

DEUTSCHE BANK

10th GERMAN CORPORATE CONFERENCE

**DEUTZ AG**

GORDON RISKE, CEO

Frankfurt am Main, 21 June 2007

The engine company.

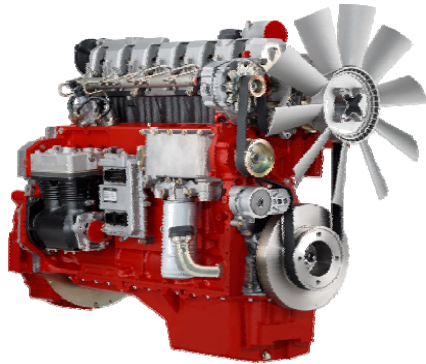




# DEUTZ – the engine company

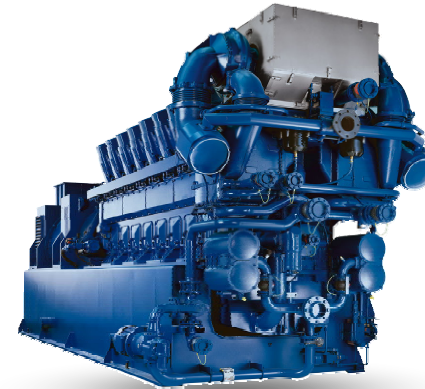
Independent engine manufacturer and supplier of power systems

## Compact Engines



- Air-, oil-, and water-cooled engines with outputs of up to 500 kW for on-road and non-road applications
- Tailor made solutions for customers
- DEUTZ Customised solutions

