 5 %



* At the balance sheet date.



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DEUTZ AG: Market opportunities and growth prospects

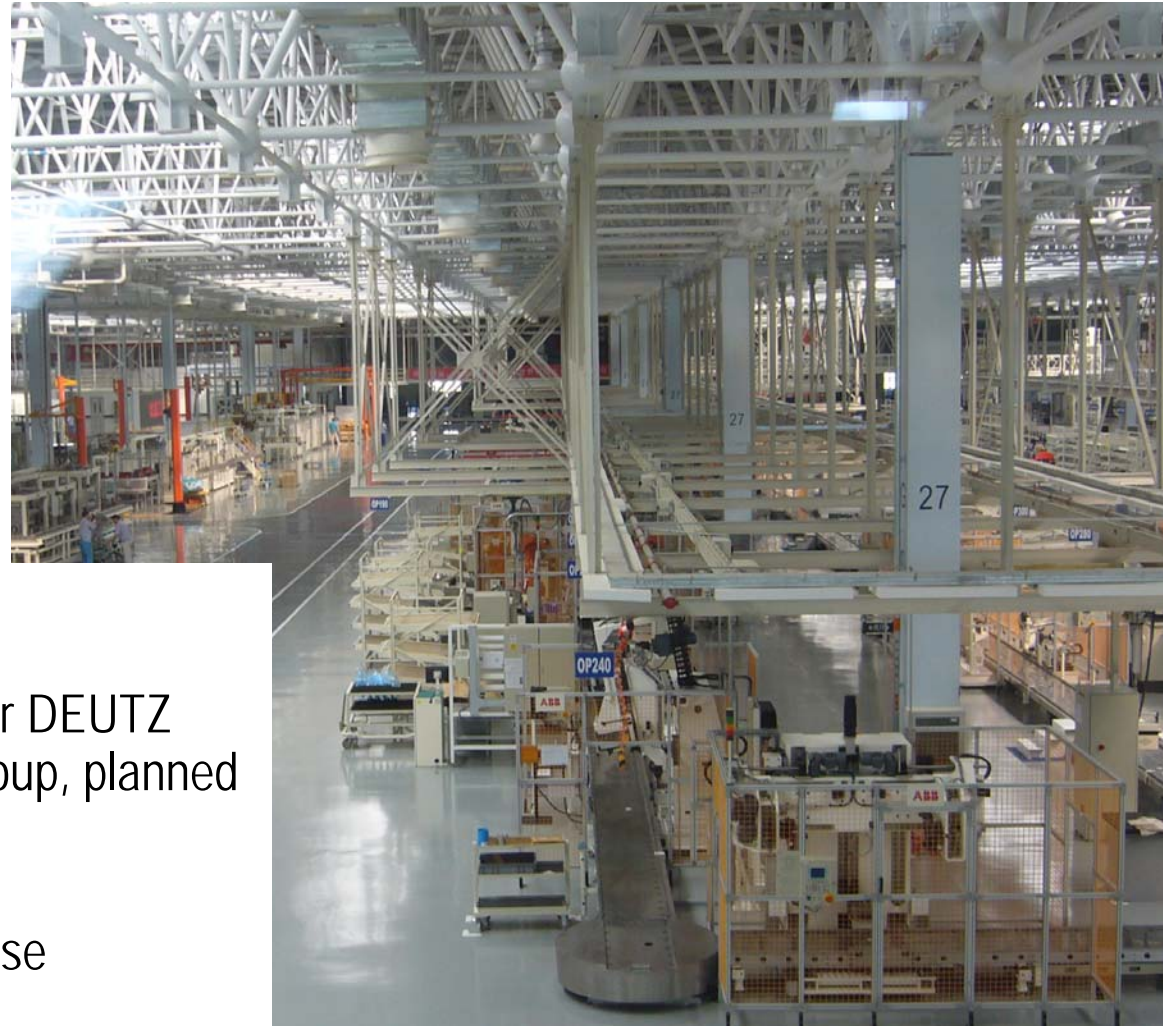
Market opportunities	DEUTZ positioning	Prospects
Booming Asian market, primarily China	<ul style="list-style-type: none"> ■ Joint venture with FAW Jiefang 	<ul style="list-style-type: none"> ■ Additional production capacity ■ Sourcing of components ■ cost benefits from network of production sites
Increasing trend in outsourcing	<ul style="list-style-type: none"> ■ Best-in-class engine:TCD 2013 4V ■ Successful track record of strategic partnerships with Volvo and SAME DEUTZ-FAHR 	<ul style="list-style-type: none"> ■ Ability to expand capacity in commercial vehicle business ■ Further expansion of alliances
Growing demand for customer-specific solutions with air-cooled engines	<ul style="list-style-type: none"> ■ Market leadership of DEUTZ Customised Solutions ■ Optimisation of facilities completed 	<ul style="list-style-type: none"> ■ Further intensive development of the Ulm centre of competence
Growing demand for compact equipment (EU, USA)	<ul style="list-style-type: none"> ■ Focussed product range ■ engines < 4-litre 	<ul style="list-style-type: none"> ■ Further strategic partnerships sought ■ Rising unit sales volumes
Global market for decentralised power generation growing up to 10 %; biogas applications in Europe over 15 %.	<ul style="list-style-type: none"> ■ Focussed on non-natural gas applications, primarily biogas 	<ul style="list-style-type: none"> ■ Expansion of service business (medium to long-term) ■ Accelerated development of market position

