

Gordon Riske

Chairman of the Management Board of DEUTZ AG

Speech

to the Annual General Meeting

on 24 May 2007

Cologne

Check against delivery

Embargo until: 24 May 2007, 11am

Dear shareholders and shareholder representatives,

Dear guests and friends of our company,

Ladies and gentlemen,

It gives me great pleasure, speaking also on behalf of my colleagues on the Management Board, to welcome you to the 2007 Annual General Meeting of DEUTZ AG. I am delighted that you have all joined us here in Cologne today, demonstrating your interest in DEUTZ AG. I would like to welcome the current and former employees of our company and also the representatives of the press, whom I would like to thank for their ever objective reporting over the past year. I also extend a particularly warm welcome to Dr Carozza, President of the SAME DEUTZ-FAHR Group, who, as in previous years, has travelled from Italy in order to take part in our Annual General Meeting.

To set the mood for this year's meeting, we are starting with a compelling and imaginative short film that portrays the challenges which the future holds in store for us.

Ladies and gentlemen,

I am pleased to be able to report a financial year in which we succeeded in achieving all our objectives. Unit engine sales in 2006 were up more than 21 per cent on the previous year. Revenue also grew increasingly strongly over the course of the year, resulting in an overall year-on-year rise of around 13 per cent. Operating profit rose by an impressive 30 per cent, raising the EBIT margin to 5.5 per cent. The equity ratio increased to a peak of 31 per cent.

Despite the substantial growth in business, we not only met our average working capital target of 20 per cent of revenue over the course of the year, but actually succeeded in bringing it down to just 18.5 per cent. The excellent growth in earnings meant that we were able to increase the return on capital employed (ROCE) to around ten per cent. In the year under review, we invested more than €100 million in the expansion of production capacity in order to help satisfy the high level of global demand for our engines.

Ladies and gentlemen,

In 2006 we succeeded in strengthening and broadening the foundations for sustained, profitable growth. I would therefore like to set out our current position, looking at it from three perspectives:

Firstly, a review of the highly successful 2006 financial year.

Secondly, an analysis of current trends and our expectations for 2007.

And thirdly, our plans for the next phase in the corporate development of DEUTZ.

Before looking at the numbers, allow me to recap some of our highlights from the past year.

In the Compact Engines business, our attention was focussed on two particular issues. On 1 January 2006, even more stringent exhaust emission legislation relating to engines between 130 and 560kW came into force. From this date, these engines became subject to stage 3 emission standards in Europe and the USA. From a production point of view, the launch of new and further developed engine series in this output range was

therefore one of the big challenges to which the workforce managed to respond superbly.

The same applies to the ramp-up in production of our new commercial vehicle engine at the new, purpose-built assembly hall at our Cologne-Porz facility. Following production start-up in 2006 as scheduled, we expect to move to full capacity utilisation in the current year. This means that we will see a further significant increase in 2007 on the already strong revenue growth achieved in 2006 in automotive applications.

A good illustration of the strength of our Compact Engines business over the past year is the further increase in market share to twelve per cent of the relevant industrial engines market.

In 2006 we also created the new DEUTZ Customised Solutions segment, comprising all air-cooled engine series and liquid-cooled engines with a capacity of more than eight litres. An important step in this restructuring process was taken at the end of 2006 / beginning of 2007 with the concentration of these activities at the Ulm facility, which in future will serve as a centre of competence for all aspects of air cooling. This also involves a €10 million capital expenditure and the creation of around 100 new jobs.

As you already know, DEUTZ Power Systems has focussed since the beginning of 2005 on the development of innovative products, services and technologies for decentralised power generation systems, primarily based on gas engines which use both natural gas and non-natural gases to produce electricity, heat and/or cooling. Gas engines now account for around 90 per cent of unit sales and revenue in the DEUTZ Power Systems segment. This means that we have made faster progress in the second year of restructuring than we had expected.

And finally, we took a major step in the process of internationalisation at the end of 2006. On 18 December we signed an agreement with our long-standing Chinese partner FAW (FAW Jiefang Automotive Co., Ltd.), the largest Chinese commercial vehicle manufacturer, on the establishment of a joint venture for the production and distribution of engines in Asia. The joint venture in the Chinese city of Dalian will have an initial annual production capacity of around 150,000 engines and will be expanded to 200,000 engines in the medium term. Dalian will therefore become DEUTZ's second largest production facility after Cologne.

