

DEUTZ AG

bauma

GORDON RISKE, CEO

Munich, 27 April 2007

The engine company.

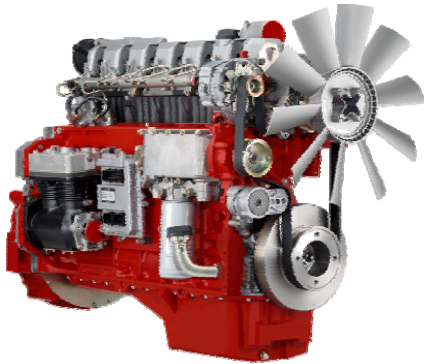




DEUTZ – the engine company

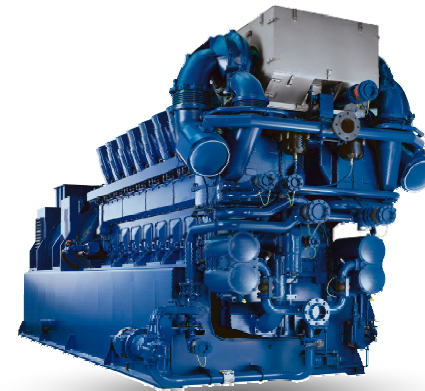
Independent engine manufacturer and supplier of power systems

Compact Engines



- Compact engines (high volumes)
- Air-, oil-, and water-cooled engines for on- and off-Road applications (up to 500 kW)
- Customized application solutions

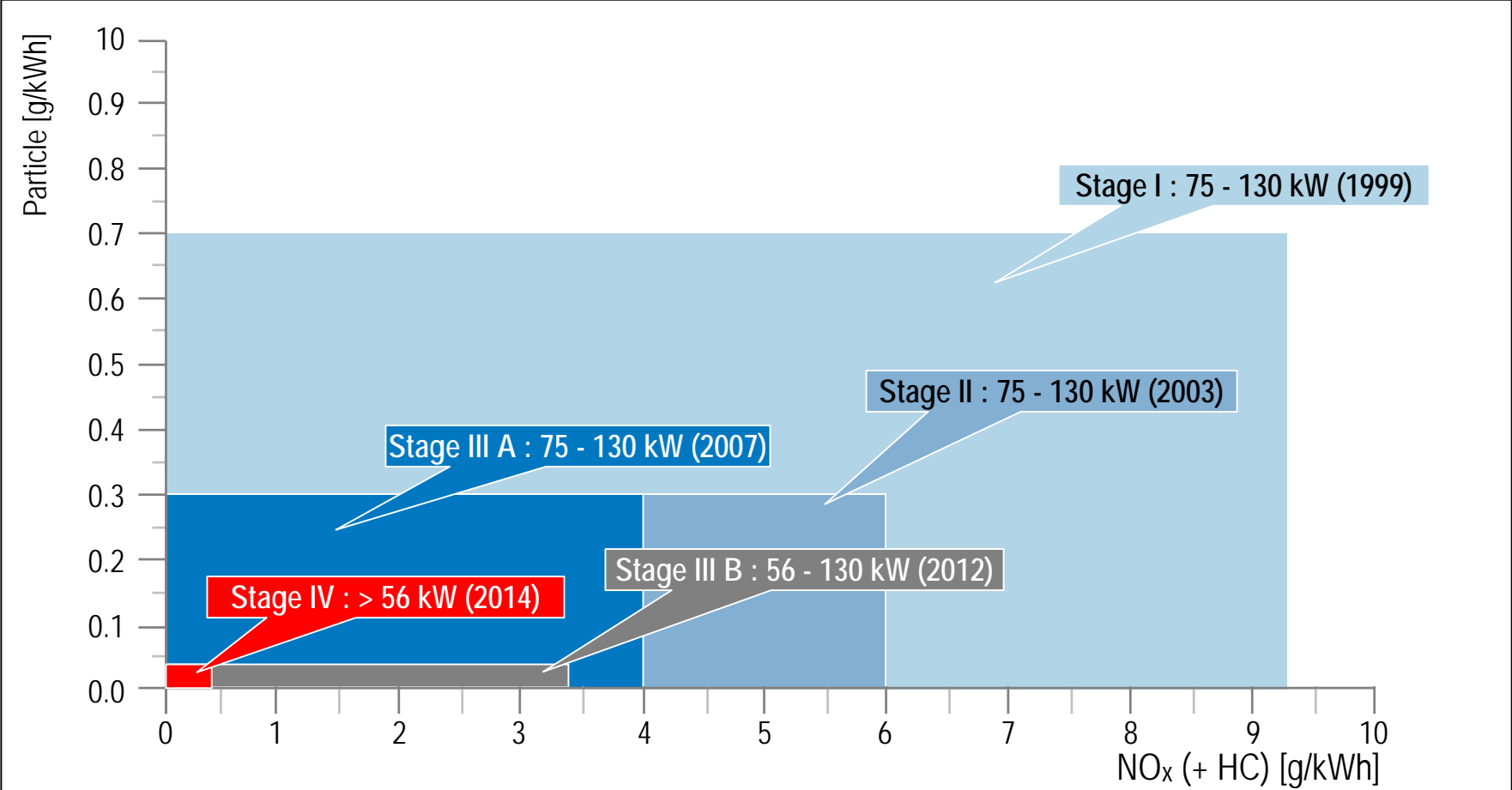
DEUTZ Power Systems



- Project related systems business (high engineering part)
- Engines, gensets and power plants using natural gas, non-natural gas and diesel fuels (up to 4.0 MW)
- Customized energy systems

