

DEUTZ AG

ANALYSTS´ MEETING

Financial year 2007

Frankfurt/Main, 28 March 2008

The engine company.





Agenda

- Highlights of financial year 2007
Dr Helmut Leube, Chairman of the Management Board
- Key performance indicators for 2007
Helmut Meyer, CFO
- Outlook for 2008
Dr Helmut Leube, Chairman of the Management Board
- Appendix



Business highlights of 2007

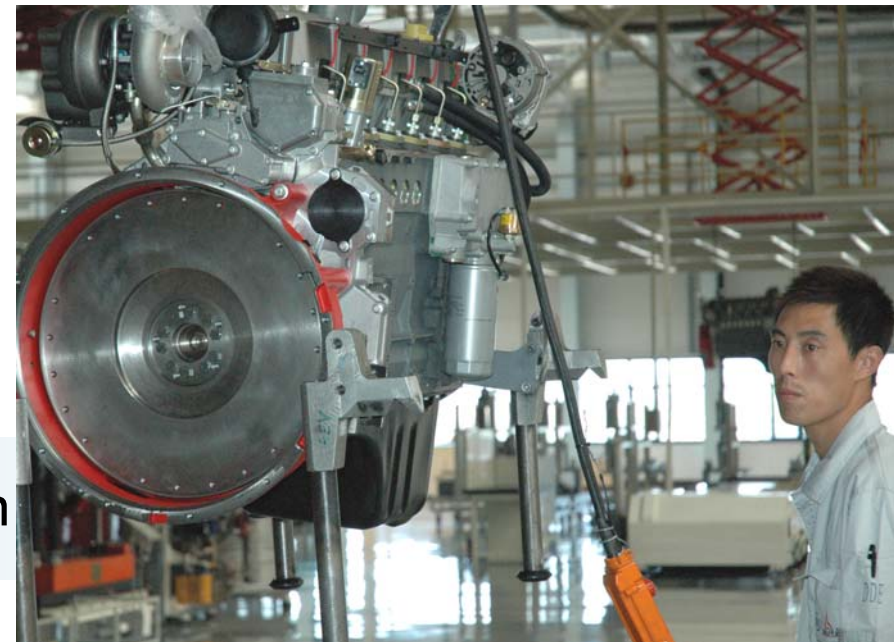
- Sustained high growth with full capacity utilisation
 - New orders +22 %, revenue +29 %
- DEUTZ Power Systems sold for €360 million, gain on disposal (after taxes) of €118 million
- First full year of production of the new TCD 2013 4V commercial vehicle engine
- Series launch of nonroad engines: 75-130 kW, emissions standard EU III A and EPA¹⁾ Tier 3
- DEUTZ Dalian joint venture commenced on 1 August as planned
- Expansion of the profitable service business continues steadily
- First dividend proposal in more than 20 years: €0.40 per share (€0.20 of which are special dividends from the proceeds of the sale of DEUTZ Power Systems)

1) Environmental Protection Agency

DEUTZ Dalian joint venture off to a good start

- Start of operations: 1 August 2007
- Capital expenditure of €58 million, around 2,000 employees
- 42,000 engines produced in the first 5 months, 3,000 of which using DEUTZ technology
- Revenue reaches €80 million
- Start-up costs of €6 million within budget
- First supply agreements signed with DEUTZ customers
- Expansion of 4-litre to 8-litre crankcase production from 50,000 to 60,000 decided

➔ Increased presence in Asian growth region

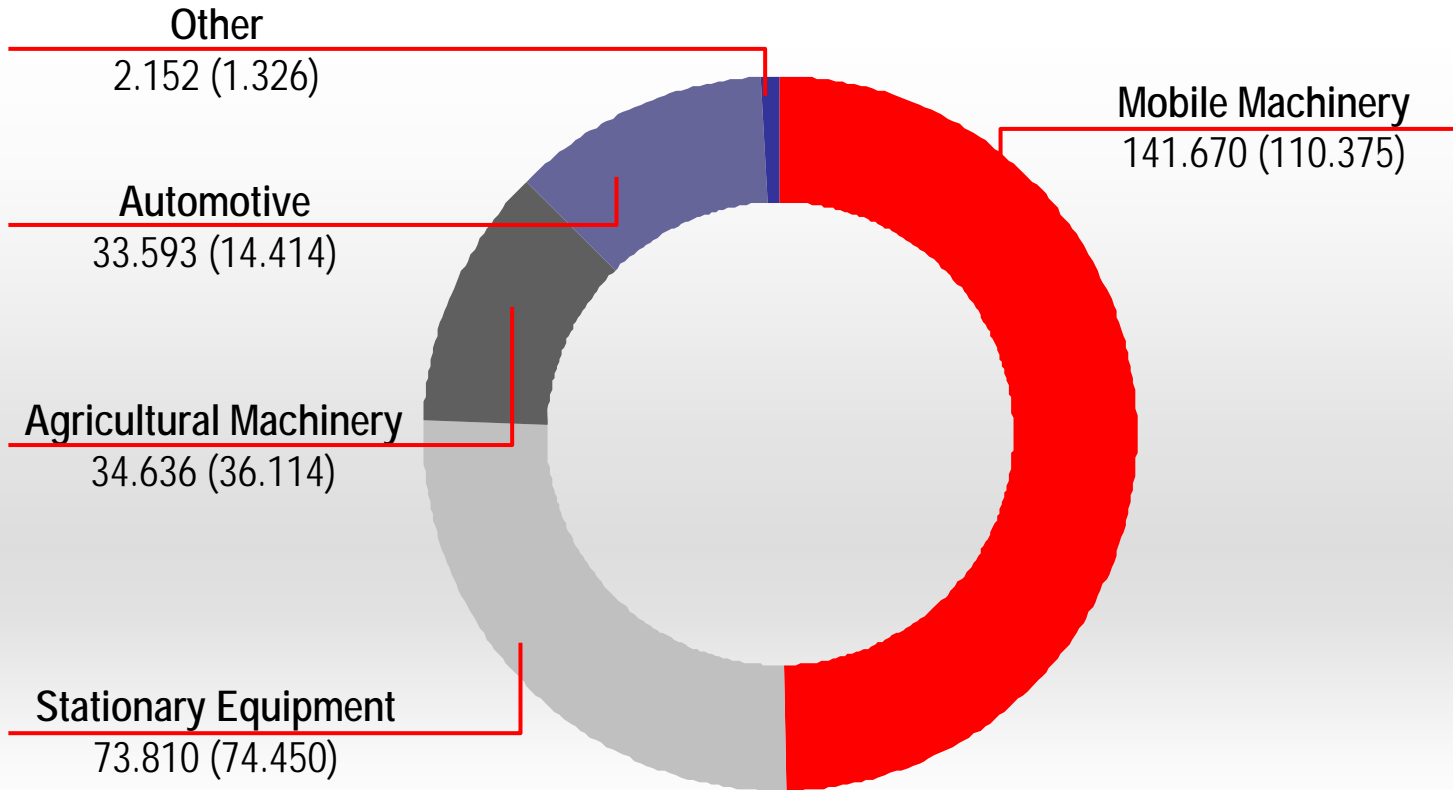




Unit sales of engines rise sharply in Mobile Machinery and Automotive segments

Unit sales by application segment

2007 (2006)