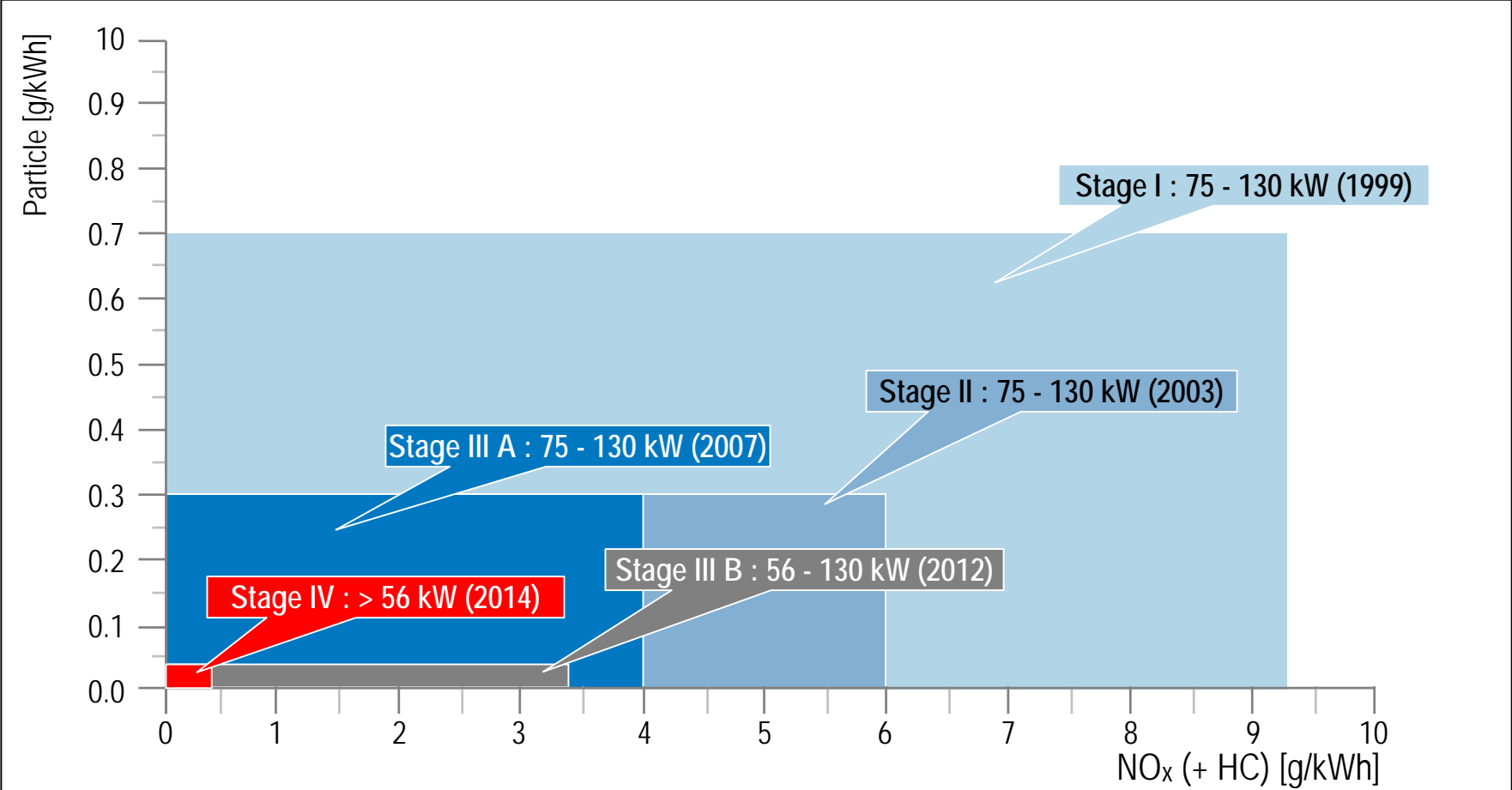
## DEUTZ Power Systems



- Engines, gensets and systems with outputs of up to 4.0 MW used to convert renewable and fossil fuels
- Project-related systems business that involves a high degree of engineering