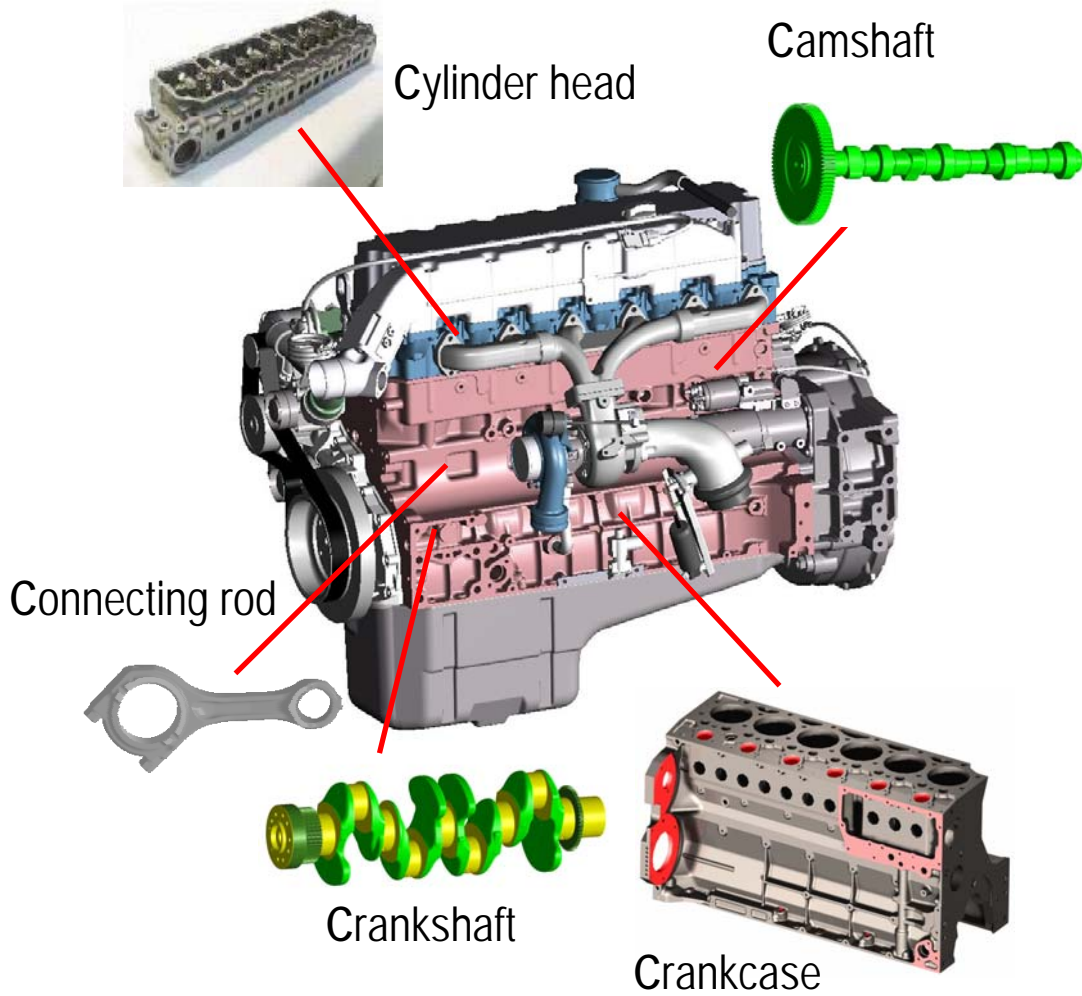


Emission limits development Stage I to Stage IV





Core competence assembly (5C)