Continuing on the theme of the 2006 financial year, I would now like to discuss the results of the DEUTZ Group, after which I will talk about the results of the Compact Engines and DEUTZ Power Systems segments in more detail.

New orders for the Group were up 20.2 per cent in 2006 to a total of €1.62 billion. Revenue rose by 12.6 per cent to €1.49 billion. Both these results are attributable primarily to the strong, double-digit growth in the Compact Engines segment. We raised operating profit (EBIT before one-off items) by 30.4 per cent to €81.5 million. Both segments contributed to this increase in profit.

On a like-for-like basis, i.e. disregarding contributions from the marine service business which was sold on 31 March 2005, new orders increased by 22.3 per cent, revenue by 14.6 per cent and operating profit of the Group by as much as 50.4 per cent.

EBIT after one-off items in the year under review was €93.5 million, compared with €114.7 million in 2005. There were one-off items in both years in connection with the disposal of the marine service business. In 2005, the year of the sale, the figure was €52.2 million and in 2006 a further

€12.0 million. Overall, net income for the year in 2006 was €61.5 million, compared with €71.4 million in 2005.

Ladies and gentlemen,

I would now like to take a brief look at the key balance sheet figures for 2006.

I would first like to highlight the level of net financial debt, i.e. liabilities to banks less cash resources, which we were able to reduce by a further 31.2 per cent in 2006 to a level of €10.8 million. Let me just remind you that in 2001, this figure stood at €340 million. This is one illustration of the magnitude of what has been achieved at DEUTZ in recent years. Further evidence can be seen in the strong increase in the equity ratio from 23.2 per cent to 30.8 per cent at 31 December 2006. In 2001, the figure was just 8.2 per cent. Key factors behind the increase in the equity ratio included the strong net income and the conversion of profit-sharing rights and convertible bonds, particularly by SAME DEUTZ-FAHR.

We have also continued to make progress with the level of working capital, substantially reducing the annual average figure from 24.0 per cent to 18.5 per cent of revenue. The return on capital employed also improved substantially in 2006 by 2.1 percentage points to 9.8 per cent.

These improvements are also reflected in the single-entity financial statements of DEUTZ AG. The net income for the year in 2006 completely eliminated the loss carried forward, resulting in an accumulated income of €7.7 million at 31 December 2006. Our proposal to you, the shareholders, today is that this distributable profit be carried forward and retained in the new financial year.

It is very gratifying indeed that after a gap of some 20 years, on the basis of the 2007 profit forecast, DEUTZ AG will be in a position to resume the payment of dividends and be able to make a dividend payment in 2008, as announced at our last Annual General Meeting.

Ladies and gentlemen,

Before going into detail on the business performance of the two segments, I would like to discuss the matter of capital expenditure, which we raised in the year under review from €85.9 million to €108.2 million (including capitalised development costs). A large proportion of this increase was the result of the expansion of capacity for compact engines in Cologne and Spain. Expenditure on the expansion of the facilities in Ulm in connection with the relocation of air-cooled engine production from Cologne to Ulm is also already included to some extent in this figure.

It also includes expenses incurred on construction of the new administrative building in Cologne-Porz. After taking just nine months to complete, the first staff were able to move into the new offices in December of last year. This has enabled us to bring together head office functions, sales, research and development, and a major portion of compact engine production at one site.

It is essential to our sustainable success that we constantly reinforce the strong culture of innovation within the company, which is why specific strategic importance is attached to the area of research and development at DEUTZ. In 2006, spending was maintained at a high level of €66.4 million. As a proportion of revenue in the new engine business, spending on research and development was 5.6 per cent.

Both the relative and absolute levels of spending vary from year to year within fluctuating ranges according to the development phase of the engine series, which in turn is driven by the introduction of new emissions

standards. Viewed over a number of years, the R&D ratio at DEUTZ has been between five and eight per cent of new engine revenue. Several product highlights would simply not have been possible without intensive research and development.

At bauma 2007, the world's largest trade fair for construction equipment and underground equipment, for example, we presented the world's first hybrid drive for construction equipment. This puts DEUTZ at the leading edge for environmentally-friendly, pioneering drive solutions. The advantages of a hybrid drive are particularly apparent in applications which have a high proportion of low to medium utilisation punctuated by regular load peaks and which demand strong engine and equipment dynamics. Examples of this type of equipment include wheel loaders and telescopic forklifts. With the right system configuration, the equipment can even be operated emission-free for a period of time.