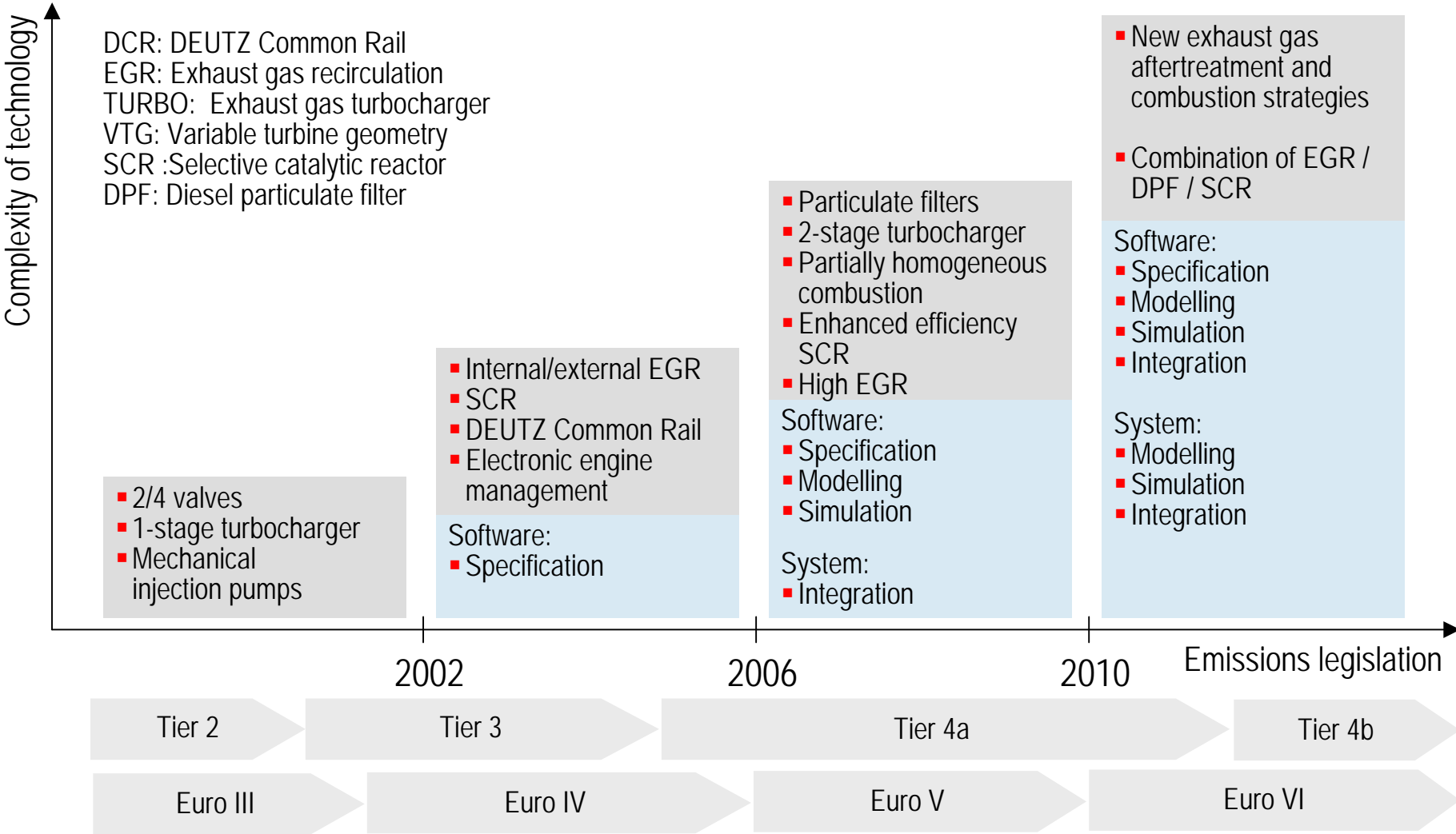


# Emission limits development Stage I to Stage IV





# Compact Engines Research and Development Technologies Overview





# Competence in manufacturing and assembly

Flexible, customer orientated assembly



Cylinder head

Piping

Con-rod

Cooling fan

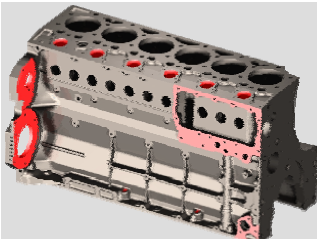
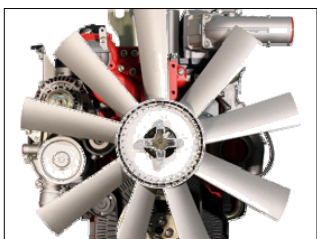
Crankcase