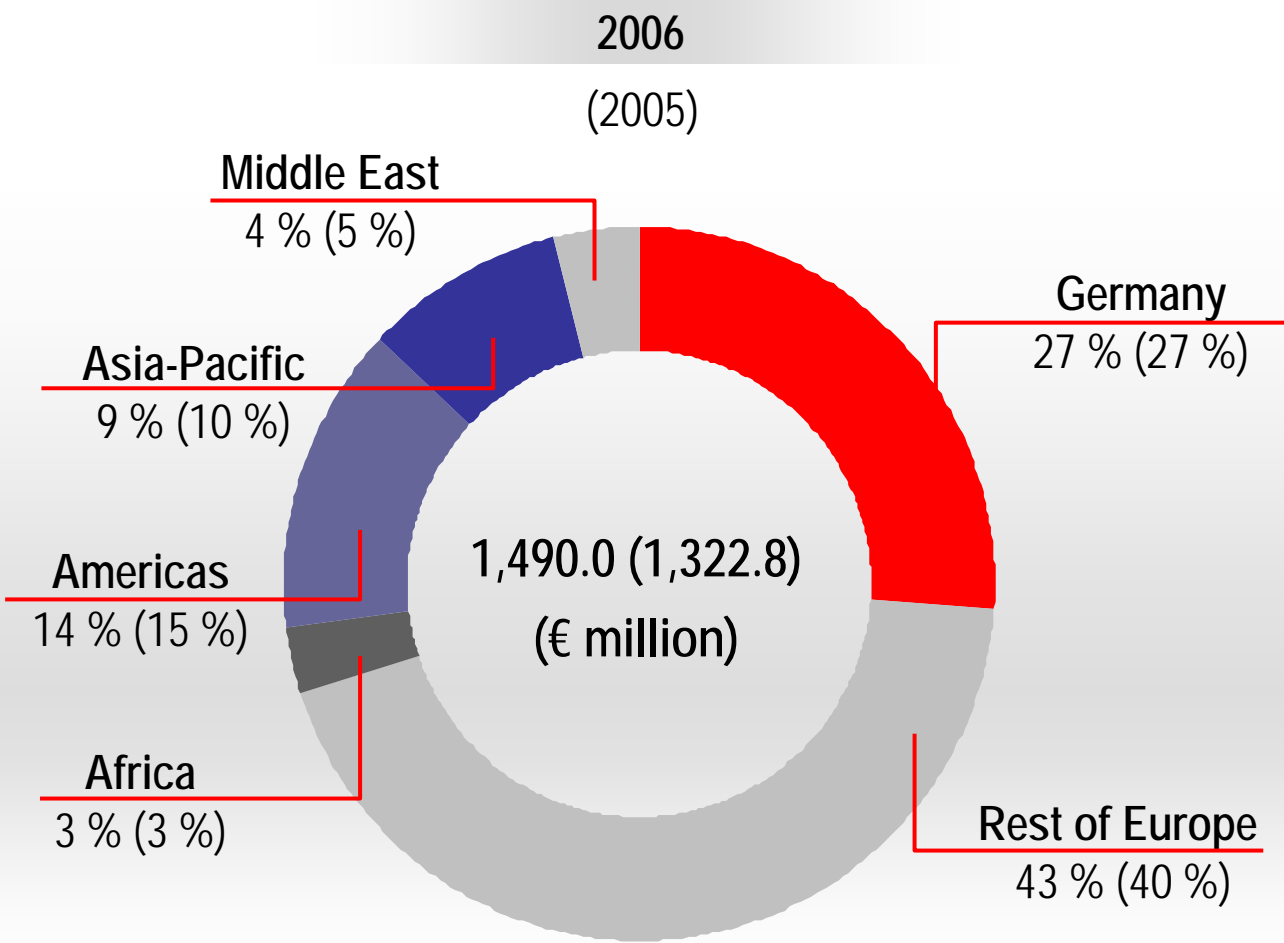


Competitors

Application segments	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 Harvester Forest machinery	Perkins (UK), Deere & Company (USA), Sisu Diesel (FIN)
Automotive	Trucks Busses Railcars	Cummins (USA), Caterpillar (USA), MAN (GER)
Power generation	Decentralised power plants	GE Jenbacher (A), Caterpillar (USA), Wärtsilä (FIN)



Revenue by region





Medium term strategic targets

- To become one of the top 3 global suppliers for engines with a capacity of 4 to 8 litres
- To double unit sales of engines with a capacity greater than 4 litres
- To consolidate our position as the international market leader in air-cooled engines
- To become the global market leader in gas engines for decentralised power generation using natural gas and non-natural gases
- To ensure service accounts for 20 % of consolidated revenue by expanding the range of service support operations with a disproportionately high increase in new business