Our newly developed 4-cylinder TCD 2010 construction equipment engine with a power range of 50 to 74.9kW was also on display at bauma. The distinctive features of the engine are its innovative and efficient injection and combustion system and its customer-focussed components system for optional add-on parts.

We have now added to our product range a water-cooled version of the internationally successful 1011/2011 series (the one millionth engine came off the production line in March), which we had previously offered customers with external oil cooling or integrated oil cooling. We have thus made this engine series, the undisputed market leader in its power category, compatible with the ever more stringent future exhaust emission standards for industrial engines.

Without a passion for engines and engineering, these innovations and commercial successes would not have been possible. The uncompromising

passion for our products and the associated achievements in innovation are not only what set us apart from our competitors; they also form the basis for the future success of your company.

Ladies and gentlemen

I would now like to describe developments within the two segments in more detail: In the Compact Engines segment there was very robust, double-digit growth throughout 2006. We easily exceeded our original unit sales target of around 210,000 engines with a total of 236,588 engines. Only temporary bottlenecks in the supply of parts from third parties and in our own in-house production prevented even greater growth in unit sales beyond the level actually achieved.

All the main product groups registered increases in the year under review. Growth in sales of liquid-cooled engines with a capacity of between four and eight litres was particularly strong at 27.9 per cent to a total of 101,659 engines, including for the first time around 8,000 of the new TCD 2013 4V commercial vehicle engine series. Growth in unit sales of engines with a capacity of up to four litres was also encouraging at more than 17.3 per cent, to a total of 98,092 engines. Unit sales of air-cooled engines saw a further increase of 17.3 per cent to 33,001 engines.

The level of new orders grew by 25.7 per cent to €1.29 billion, with a particularly strong contribution from the new engines business which grew by 29.7 per cent. Segment revenue rose by 17.6 per cent to €1.18 billion. The reason for this was the increasing contribution to revenue from commercial vehicle engines in the second half of 2006.

In our largest and most important application segment, Mobile Machinery, we raised revenue by 17.9 per cent. All applications in construction machinery, material handling equipment and ground support equipment

achieved double-digit growth rates. One further focus of growth, with an increase of 27.1 per cent, was engines for Stationary Equipment, i.e. for use in applications such as compressors, pumps and power generation sets. Growth in automotive applications was particularly strong at 74.1 per cent, thanks to the pronounced ramp-up in the production of the new commercial vehicle engine in the second half of the year.

The Compact Engines service business was driven forward with intensive sales support activities, resulting in a five per cent increase in revenue relative to 2005. This growth was a result of various factors including an expansion of the spare parts and Xchange business, and an enhanced range of services due to the provision of new service packages.

Operating profit in the Compact Engines business increased by 21.1 per cent to €68.3 million on the back of strong growth in unit sales and revenue. The EBIT margin rose to 5.8 %.

In the year under review, DEUTZ Power Systems generated new orders of €333.9 million, slightly up on the previous year. In Germany, there was particularly strong demand for biogas installations with engines in a power range of up to 2 MW.

As a result of the focus on power generation with gas engines, segment revenue fell slightly to €314.1 million. The new gas engines business was particularly successful, growing by 38.1 per cent thanks to the strong demand from other European countries. The proportion of new engines revenue accounted for by gas engines thus rose from around 72 per cent in 2005 to around 91 per cent.

With the success of the gas engines business and the optimisation of organisational structures and costs in 2006, operating profit was raised from

€12.0 million in 2005 to €14.9 million, taking the EBIT margin of DEUTZ Power Systems to 4.7 per cent.

As already mentioned when talking about the Group as a whole, the 2005 figures include contributions from the marine service business up to March 2005. On a like-for-like basis, new orders were up by around eleven per cent and revenue by around five per cent. Service revenue was just below the figure for the previous year on a like-for-like basis. Operating profit, excluding the marine service business, saw a fourfold increase from €3.7 million to €14.9 million.

It should be stressed that in 2006 we took another significant step towards achieving our stated objective of becoming the global market leader in gas engines. The total number of engines sold fell by 56 to 705 engines. This decline was a result of the planned reduction in the number of diesel engines supplied; unit sales of gas engines, on the other hand, increased by around 45 per cent.