Joint Venture in China (I)

- JV contract for the production and marketing of diesel engines signed with FAW Jiefang on 18 December 2006
- 50/50 joint venture under DEUTZ industrial leadership; local management in place
- Planned establishment of JV mid-2007 after receipt of official approvals
- Procurement of components from China already started in 2006



Joint Venture in China (II)



Capacity:

- 50,000 engines p.a. (Euro III) for DEUTZ customers in Asia and FAW Group, planned ramp-up to 100,000 engines
- 100,000 engines for local Chinese market and FAW Group



Outlook and objectives for 2007

- Unit sales of 260,000 engines (excl. Chinese JV)
- Revenue growth of between 6 and 10 %
- Further growth in operating profit, EBIT margin of around 7 %
- Raise net income by a double-digit million euro amount
- Position to declare a dividend resumed
- Maintenance of high level of R&D expenditure
- Capital expenditure > €100 million, plus €60 million for joint venture
- Consolidation of joint venture using the equity method
 - Impact of the joint venture on the Group: debt, net interest expenses and net investment income (start-up losses)

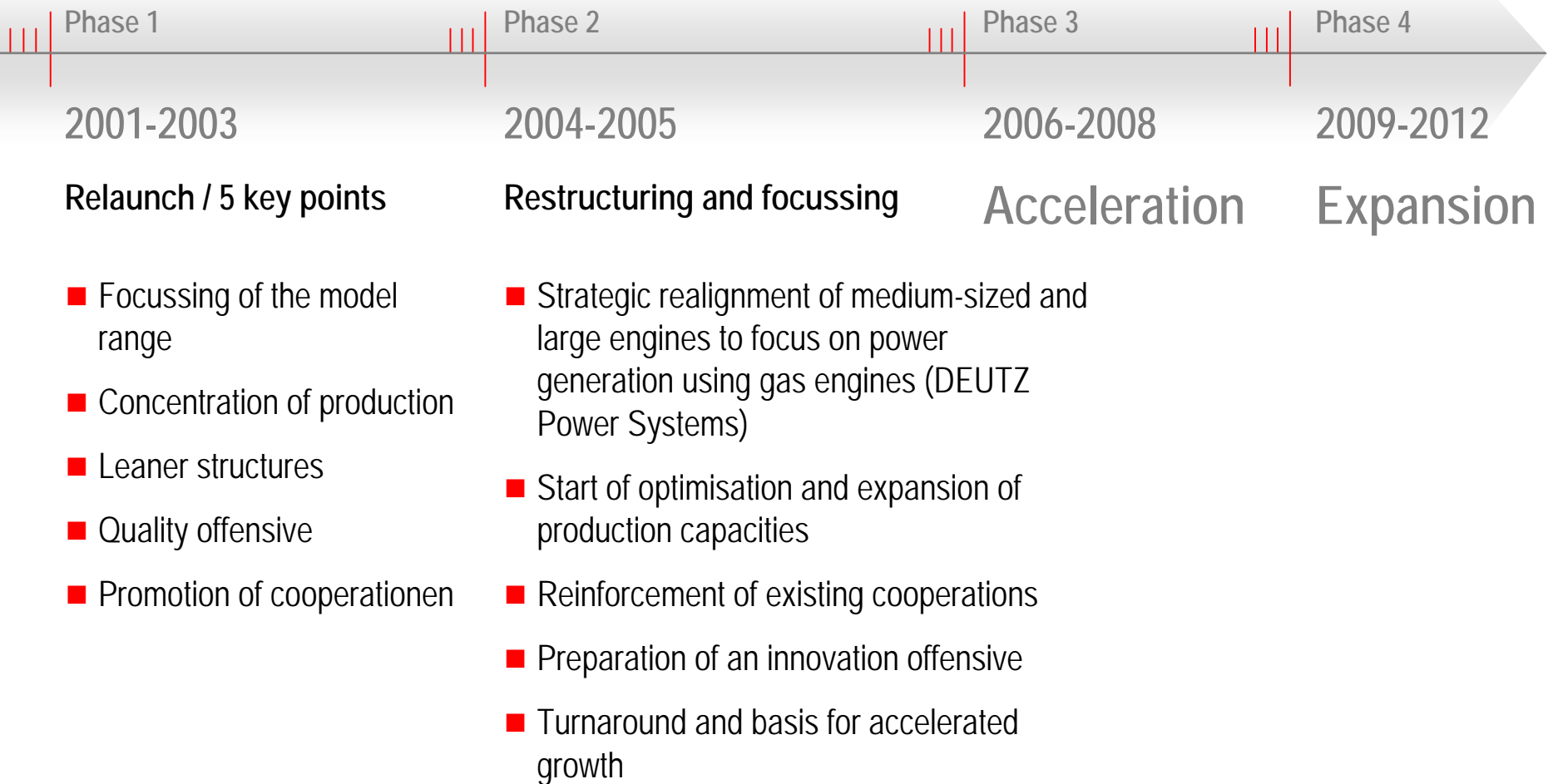


Outlook and objectives for 2008

- ROCE 12 %
- First full financial year for the joint venture, an important step towards internationalisation of the business
- Intensive preparations for the next emission standards
- Expansion of production capacity
- Payment of a dividend for fiscal 2007



On track for accelerated growth: DEUTZ 2001-2012





Foundation laid for expansion

2006-2008

Acceleration

2009-2012

Expansion



- Optimisation of locations
- Development of DEUTZ Customized Solutions
- Internationalisation – establishment of DEUTZ Dalian
- Expansion of existing business
- Further strengthening of cooperation strategy
- Broadening of product range
- "7 up", efficiency and growth programme

- Continuation of internationalisation and growth strategy
- Development of two new business areas
- Engines for alternative fuels
- Added-value services for customers



The engine company.