Rocker arm

Crankshaft

Camshaft

Rocker arm mounting



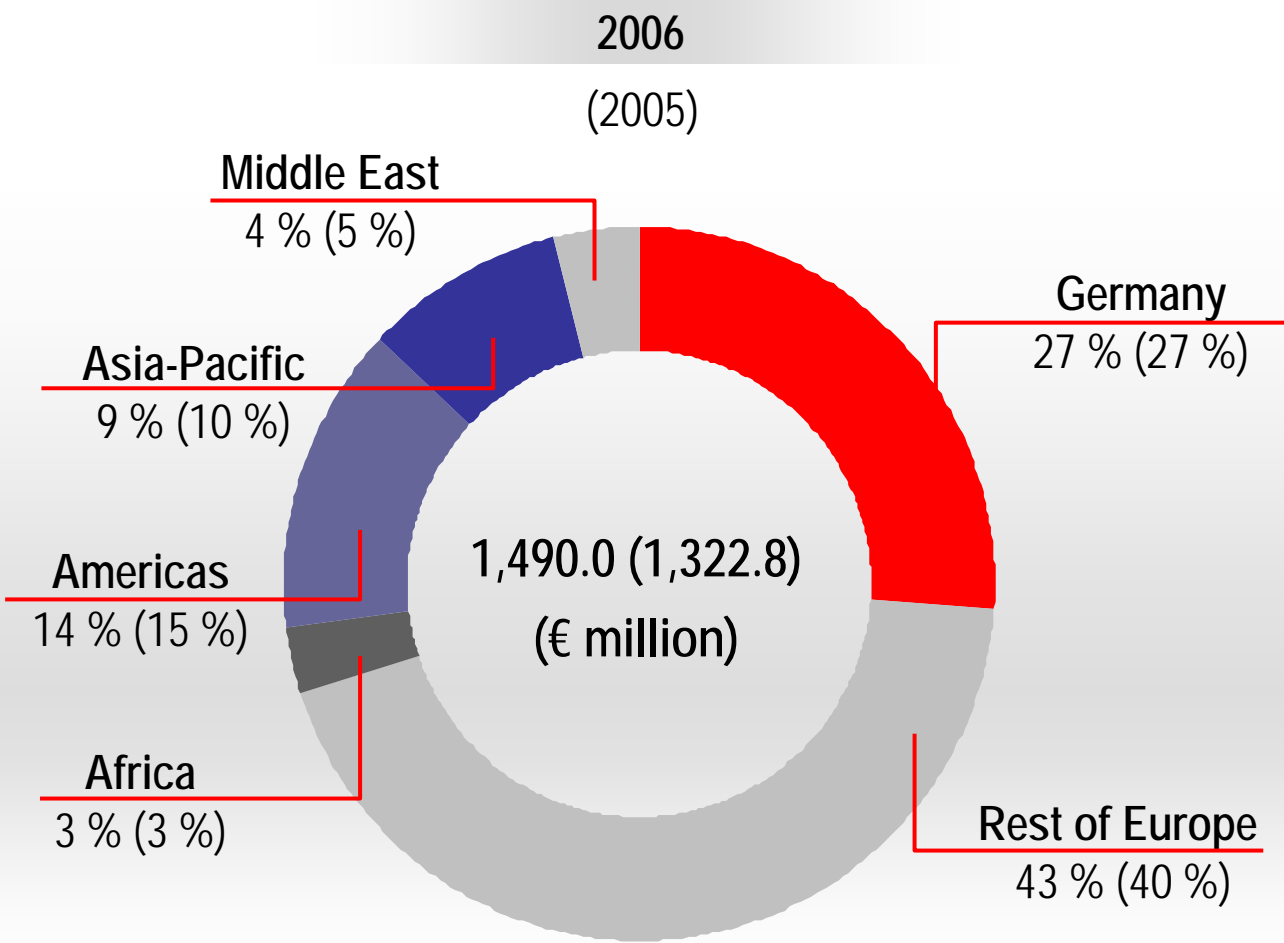


# Competitors

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



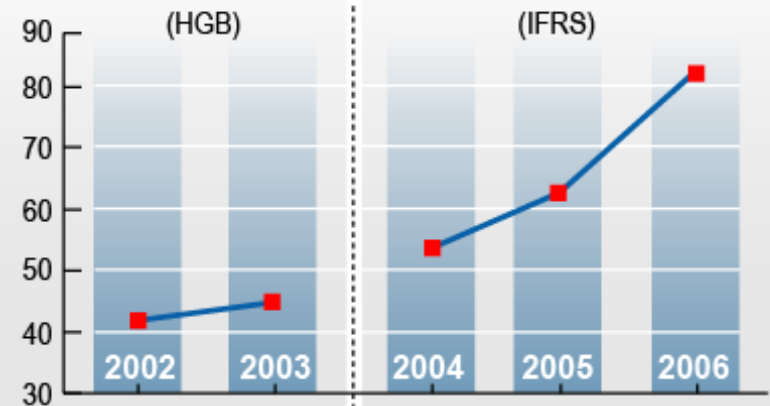


# DEUTZ on a growth path

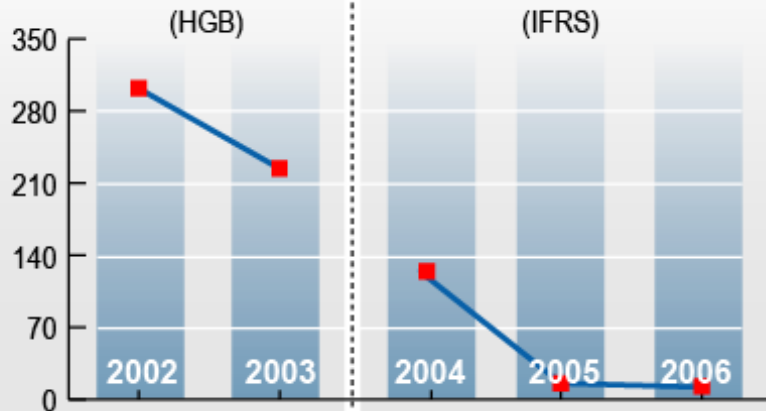
Unit Sales



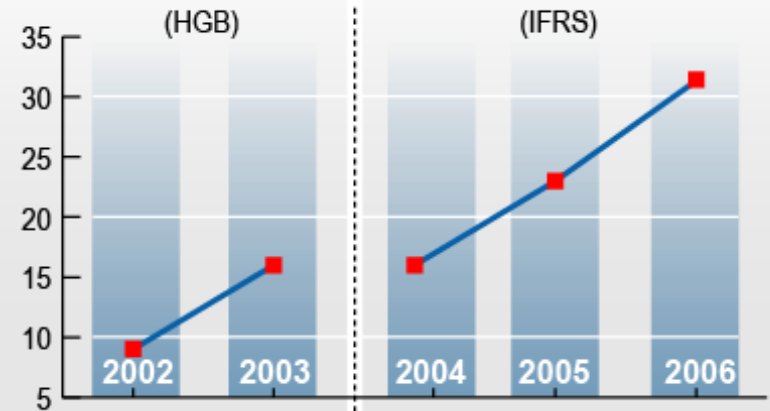
Operating profit / € million



Net financial debt / € million



Equity ratio / %





## Foundation laid for expansion

2006-2008

### Acceleration

2009-2012

### Expansion



- Optimisation of locations
- Development of DEUTZ Customised 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