At the same time, the installed power output of the gas engines sold increased by almost 40 per cent to approximately 681 MW. Approximately 36 per cent of this installed output was accounted for by engines powered by renewable energy sources. In 2006, DEUTZ Power Systems increased its global market share to around 18 per cent. DEUTZ Power Systems is the market leader for gas engine applications in Germany with a market share of 42 per cent. This growth illustrates the success of the current strictly market-driven product portfolio of DEUTZ Power Systems.

This realignment of its business has clearly created sound foundations on which DEUTZ Power Systems can build for the future. The growing importance of environmental considerations and the prevention of climate change are reinforcing the need to convert non-natural gases into electricity, heat and/or cooling and thus helping to reduce emissions that have a

negative impact on the climate. This is an area in which DEUTZ Power Systems is able to offer some powerful solutions.

Our service business will also benefit from the growth in the number of gas engines being sold. We are continually expanding our service offering in this area, ranging from pure maintenance and repair of gen sets to complete project development and power plant operation services.

If we look back at the course of business over the past year, one thing is quite clear. DEUTZ has entered a new phase of strategic development: after establishing the necessary operating and financial basis in prior years, the focus was now switched to generating a significant boost to growth and profitability. Over the coming years, our task will be to ensure that this growth is sustainable and profitable.

Dear shareholders,

On 18 September 2006, DEUTZ AG joined Deutsche Börse's MDAX index. We view our inclusion in the MDAX as vindication of the success of our work in recent years.

With a gain of 143 per cent, the share price has performed magnificently in 2006, ending the year as the winner in the MDAX. Overall, the MDAX index gained around 29 per cent, with the Prime Industrial sector index putting on just 19 per cent. The number of shares in circulation increased from 95.0 million to 114.3 million during the course of the year under review as a result of the conversion of profit-sharing rights and convertible bonds.

The combination of these two factors - the higher share price and the increased number of shares - resulted in a threefold increase in our market capitalisation to €1.15 billion.

Ladies and gentlemen,

Before I move on to the current year and our prospects for the future, please allow me to speak briefly about some of the items on today's agenda. In item 5, the Supervisory Board proposes the appointment of Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, as auditors for the 2007 financial year.

The current auditors, PricewaterhouseCoopers AG, have audited the financial statements of DEUTZ AG since 1997. After such a long period, the Management Board and Supervisory Board decided in 2006 to put the auditing of the consolidated financial statements and of the single-entity financial statements out to tender again. The criteria for the tendering process included the cost and the services offered by the bidders.

I would like to take this opportunity to thank PricewaterhouseCoopers AG for the constructive working relationship we have enjoyed with them at all times over the past ten years.

As we have already reported, Gino Mario Biondi stepped down as a member of the Supervisory Board with effect from 12 January 2007. On application by the Management Board of DEUTZ AG, the Cologne local court appointed Dr Massimo Bordi, Chief Executive Officer of SAME DEUTZ-FAHR Group S.p.A. as his successor until today's Annual General Meeting.

In item 6 of the agenda, the Supervisory Board now proposes that Dr. Massimo Bordi be elected as a shareholder representative on the Supervisory Board for the remaining term of office of the other members of the Supervisory Board, i.e. until the end of the 2008 Annual General Meeting.

The rewording of article 3 of our Statutes proposed in item 7 of our agenda is necessitated by the German Transparency Directive Implementation Act (TUG) of 5 January 2007, most of which came into force on 20 January 2007. Amongst other things, this legislation sets out requirements relating to the electronic communication of information to shareholders. The revised version of the German Securities Trading Act (WpHG) in connection with this new legislation requires the consent of the Annual General Meeting for such electronic communication.

It is our view that the electronic dissemination of information can accelerate and facilitate communications between the company and its shareholders. This applies, in particular, to the distribution of documentation for the Annual General Meeting to shareholders in electronic form. For this reason, it is planned to enshrine the option of using this type of communication in the Statutes of the company.

Ladies and gentlemen,

Let us now take a look at developments during the current year.

The business is continuing to perform very well. Compared to the same period of 2006, new orders in the first quarter of 2007 increased by around 30 per cent to €515.7 million and unit sales of engines increased by almost 23 per cent to 63,770. Consequently, revenue increased by a good 26 per cent to €390.9 million. Operating profit in the first quarter was €13.1 million. At €5.8 million, net income was well into positive territory, representing a rise of almost 50 per cent on the first quarter of 2006.