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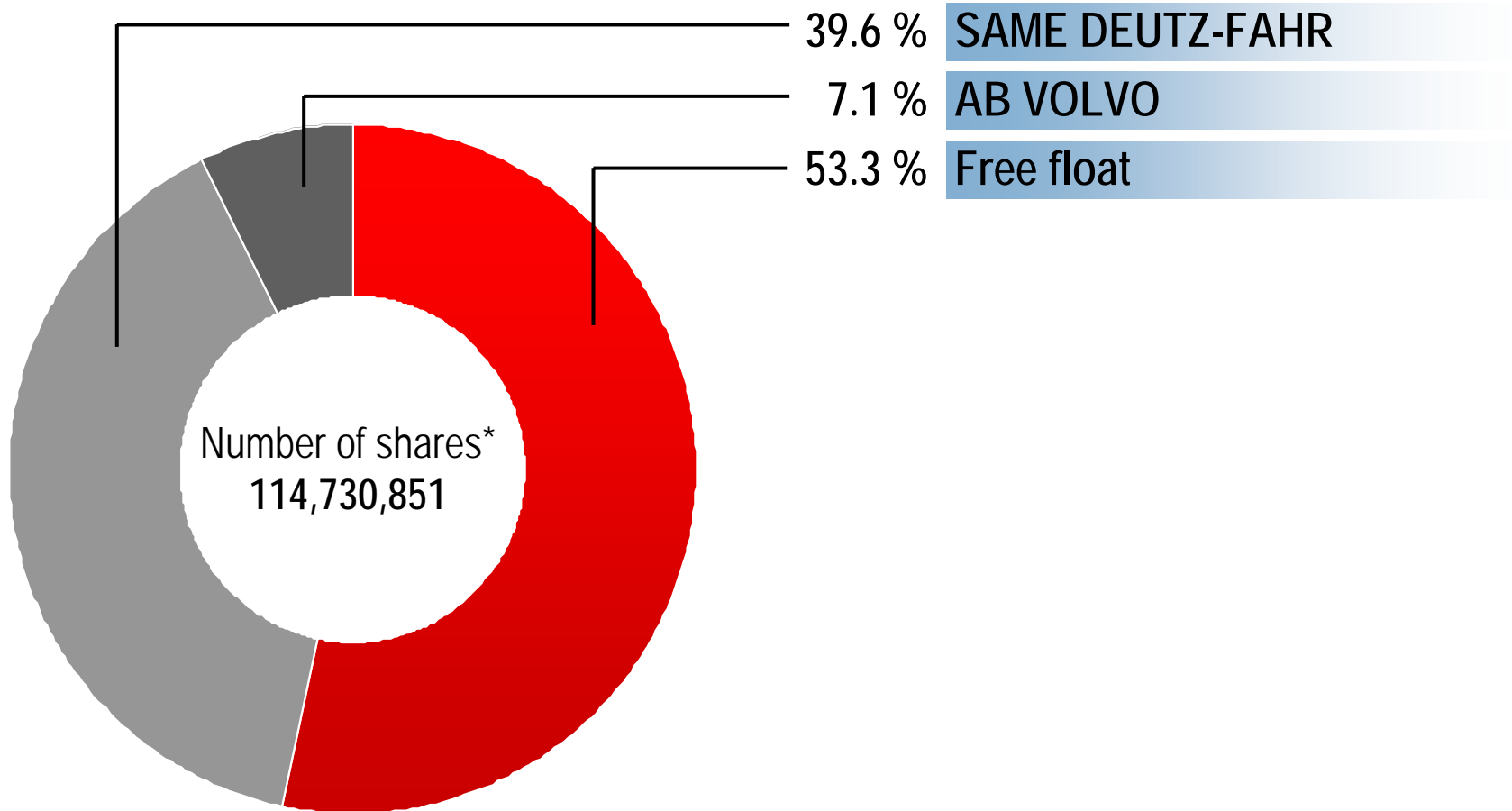
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Shareholder structure



*as at 28 February 2007 including 13,599,616 converted bonds



Income statement

DEUTZ Group: Income statement	(€ million)	2006	2005	Delta (%)
Revenue		1,490.0	1,322.8	12.6
Changes in inventories and other own work capitalised		21.9	-1.7	-
Other operating income		51.8	126.7	-59.1
Cost of materials		-933.8	-787.9	18.5
Staff costs		-318.1	-301.1	5.6
Depreciation and amortisation		-65.3	-58.6	11.4
Impairment		-	-6.7	-
Other operating expenses		-157.7	-183.3	-14.0
Gains on investments measured at equity		3.2	3.3	-3.0
Other investment income		1.3	1.2	8.3
Reversal of impairment losses on non-current financial assets		0.2	-	-
EBIT		93.5	114.7	-18.5
thereof one-off items		12.0	52.2	-77.0
thereof Operating profit (EBIT before one-off items)		81.5	62.5	30.4
Interest expenses, net		-22.1	-28.5	-22.5
thereof finance costs		-24.1	-30.6	-21.2
Other taxes		-1.7	-1.5	13.3
Net income before income tax		69.7	84.7	-17.7
Income taxes		-8.2	-13.3	-38.3
Net income		61.5	71.4	-13.9