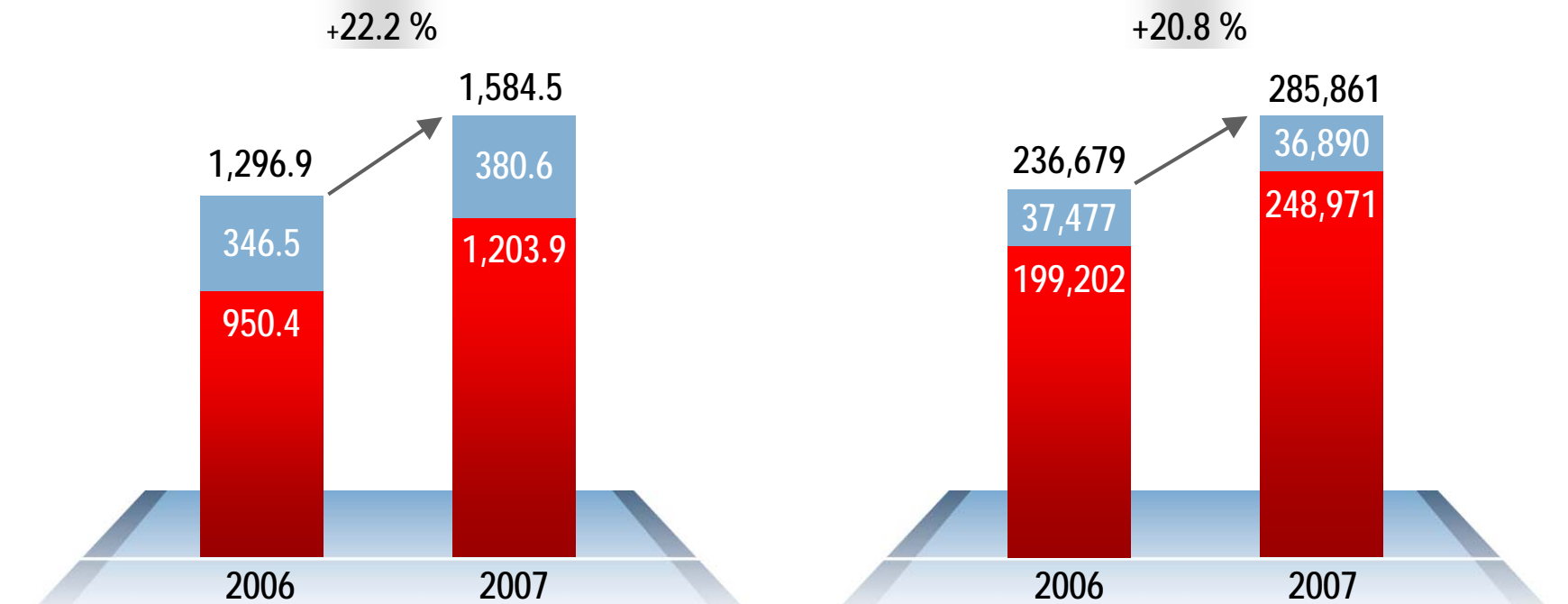


Strong growth in 2007: DEUTZ increases new orders and unit sales by more than 20 %



New orders (€ million)

Unit sales



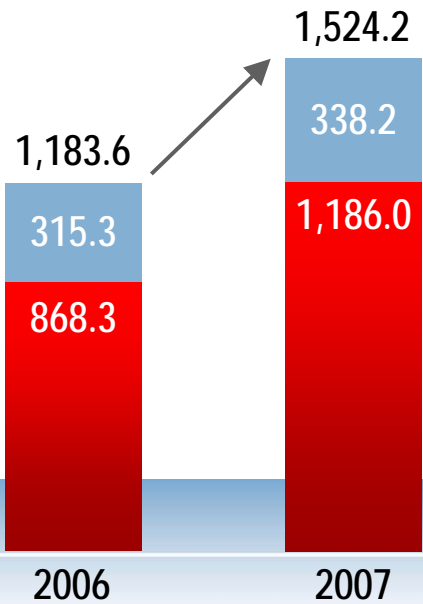
■ Compact Engines ■ DEUTZ Customised Solutions



Group revenue benefits in particular from higher demand for commercial-vehicle engines

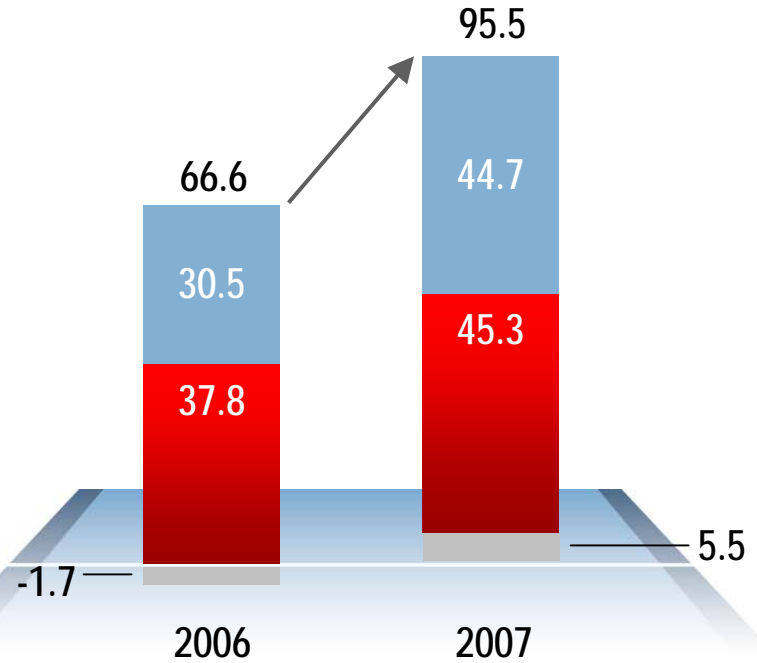
Revenue (€ million)

+28.8 %



EBIT (€ million)