Dear shareholders,

One key element in the further development of DEUTZ is the “7up” growth and efficiency programme that was initiated in 2006. It's all in the name: it

stands for the achievement of a seven per cent EBIT margin in the year 2007.

All the measures and activities connected with “7up” are systematically and firmly geared towards raising efficiency and growth. This involves, for example, optimising internal processes and cost structures, improving procurement processes, reducing material costs and optimising our in-house production. The expansion of our service offering is also part of the programme.

Our operational target for the current financial year is to increase unit sales to 260,000 engines, not including the contribution made by our new joint venture in China. In terms of revenue, our aim is to achieve growth of between six and ten per cent. Operating profit will see further improvement. According to our plans, net income will increase by a double-digit million euro amount.

We will push ahead with our investment in the future in 2007. Whilst spending on research and development will remain at a high level, we will raise the level of capital expenditure to more than €100 million. A further €60 million has been earmarked for the Chinese joint venture. As we do not hold a majority of the capital in this joint venture, it is not fully consolidated in the DEUTZ consolidated financial statements. It is consolidated using the equity method, which means that it is reflected on our income statement primarily under investments and net interest expenses and on the balance sheet under financial assets and liabilities. In 2007, start-up losses at the joint venture will depress our earnings slightly. Nevertheless, this investment is a key part of our internationalisation process and serves to secure our long-term competitive position in Asia.

I would also like to take an initial look ahead to the year 2008 today. It will be the first full financial year for the joint venture in China. DEUTZ will also

be working very hard out in preparation for the introduction of the next generation of emission standards, and continuing to expand production capacity. The return on capital employed should be raised to twelve per cent, and as a visible sign of the company's success, we are planning to pay a dividend for the 2007 financial year in 2008 for the first time in over twenty years. We believe the dividend could be between ten and 15 euro cents per share.

Ladies and gentlemen,

So how do our prospects for the future look? Over the last few years, DEUTZ AG has created a solid platform from which to be able to exploit the market opportunities that exist.

- In future, our Chinese joint venture will provide us with the local capacity to supply diesel engines to the growing Asian markets.
- We will benefit from the increasing trend towards outsourcing in our customer sectors. The strategic alliances with Volvo and SAME-DEUTZ-FAHR will enable us to draw on an extensive experience and expertise. And with the TCD 2013 4V, we have a "best-in-class" engine that serves as an excellent reference in our product portfolio.
- By creating DEUTZ Customised Solutions and optimising the structure of our operations at the various locations, we will be better able to meet the growing demand for customised solutions in air-cooled engines. Our new centre of competence in Ulm will also help us to exploit the opportunities offered by this market in a more targeted manner.
- We are meeting the growing demand for compact equipment with a decidedly market-driven product range, with the most promising area

being engines with a capacity of up to four litres for the European and US markets.

- We believe that our solutions in the area of special gas applications put us in the ideal position to benefit from the growth in the global market for decentralised power generation and biogas applications. We intend to develop our new business in this area and in so doing to significantly expand our service business in the medium and long term.

Before I conclude, I really want to thank all the DEUTZ employees in Germany and abroad without whose dedication and commitment the success of recent years would not have been possible. I would also like to thank our Supervisory Board for its outstanding support, the employee representatives for their constructive cooperation in the necessary process of change and our cooperation partners and other business partners for the trust they have placed in the capabilities of DEUTZ AG.

Ladies and gentlemen

Optimisation of locations, internationalisation, growth, product development and the development of alliances - these are all areas to which we have successfully turned our attention in recent years. And in future the Management Board will continue to align its operational and strategic activities with these key aspects of our business.

The DEUTZ Dalian joint venture marks a first and an important step in the process of internationalisation. One of the main tasks in 2007 and 2008 will be the successful integration of the joint venture into existing structures.

DEUTZ will continue to expand. A particular area of focus will be the Asian market, especially China, and also the US market. The strategic alliances

will be carefully nurtured and if possible expanded upon. As demand grows, production capacity will be expanded with a firm focus on customer requirements. Spending on research and development will remain high, because the culture of innovation at DEUTZ is a key factor in being able to exploit market opportunities in order to generate sustained and profitable growth. In a nutshell, ladies and gentlemen, your DEUTZ has “Excellent Prospects”.

Thank you very much.