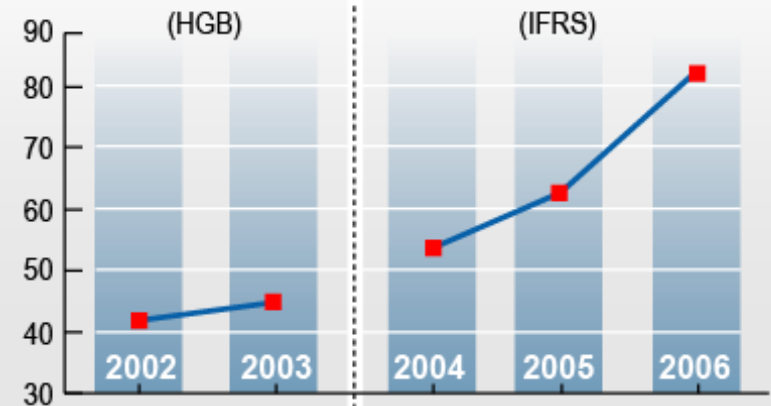


DEUTZ on a growth path

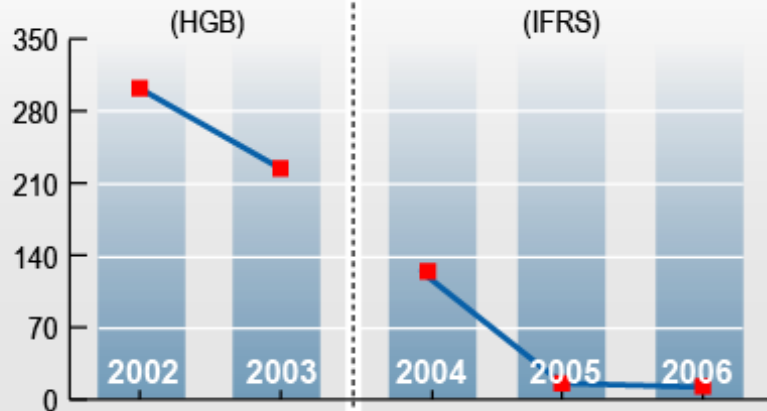
Unit Sales



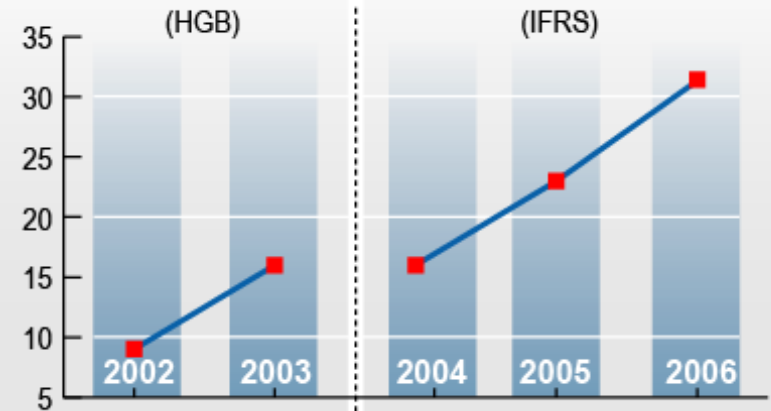
Operating profit / € million



Net financial debt / € million

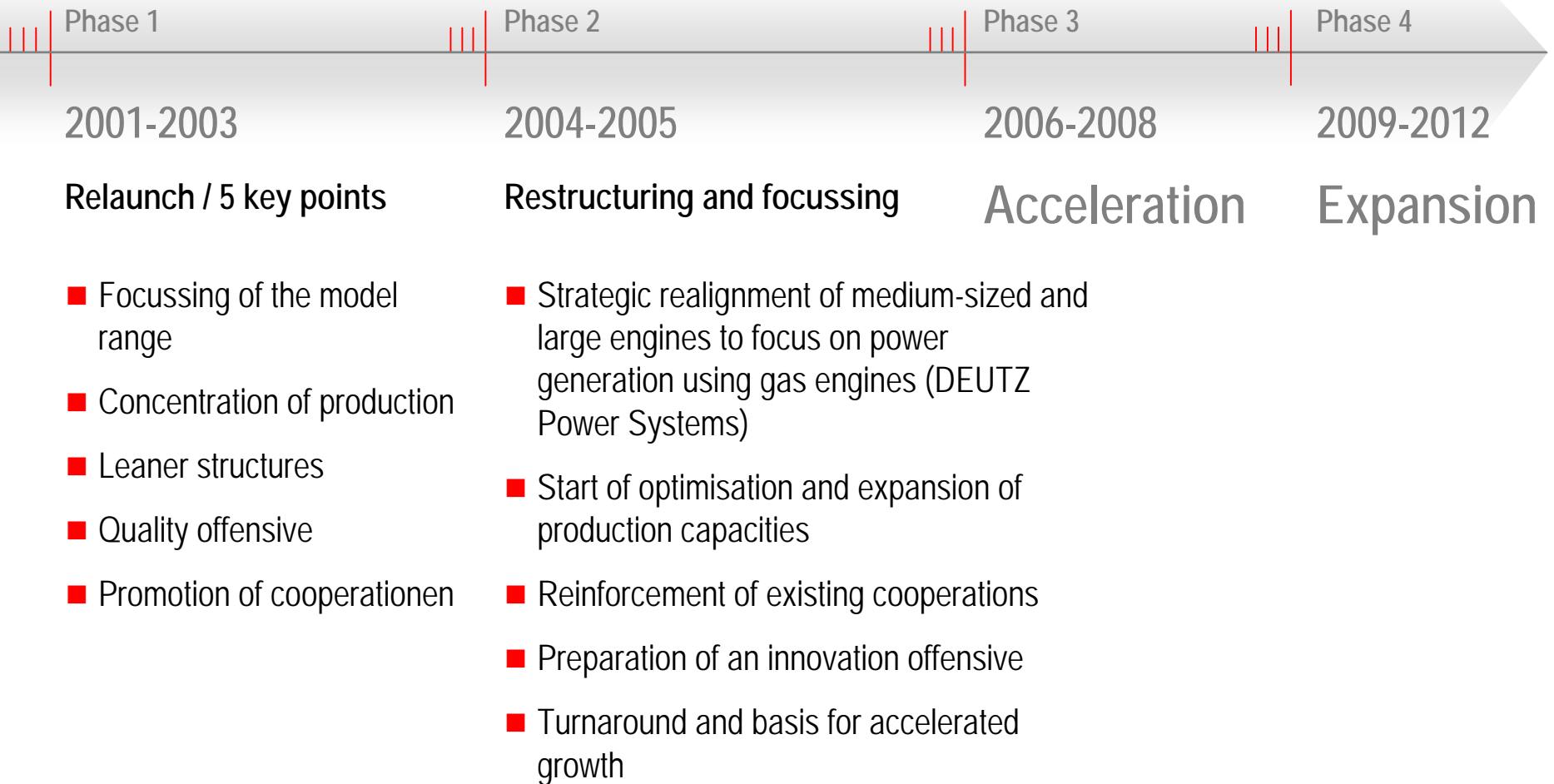


Equity ratio / %





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



Financial year 2006: all goals achieved

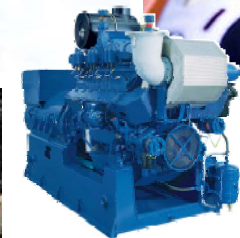
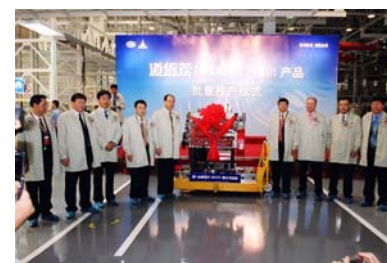
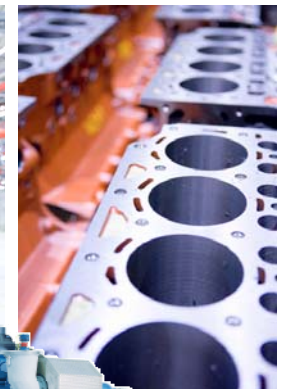
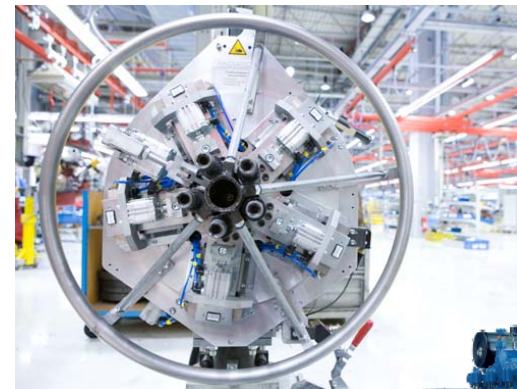
		2006	2005	Change	
Operating profit* raised	✓	€ million	81.5*	62.5*	+30.4 %