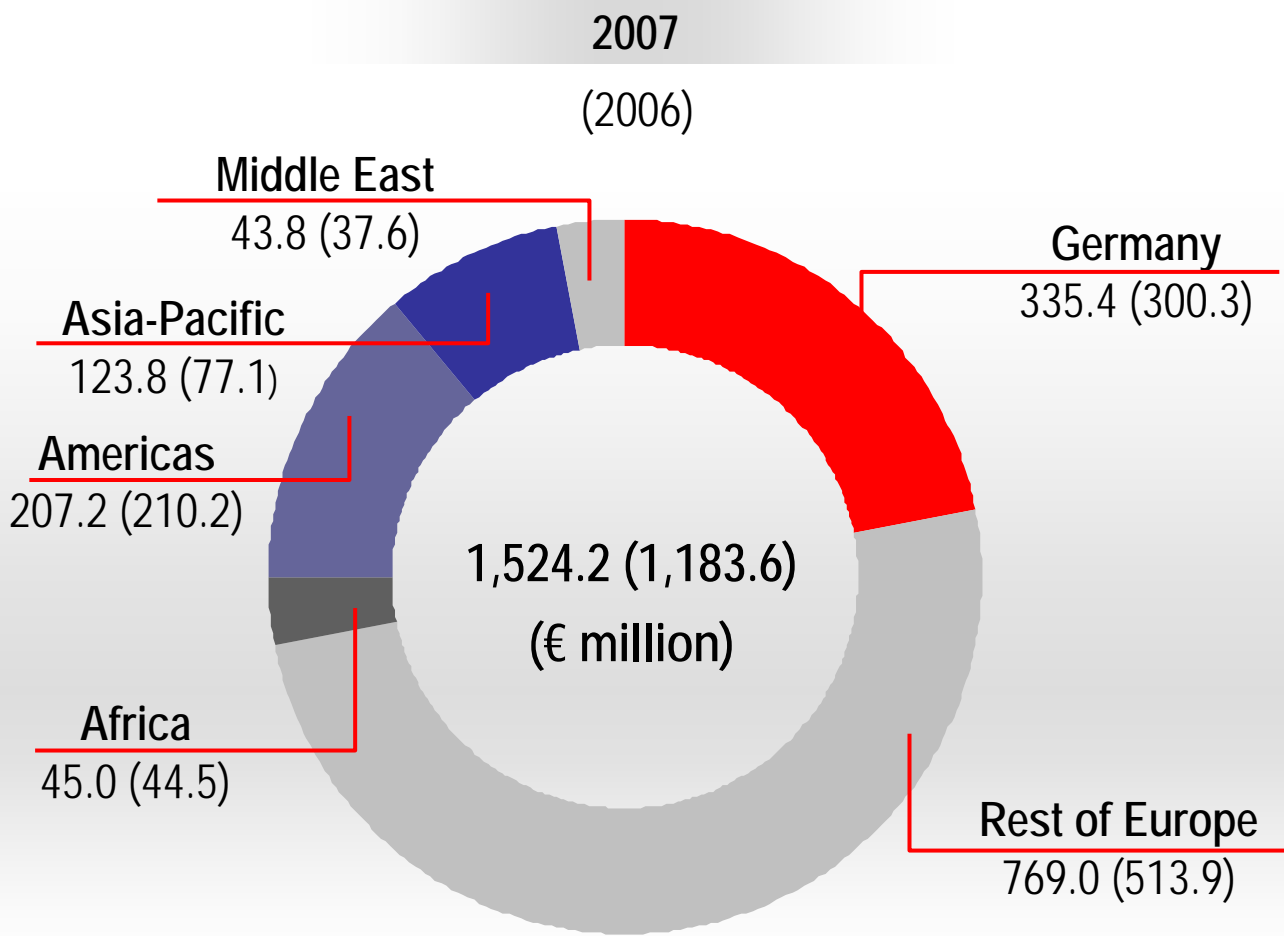
+43.4 %



■ Compact Engines
 ■ DEUTZ Customised Solutions
 ■ Other



Revenue by region

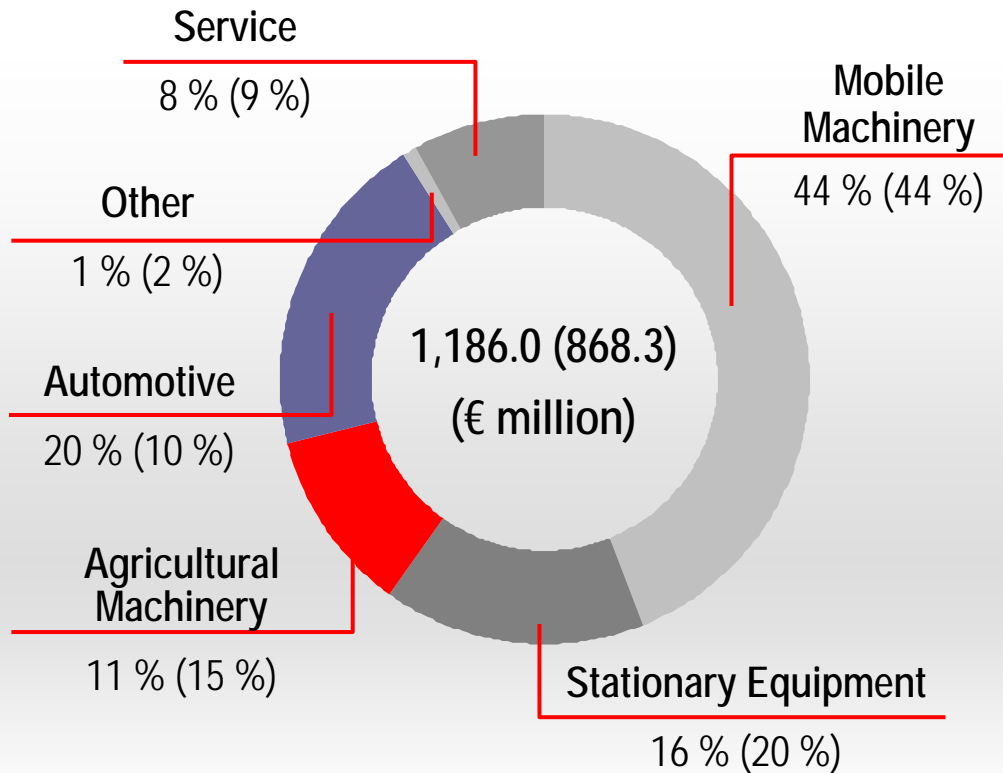




Compact Engines segment: highlights

Revenue distribution by application segment

2007 (2006)



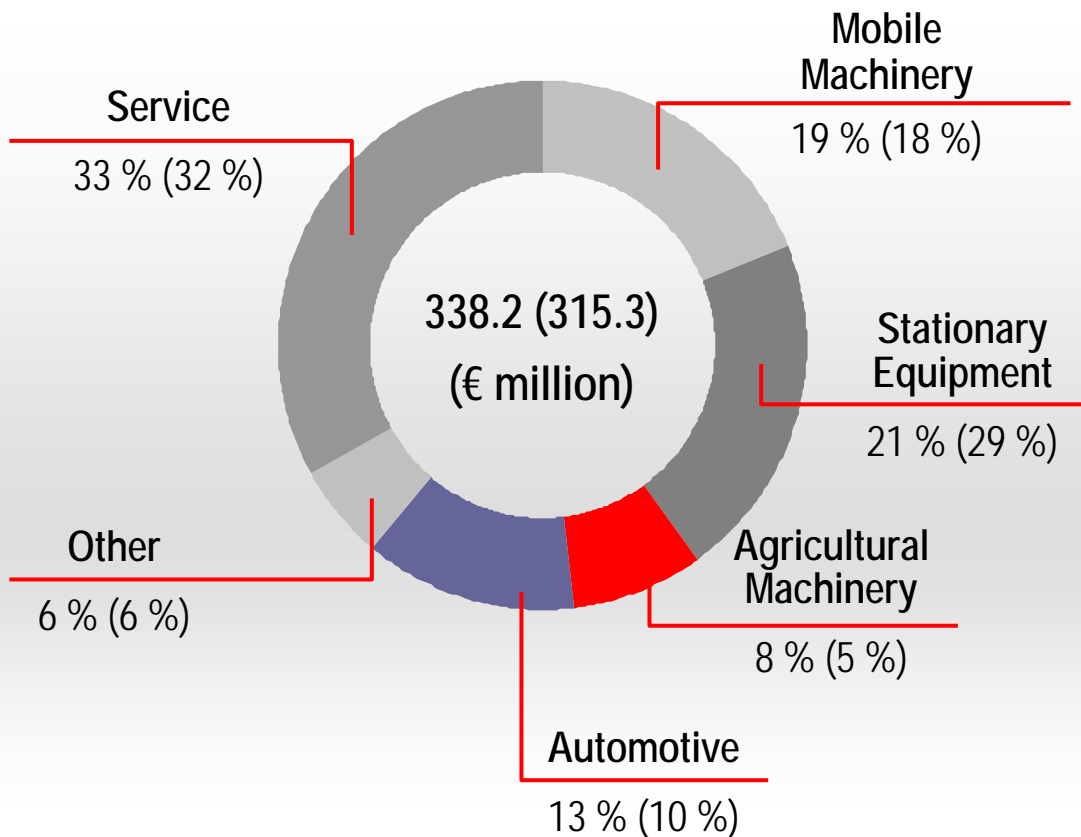
- Strong growth in commercial-vehicle engines
- Unit sales of 4-litre to 8-litre engines: +38 %