## 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 below 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



## Financial year 2006: all goals achieved

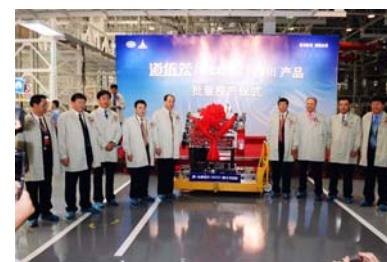
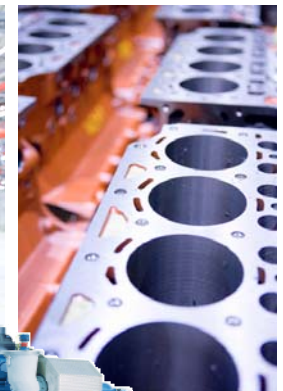
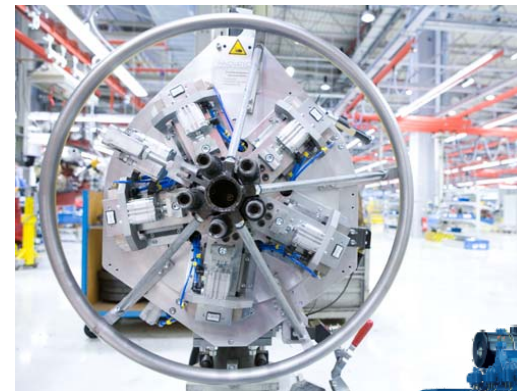
		2006	2005	Change	
Operating profit* raised	✓	€ million	81.5*	62.5*	+30.4 %
Unit sales again increased	✓	Units	237,293	195,843	+21.2 %
Double-digit revenue growth	✓	€ billion	1.5	1.3	+12.6 %
EBIT margin raised	✓	%	5.5	4.7	
ROCE improved	✓	%	9.8	7.7	
Equity ratio increased	✓	%	30.8	23.2	
Further improvement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