Unit sales again increased	✓	Units	237,293	195,843	+21.2 %
Double-digit revenue growth	✓	€ billion	1.5	1.3	+12.6 %
EBIT margin raised	✓	%	5.5	4.7	
ROCE improved	✓	%	9.8	7.7	
Equity ratio increased	✓	%	30.8	23.2	
Further improvement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

* Operating profit = EBIT before one-off items



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



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 %	

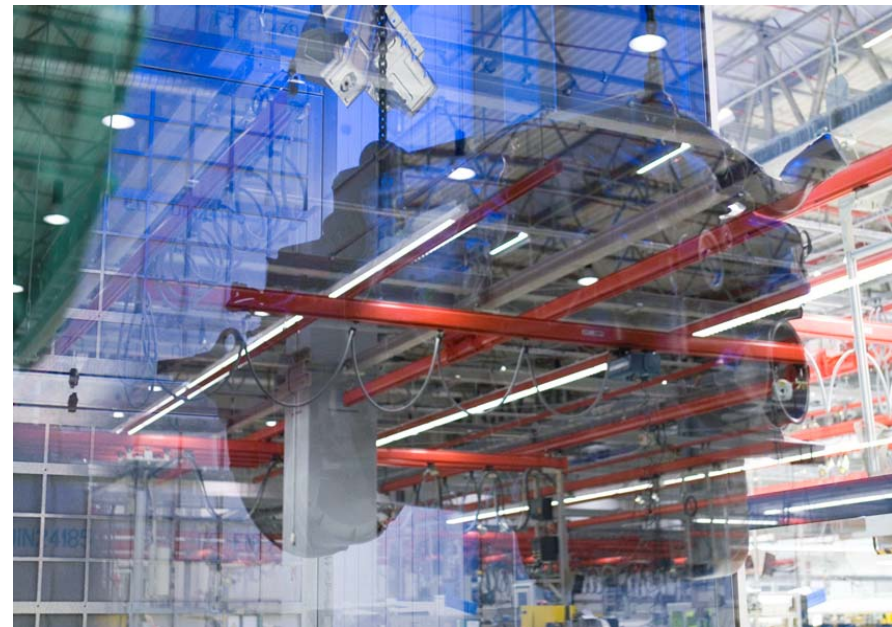
New orders (€ million)	2006	2005*	Delta in %
Compact Engines	1,289.1	1,025.4	25.7
DEUTZ Power Systems	333.9	325.1	2.7
Total	1,623.0	1,305.5	20.2