DEUTZ Customised Solutions segment: highlights

Revenue distribution by application segment

2007 (2006)



- New orders increase by 10 %
- Service revenue rises 8.5 % to €111 million (€102 million)



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Financial highlights of 2007

- EBIT reaches €95.5 million (+43%)
- EBIT margin: 6.3 % (+0.7 percentage points)
- Net income from continuing operations: €59.4 million (+54%)
- Net income after tax on discontinued operations: €123.9 million

→ Outstanding financial year 2007





Financial topics in 2007

- Long-term financing basis secured through private placement in the U.S.
 - Bonds worth more than USD 274 million (€203 million) placed with U.S. institutional investors, tranches run for 5, 7 and 10 years
 - Proceeds used for DEUTZ Dalian joint venture (€58 million) and for payment of compensation for the surrender of vested company pension rights (€80 million)
- Balance sheet structure improved due to compensation payment for pension rights
 - Offer made to retirees and pension beneficiaries to surrender vested pension rights in return for one-off compensatory payments: More than 8,500 persons accepted the offer
 - Approx. €80 million was paid out/pension reserves were reduced by approximately €89 million
- 29 % of the convertible bonds were converted into shares in 2007, thus lowering the outstanding portion to less than 10 % of the bonds issued
 - Bond called in effective 7 March 2008; all bonds were redeemed except for 68,070 units
 - Number of shares on 3 March 2008 (latest possible date of conversion): 120,861,063



Income statement (selected items): Upward earnings trend in 2007

(€ million)	2007	2006	Delta in %
Revenue	1,524.2	1,183.6	28.8
Other operating income	66.7	52.1	28.0
Cost of materials	-1,029.7	-758.9	35.7
Other operating expenses	-155.3	-124.4	24.8
EBIT	95.5	66.6	43.4
Interest expense, net	-18.1	-19.2	-5.7
Net income on continuing operations	59.4	38.5	54.3
Net income on discontinued operations	123.9	23.0	-
Net income	183.3	61.5	-



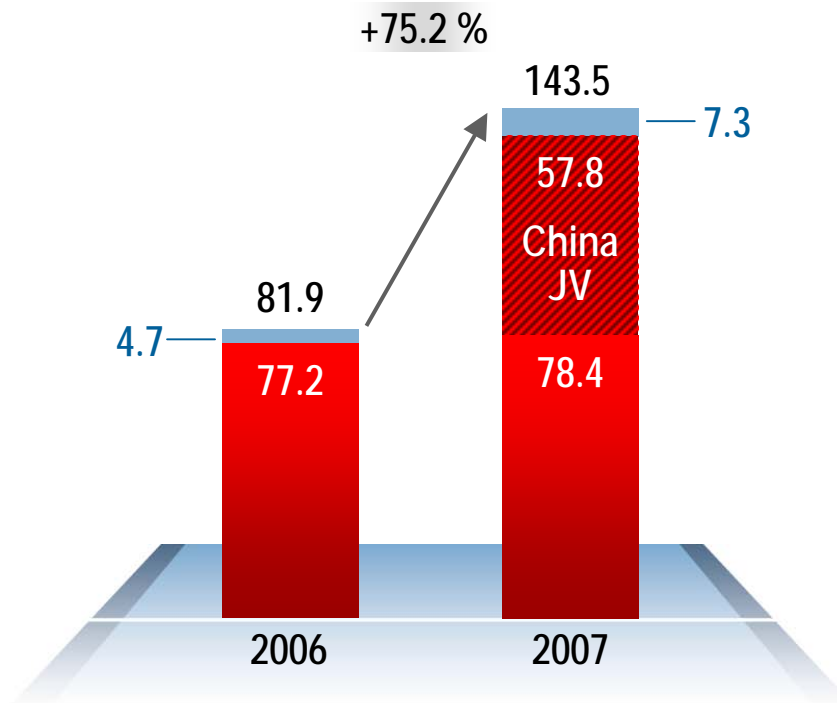
Cash flow statement (condensed): Cash flows impacted by special effects

DEUTZ Group	(€ million)	2007	2006
EBIT		95.5	66.6
Cash flow from operating activities before payment of compensation for vested company pension rights (continuing operations)		41.1	84.4
Payment of compensation for vested company pension rights (continuing operations)		-79.8	-
Cash flow from operating activities (discontinued operations)		-9.1	25.8
Cash flow from operating activities (total)		-47.8	110.2
Cash flow from investing activities (continuing operations)		-144.1	-91.3
Cash flow from investing activities (discontinued operations)		296.4	-5.5
Cash flow from investing activities (total)		152.3	-96.8
Cash flow from financing activities		161.9	-11.8
Change in cash and cash equivalents		266.4	1.6

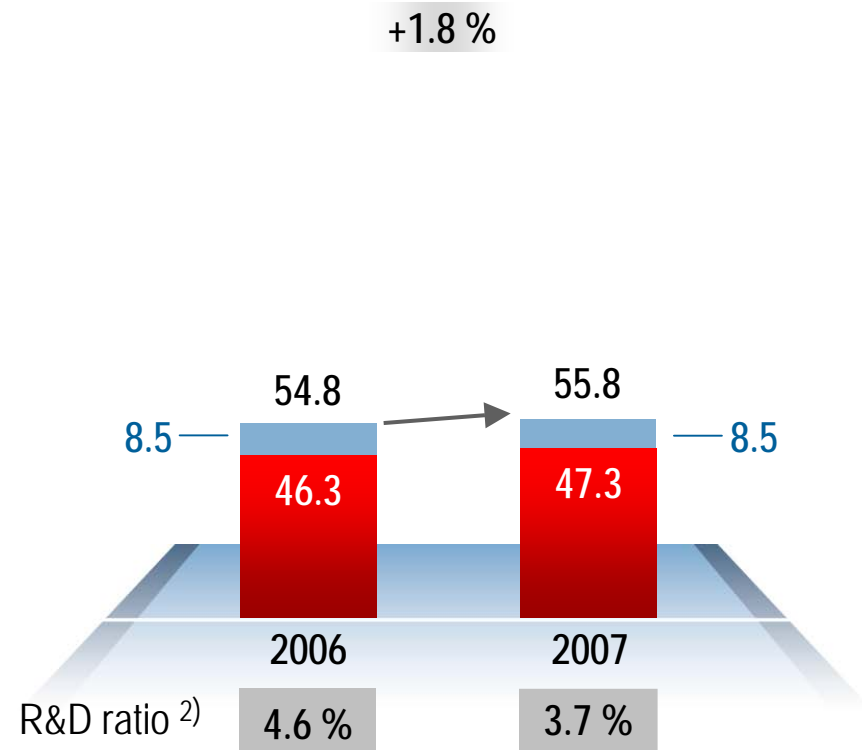


Commitment in China and capacity expansion affect capital expenditure, R&D develops as planned