Balance sheet: assets

DEUTZ Group:		31-Dec-	31-Dec-	Delta
Assets	(€ million)	2006	2005	(%)
Fixed assets		499.1	479.2	4.2
Deferred tax assets		56.2	56.5	-0.5
Inventories		249.6	214.6	16.3
Trade receivables		222.0	189.2	17.3
Other receivables and assets		84.2	73.5	14.6
Cash and cash equivalents		49.4	48.4	2.1
Non-current assets held for sale		2.4	2.4	-
Total assets		1,162.9	1,063.8	9.3



Balance sheet: equity and liabilities

DEUTZ Group:		31-Dec-	31-Dec-	Delta
Equity and liabilities	(€ million)	2006	2005	(%)
Equity		358.5	247.0	45.1
Provisions for pensions and other post-retirement benefits		271.2	283.6	-4.4
Other provisions / deferred tax provisions		52.5	43.1	21.8
Financial liabilities		69.5	114.2	-39.1
Other liabilities		2.8	1.9	47.4
Non-current liabilities		396.0	442.8	-10,6
Provisions for pensions and other post-retirement benefits		26.5	26.8	-1.1
Other provisions / provision for current income taxes		51.2	79.0	-35.2
Financial liabilities		13.9	23.9	-41.8
Trade payables		236.4	165.7	42.7
Other payables		80.4	78.6	2.3
Current liabilities		408.4	374.0	9.2
Total equity and liabilities		1,162.9	1,063.8	9.3



Financial liabilities

(€ million)	2006	2005
Profit-sharing rights*	-	22.8
Convertible bonds	20.8	48.7
Liabilities to banks	60.2	64.1
Liabilities under finance leases	2.4	2.5
Total	83.4	138.1

* €31 thousand.



Other operating income

(€ million)	2006	2005
Income from the disposal of the marine service business	12.0	67.0
Income from recharged costs and services	20.2	42.9
Exchange rate gains / income from the measurement of derivatives	6.2	4.7
Rentals and leases	3.1	1.7
Income from the disposal of non-current assets and deconsolidations	0.3	1.6
Sundry other income	10.0	8.8
Total	51.8	126.7



Other operating expenses

(€ million)	2006	2005
Expenses for general services	48.6	46.8
Special selling expenses	36.3	38.5
Cost of rentals and leases	17.4	18.5
Office, postal, telecommunications, advertising and other administrative expenses	13.2	14.1
Cost of fees, contributions and advice	12.1	12.0
Travel, entertainment and representation expenses	9.0	8.7
Expenses for structural adjustments (disposal of the marine service business)	-	8.5
Insurance costs	5.0	5.4
Adjustments of receivables and other financial assets	1.4	4.5
Exchange rate losses	4.6	2.4
Cost of disposal of non-current assets	0.8	1.2
Sundry other expenses	9.3	22.7
Total	157.7	183.3



Financial calendar for 2007

- | | | |
|---|----------------|-----------------|
| ■ Annual Results Press Conference
Publication Annual Report 2006 | Cologne | 27 March 2007 |
| ■ Analysts' meeting | Frankfurt/Main | 28 March 2007 |
| ■ Q1 2007 interim report
Conference call with analysts and investors | | 10 May 2007 |
| ■ Annual General Meeting | Cologne | 24 May 2007 |
| ■ H1 2007 interim report
Press conference
Conference call with analysts and investors | Cologne | 1 August 2007 |
| ■ Q1-Q3 2007 interim report
Conference call with analysts and investors | | 8 November 2007 |



Contact

DEUTZ AG

Investor & Public Relations

Ottostraße 1

51149 Cologne (Porz-Eil)

T +49 221 822-2492

F +49 221 822-2498

www.deutz.com



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