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

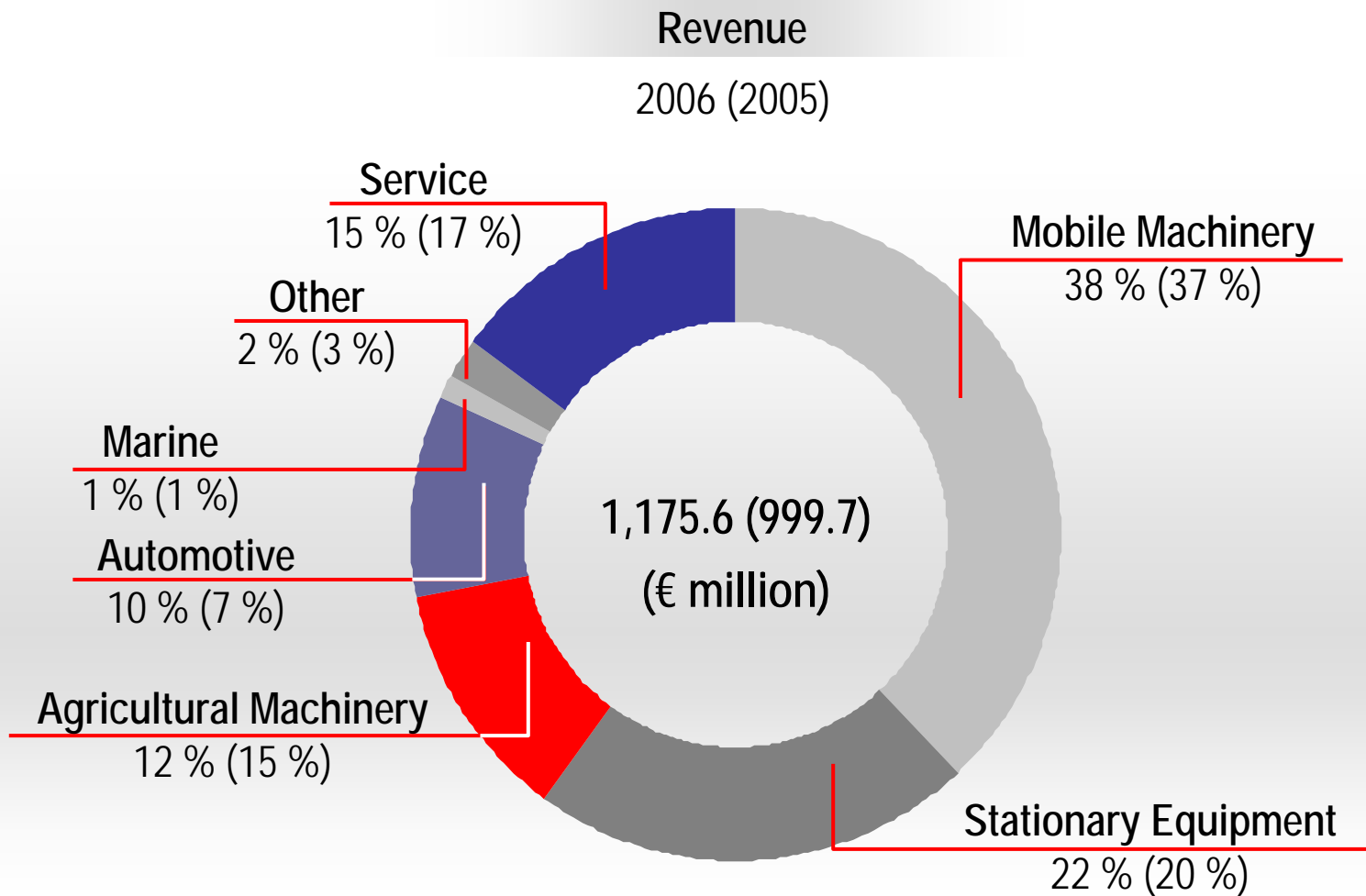
Highlights 2006 - Compact Engines

- 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





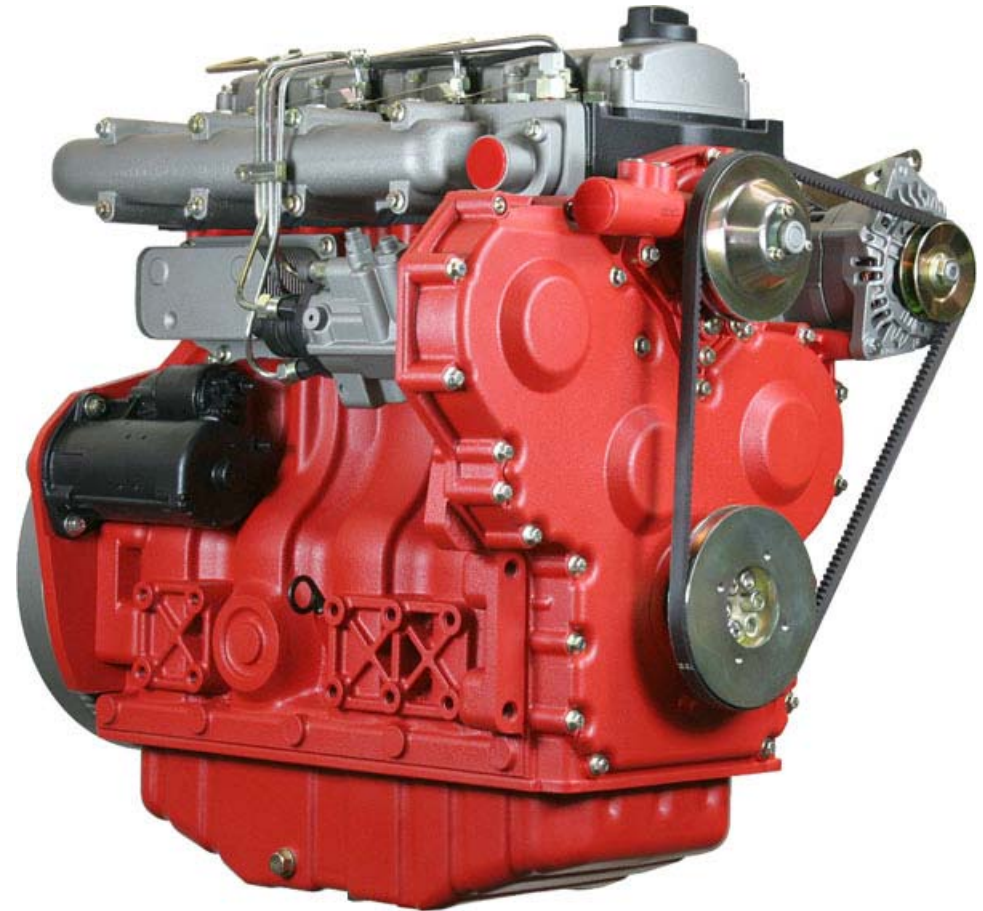
Compact Engines - Revenue by application segment



TCD 2010

The Engine for Construction Equipment, 50 – 74.9 kW

- 4 cylinder in-line engines turbo-charging and charge air-cooling
- Water cooled
- Compact engine design
- Advanced fuel injection and combustion system
- Full line customized options
- Full power at flywheel end for axial or radial drives
- Optional two PTOs from gear end cover