Capital expenditure ¹⁾ (€ million)



R&D (€ million)



R&D ratio ²⁾ 2006: 4.6 % 2007: 3.7 %

1) excluding capitalised development costs

2) R&D expense/Group revenue

■ Compact engines

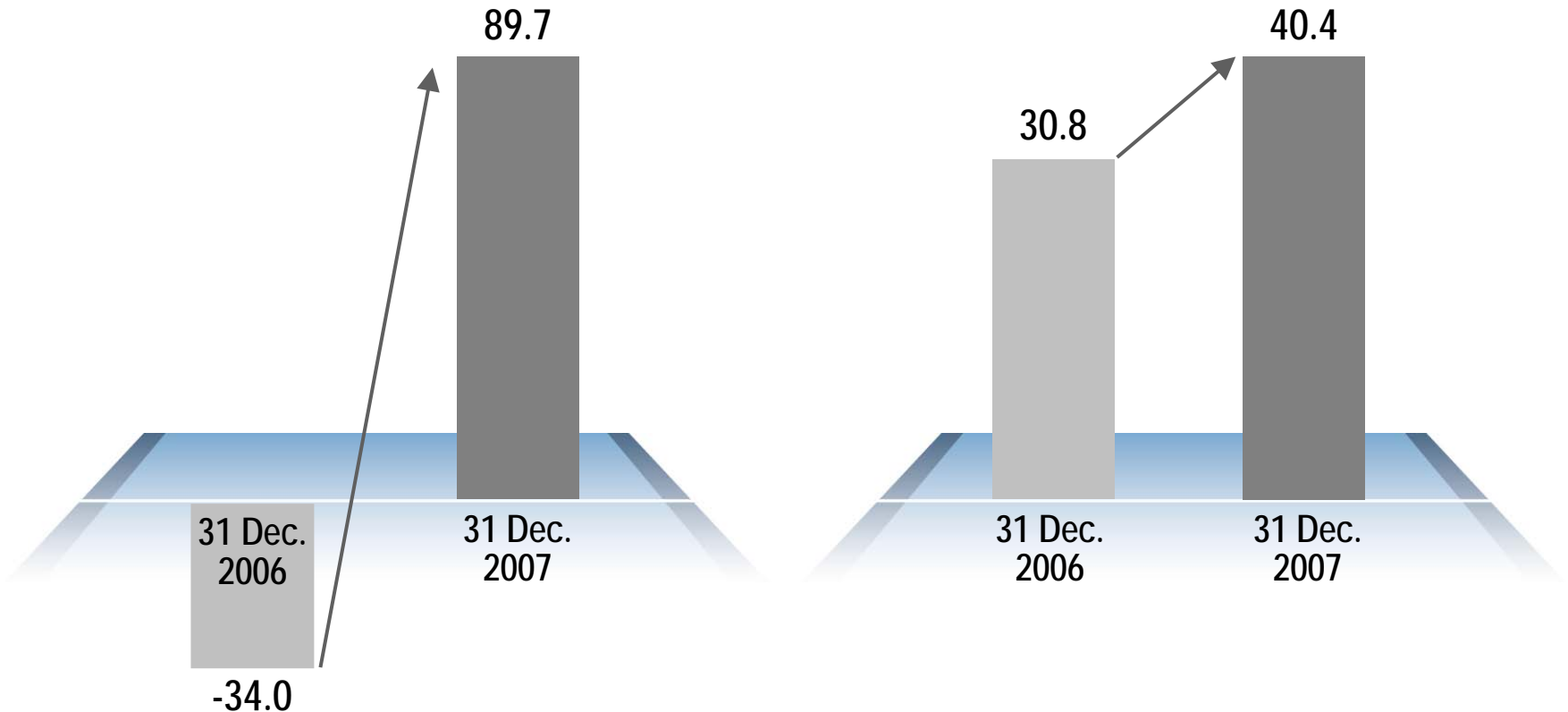
■ DEUTZ Customised Solutions



Net financial position¹⁾ positive, sound equity ratio of 40%

Net financial position ¹⁾ (€ million)

Equity ratio (%)



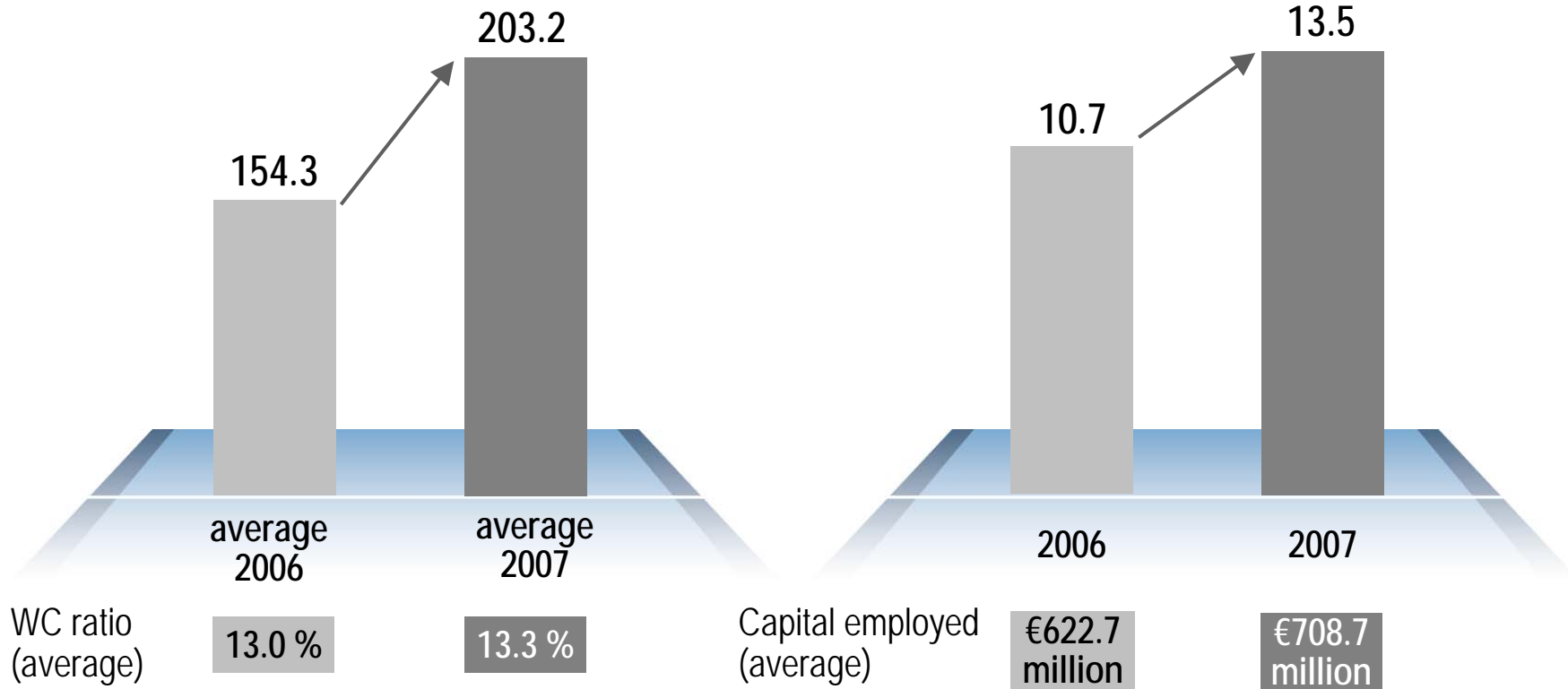
¹⁾ cash and cash equivalents less current and non-current interest-bearing financial liabilities