## Joint Venture in China

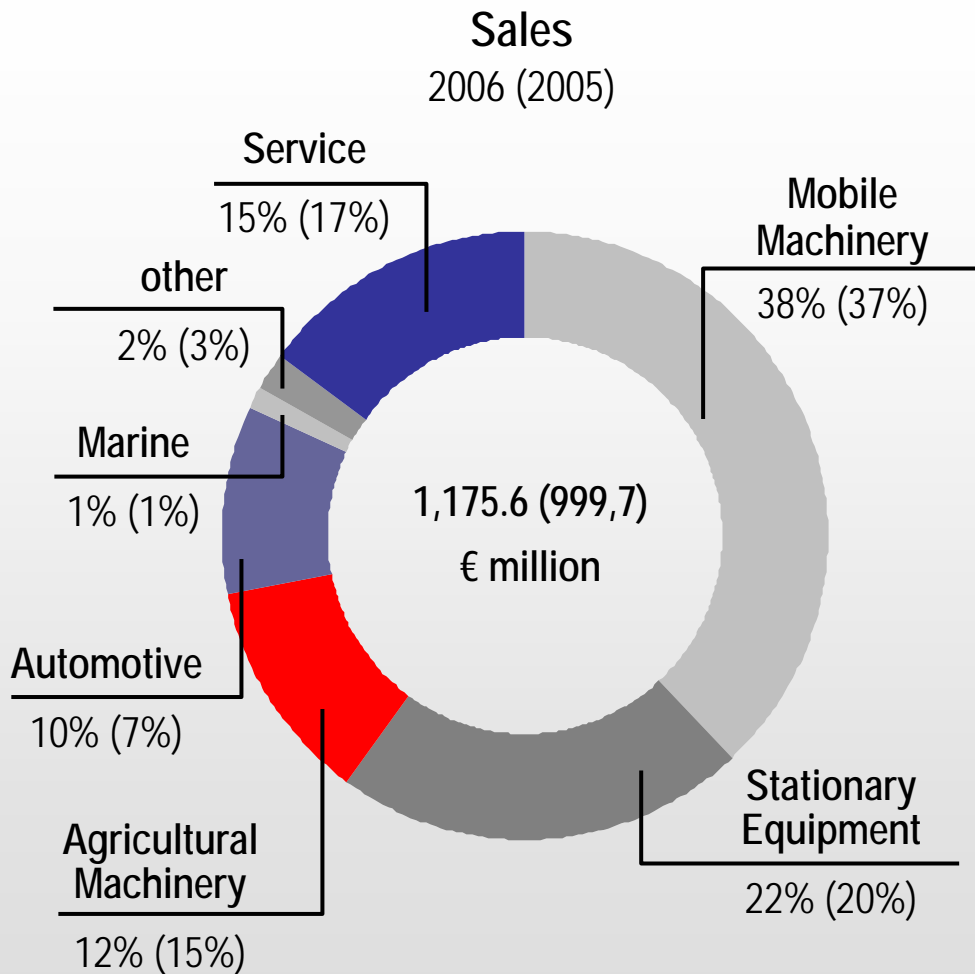


### Capacity:

- 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



# Compact engines 2006

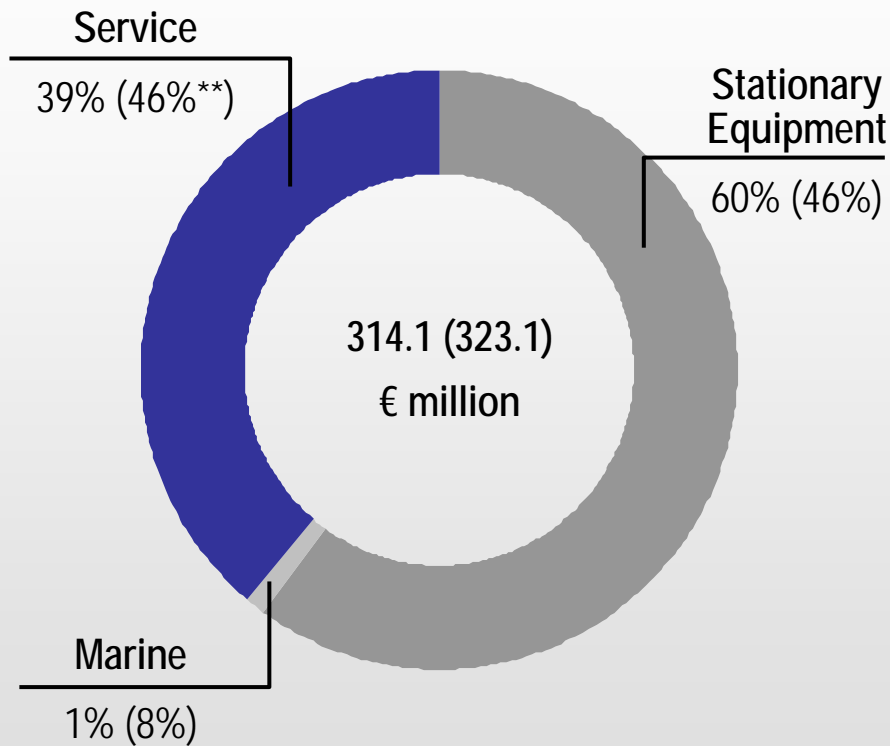


€ million	2006	2005
New orders	1,289.1	1,025.4
Unit sales (units)	236,588	195,082
Sales	1,175.9	999.7
Operating profit (EBIT before one-off items)	68.3	56.4



# DEUTZ Power Systems 2006

Sales  
2006 (2005)



\*\* comparable 41%

€ million	2006	2005*
New orders	333,9	325,1
Unit sales (units)	705	761
Sales	314,1	323,1
Operating profit (EBIT before one-off items)	14,9	12,0

\* Including marine service business Q1 2005



## Key Performance Indicators Q1 2007

€ million	Q1 2007	Q1 2006	Change (%)
New orders	515,7	397,1	29,9
Revenue	390.9	309.5	26.3
EBITDA	31.2	28.6	9.1
Operating profit (EBIT before one-off items)	13.1	13.0	0.8
EBIT margin before one-off items (%)	3.4	4.2	-
Net income	5.8	3.9	48.7
Earnings per share, basic (€)	0.05	0.04	25.0
Number of employees (31 March)	5,633	5,125	9.9



## Q1 2007: Segments

Unit sales	Q1 2007	Q1 2006	Change (%)
Compact Engines	57,129	43,204	32.2
DEUTZ Customised Solutions	6,543	8,701	-24.8
DEUTZ Power Systems	98	91	7.7
<b>Total</b>	<b>63,770</b>	<b>51,996</b>	<b>22.6</b>

Revenue (€ million)	Q1 2007	Q1 2006	Change (%)
Compact Engines	269.2	184.5	45.9
DEUTZ Customised Solutions	66.2	70.9	-6.6
DEUTZ Power Systems	55.5	54.1	2.6
<b>Total</b>	<b>390.9</b>	<b>309.5</b>	<b>26.3</b>
Germany	20.8	25.3	