TCD 2011

The Engine for Construction Equipment, 23 – 74.9 kW

- Oil-cooled 2-, 3-, 4-Cylinder natural aspirated and 4-Cylinder turbocharged in-line engines
- Optional with integrated cooling system
- Water-cooled 4-Cylinder natural aspirated, also turbo-charged and turbo-charged with charge-air-cooling
- Water-cooled
- Compact engine design
- Advanced fuel injection and combustion system
- Full line customized options
- Full power at flywheel end for axial or radial drives
- Optional PTO for hydraulic pumps up to 28 kW



DEUTZ Drivetrain Solution DEUTZ HybridDrive

Mild-Hybrid drivetrain solution for applications with

- lower and up to medium load but with high load peaks
- a high request on dynamic
- intermittent operation without exhaust emissions with suitable system configuration

Predestinated applications e.g.

- Wheelloader
- Forklift
- Telehandler

Technic

- Diesel engine with E-Motor / Generator integrated in the SAE-housing
- Inverter and E-Motor / Generator are liquid cooled for maximum power density
- State-of-the-art LI-Ion storage technology
- Intelligent hybrid electronic control unit for most efficient engine operation





DEUTZ Drivetrain Solution DEUTZ HybridDrive

Features

- Start / Stop function
- Power boost
- Recuperation braking energy
- Driving with electric power train of suitable system configuration
- Reduction of fuel consumption, exhaust emissions and noise
- Improving the system dynamics
- Reduction of costs by down-sizing the diesel engine
- Down-grading to a lower exhaust emission class, avoiding an exhaust after treatment system (SCR) if applicable



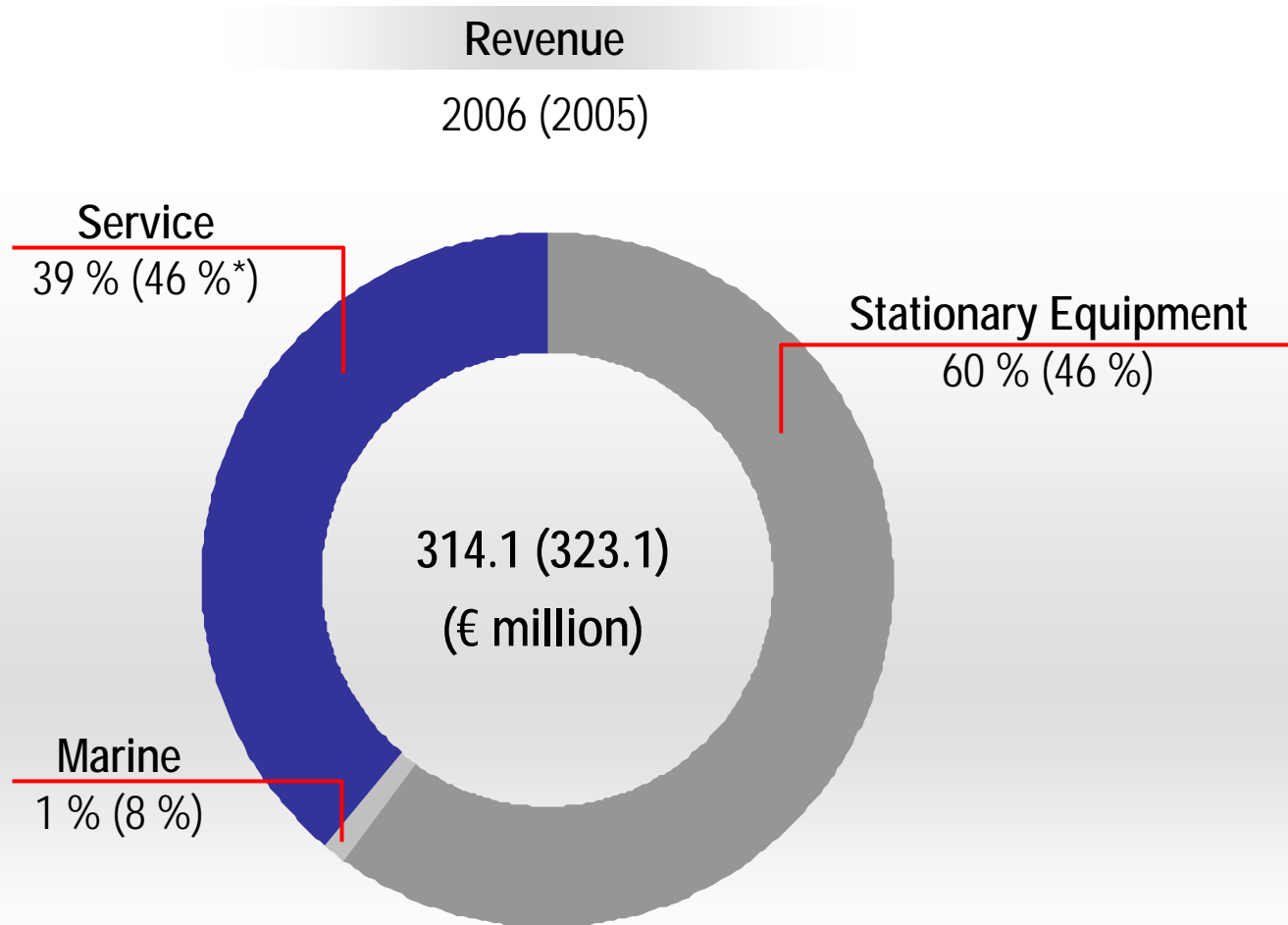
Highlights 2006 - DEUTZ Power Systems

- 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 %



DEUTZ AG: Market opportunities and growth prospects

Market opportunities

Booming Asian market, primarily China

Increasing trend in outsourcing

Growing demand for customer-specific solutions with air-cooled engines

Growing demand for compact equipment (EU, USA)

Global market for decentralised power generation growing up to 10 %; biogas applications in Europe over 15 %.