Working capital ratio of 13 %, ROCE increases further

Working capital¹⁾ (€ million)

ROCE¹⁾ in %



1) 2006: comparable calculation for continuing operations



Net income from discontinued operations

	(€ million)
Selling price	360.0
- Assets and liabilities	-148.0
- One-off expenses	-64.9
Gain on disposal before income taxes	147.1
Income taxes	-28.8
Gain on disposal after income taxes	118.3
DEUTZ Power Systems' current net income (after taxes)	5.6
Total	123.9



2007: Segment overview

Unit sales	2007	2006	Delta in %
Compact Engines	248,971	199,202	25.0
DEUTZ Customised Solutions	36,890	37,477	-1.6
Total continuing operations	285,861	236,679	20.8

Revenue (€ million)	2007	2006	Delta in %
Compact Engines	1,186.0	868.3	36.6
DEUTZ Customised Solutions	338.2	315.3	7.3
Total continuing operations	1,524.2	1,183.6	28.8
Germany	22.0 %	25.4 %	
Exports	78.0 %	74.6 %	

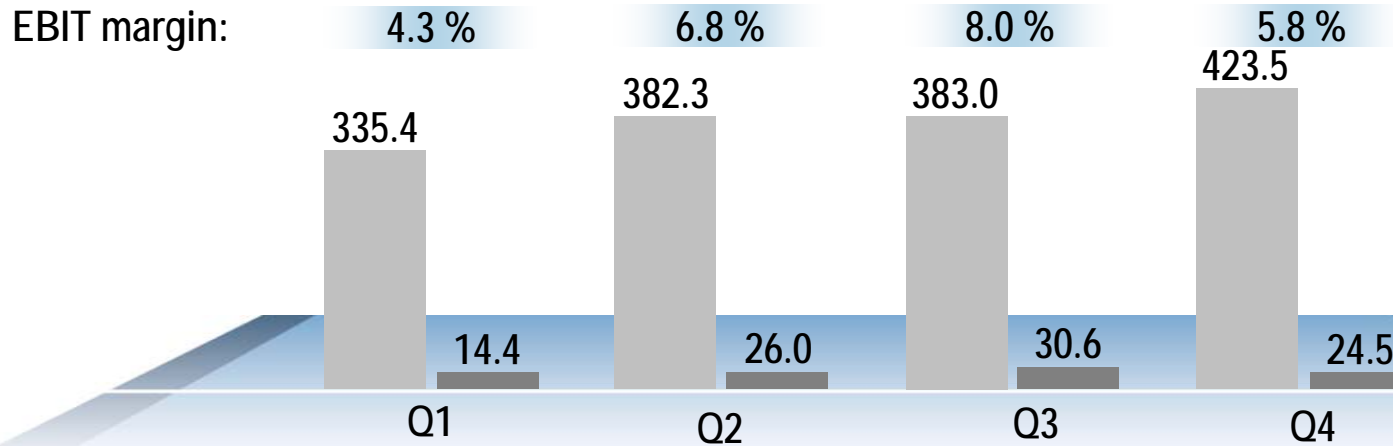
New orders (€ million)	2007	2006	Delta in %
Compact Engines	1,203.9	950.4	26.7
DEUTZ Customised Solutions	380.6	346.5	9.8
Total continuing operations	1,584.5	1,296.9	22.2

EBIT (€ million)	2007	2006	Delta in %
Compact Engines	45.3	37.8	19.8
DEUTZ Customised Solutions	44.7	30.5	46.6
Other	5.5	-1.7	-
Total continuing operations	95.5	66.6	43.4

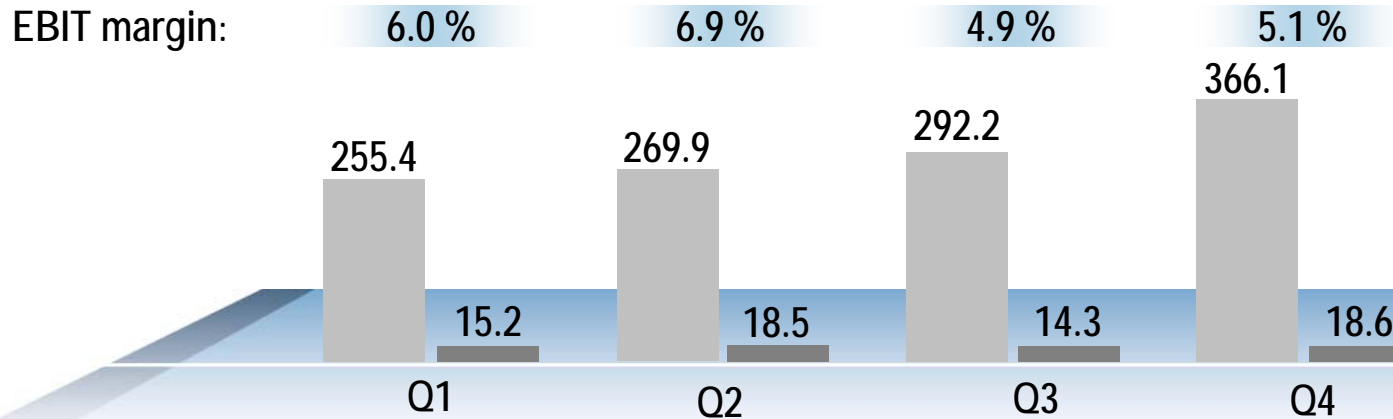


DEUTZ makes strong gains in Q4 2007

Revenue and EBIT 2007 (€ million)