Export	79.2	74.7	

New orders (€ million)	Q1 2007	Q1 2006	Change (%)
Compact Engines	340.5	226.0	50.7
DEUTZ Customised Solutions	97.2	87.7	10.8
DEUTZ Power Systems	78.0	83.4	-6.5
<b>Total</b>	<b>515.7</b>	<b>397.1</b>	<b>29.9</b>

Operating profit (€ million)	Q1 2007	Q1 2006	Change (%)
Compact Engines	9.0	8.5	5.9
DEUTZ Customised Solutions	5.2	5.2	-
DEUTZ Power Systems	-1.3	-2.2	40.9
Other	0.2	1.5	-86.7
<b>Total</b>	<b>13.1</b>	<b>13.0</b>	<b>0.8</b>



# Market opportunities and growth prospects (I)

## Market opportunities

Booming Asian market, primarily China

- Additional production capacity
- Sourcing of components
- cost benefit from network of production sites

Increasing trend in outsourcing

- Ability to expand in commercial vehicle business
- Further expansion of alliances

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

- Further intensive development of the Ulm centre of competence



## Market opportunities and growth prospects (II)

### Market opportunities

Growing demand for compact equipment (EU, USA)

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

### Prospects

- Further strategic partnerships sought
- Rising unit sales volumes

- Expansion of service business (medium to long-term)
- Accelerated development of market positions



## 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

- 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



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