DEUTZ positioning

- Joint venture with FAW Jiefang

- Best-in-class engine: TCD 2013 4V
- Successful track record of strategic partnerships with Volvo and SAME DEUTZ-FAHR

- Market leadership of DEUTZ Customised Solutions
- Optimisation of facilities completed

- Focussed product range
- engines < 4-litre

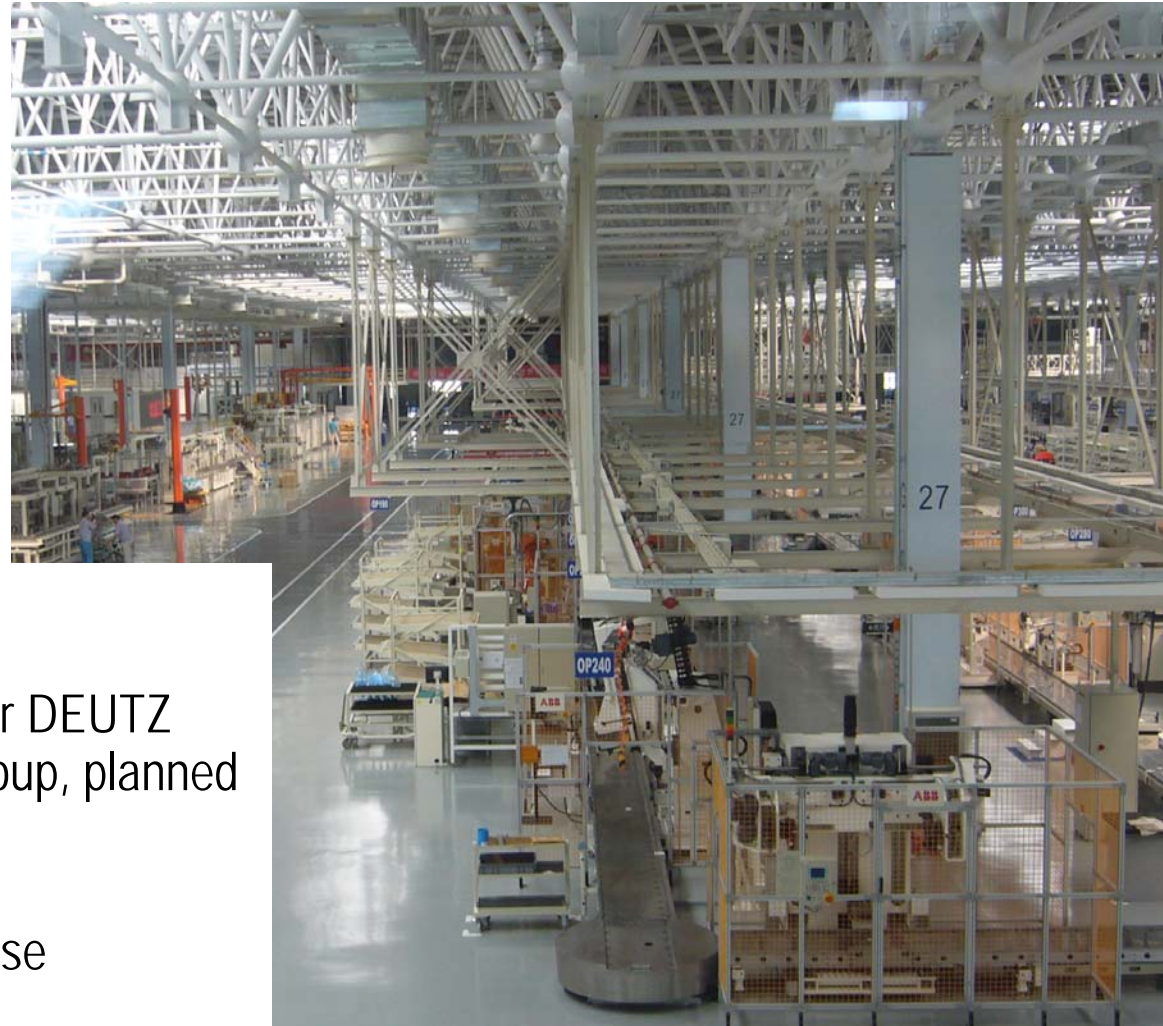
- Focussed on non-natural gas applications, primarily biogas

Prospects

- Additional production capacity
- Sourcing of components
- cost benefits from network of production sites
- Ability to expand capacity in commercial vehicle business
- Further expansion of alliances
- Further intensive development of the Ulm centre of competence
- Further strategic partnerships sought
- Rising unit sales volumes
- Expansion of service business (medium to long-term)
- Accelerated development of market position



Joint Venture in China



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



The engine company.



Financial calendar for 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 Cologne 1 August 2007
Conference call with analysts and investors

- Q1-Q3 2007 interim report 8 November 2007
Conference call with analysts and investors



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