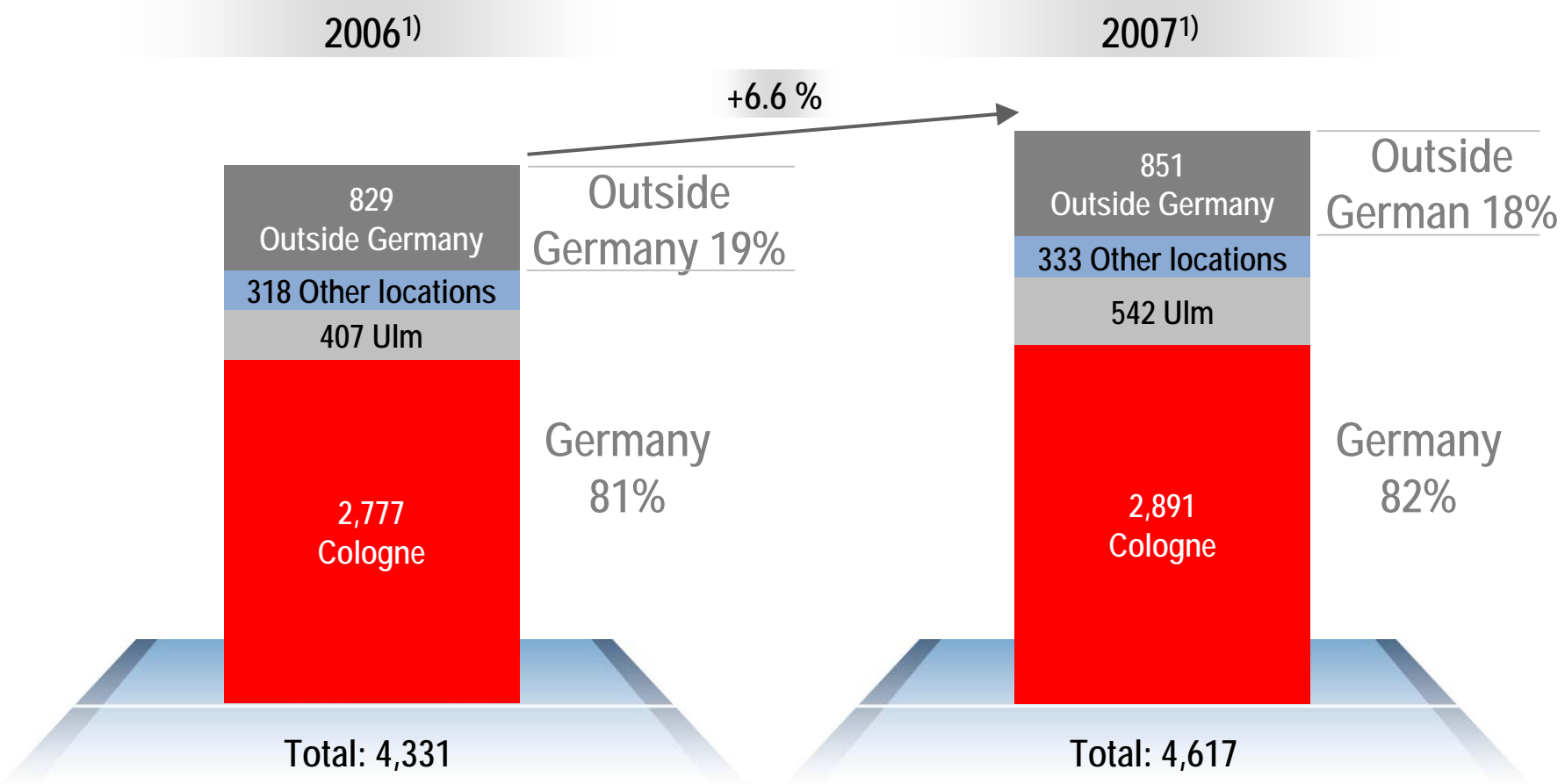


Revenue and EBIT 2006 (€ million)





Increase in employee numbers reflects growth course



1) as at 31 December



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Positive outlook for 2008

	2007	2008
Unit sales (DEUTZ Group)	286,000	>300,000 (+10 %)
Unit sales (DEUTZ Dalian)	-	100,000 - 120,000
Revenue (€ million)	1,524.2	+10 to 15 %
Revenue (DEUTZ Dalian) (€ million)	-	>300
EBIT margin (%)	6.3	~ 7
Research and development (€ million)	56	80
Capital expenditure ¹⁾ (€ million)	86	>100

1) property, plant and equipment and intangible assets excluding capitalised development costs

Expansion of service business in 2008

- Xchange USA: expansion of business in reconditioned engines
 - Capital expenditure of €2.3 million for machines, leasing of factory workshop, hiring of 45 employees (start: H2 2008)
 - Medium term capacity of 3,000 engines annually

- Xchange Germany: New construction of a factory for reconditioned engines (to replace existing factory)
 - Total capital expenditure: €14 million for land, buildings, machines (start: H1 2009)
 - Medium term capacity for 7,000 engines annually





Challenges for 2008

- DEUTZ Dalian: First full financial year of the joint venture
 - Secure supply of materials via Chinese suppliers
 - Ensure a smooth start to DEUTZ engine production: goal of up to 20,000 engines
 - Produce 80,000 to 100,000 engines using Chinese technology
- Improve profitability
- Make intense preparations for next emissions levels
- Expand production capacities and additionally optimise production and location strategy
- Increase service share by steadily expanding activities



The engine company.

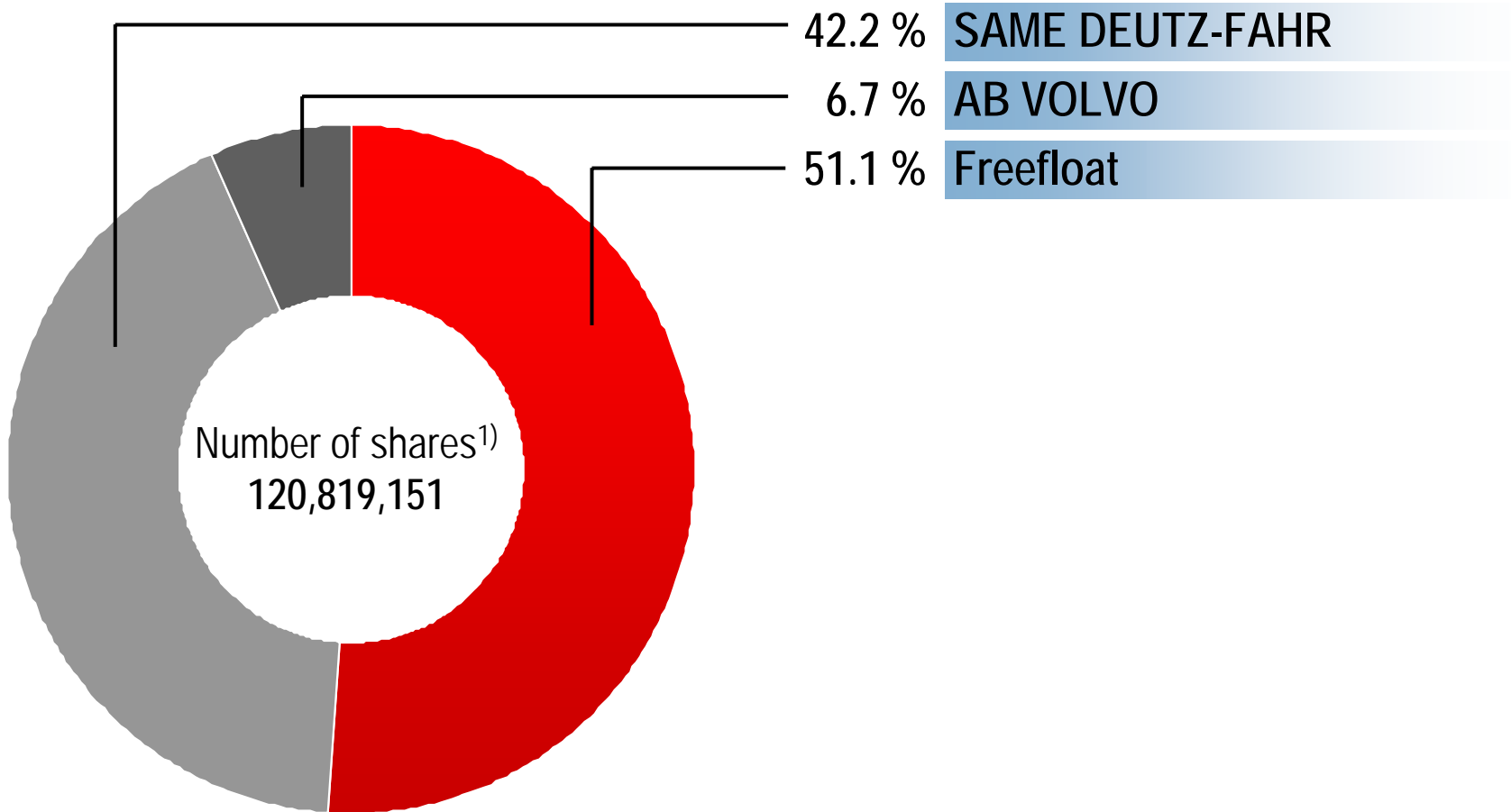


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Shareholder structure



1) as at 29 February 2008, including 19,683,056 converted bonds



Income Statement

DEUTZ Group: Income statement	(€ million)	2007	2006	Delta (%)
Revenue		1,524.2	1,183.6	28.8
Changes in inventories and other own work capitalised		30.1	22.5	33.8
Other operating income		66.7	52.1	28.0
Cost of materials		-1,029.7	-758.9	35.7
Staff costs		-275.0	-252.3	9.0
Depreciation and amortisation		-65.5	-58.7	11.6
Other operating expenses		-155.3	-124.4	24.8
Profit/loss from equity-accounted investments		-1.7	1.2	-
Other investment income		1.5	1.3	15.4
Reversal of impairment losses on non-current financial assets		0.2	0.2	-
EBIT		95.5	66.6	43.4
Interest expense, net		-18.1	-19.2	-5.7
thereof finance costs		-29.6	-23.4	26.5
Other taxes		-1.3	-1.5	-13.3
Net income before taxes on continuing operations		76.1	45.9	65.8
Income taxes		-16.7	-7.4	-
Net income after taxes on continuing operations		59.4	38.5	54.3
Net income after taxes on discontinued operations		123.9	23.0	-
Net income		183.3	61.5	-



Balance Sheet: Assets

DEUTZ Group:		31 Dec.	31 Dec.	Delta
Assets	(€ million)	2007	2006	(%)
Non-current assets (before deferred tax assets)		511.3	499.1	2.4
Deferred tax assets		49.4	56.2	-12.1
Inventories		214.2	249.6	-14.2
Trade receivables		188.8	222.0	-15.0
Other receivables and assets		102.9	84.2	22.2
Cash and cash equivalents		311.1	49.4	-
Non-current assets and disposal groups held for sale		0.9	2.4	-62.5
Total assets		1,378.6	1,162.9	18.5



Balance Sheet: Equity and liabilities

DEUTZ Group: Equity and liabilities	(€ million)	31 Dec. 2007	31 Dec. 2006	Delta (%)
Equity		557.1	358.5	55.4
Provisions for pensions and other post-retirement benefits		176.7	271.2	-34.8
Other provisions/deferred tax provisions		46.5	52.5	-11.4
Financial liabilities		216.0	69.5	-
Other liabilities		10.0	2.8	-
Non-current liabilities		449.2	396.0	13.4
Provisions for pensions and other post-retirement benefits		16.7	26.5	-37.0
Other provisions/provision for current income taxes		75.0	51.2	46.5
Financial liabilities		5.4	13.9	-61.2
Trade payables		206.1	236.4	-12.8
Other liabilities		69.1	80.4	-14.1
Current liabilities		372.3	408.4	-8.8
Total equity and liabilities		1,378.6	1,162.9	18.5



Financial liabilities

(€ million)	31 Dec. 2007	31 Dec. 2006
Profit-sharing rights ¹⁾	-	-
Convertible bonds	2.7	20.8
Bond (US private placement)	190.1	-
Liabilities to banks	28.5	60.2
Liabilities under finance leases	0.1	2.4
Total	221.4	83.4

1) 2007: €31 thousand.



Other operating income

(€ million)	2007	2006
Income from recharged costs and services	37.8	32.3
Income from the settlement of pension claims	9.0	-
Income from the reversal of warranty provisions following disposal of Marine Service business	5.0	-
Exchange rate gains	3.2	1.6
Income from the measurement of derivatives (excluding interest rate derivatives)	3.0	4.4
Rentals and leases	4.1	4.7
Income on previously written-off Iraq receivable	-	5.3
Sundry other income	4.6	3.8
Total	66.7	52.1



Other operating expenses

(€ million)	2007	2006
Expenses for general services	55.7	47.3
Special selling expenses	25.2	25.1
Cost of rentals and leases	13.2	13.6
Office, postal, telecommunications, advertising and other administrative expenses	10.3	9.8
Cost of fees, contributions and advice	12.3	10.3
Exchange rate losses	4.5	3.9
Expenses in connection with the measurement of derivatives	2.3	-
Temporary staff	14.3	10.4
Sundry other expenses	17.5	4.0
Total	155.3	124.4



Key performance indicators for 2007

(€ million)	2007	2006	Delta (%)
New orders	1,834.1	1,631.3	12.4
of which from continuing operations	1,584.5	1,296.9	22.2
of which from discontinued operations	249.6	334.4	-25.4
Revenue	1,731.3	1,498.2	15.6
of which from continuing operations	1,524.2	1,183.6	28.8
of which from discontinued operations	207.1	314.6	-34.2
EBITDA	174.7	146.8	19.0
of which from continuing operations	161.0	125.3	28.5
of which from discontinued operations	13.7	21.5	-36.3
EBIT	104.9	81.5	28.7
of which from continuing operations	95.5	66.6	43.4
of which from discontinued operations	9.4	14.9	-36.9
Net income	183.3	61.5	-
of which from continuing operations	59.4	38.5	54.3
of which from discontinued operations	123.9	23.0	-
Basic earnings per share (€)	1.56	0.57	-
of which from continuing operations	0.51	0.36	41.7
of which from discontinued operations	1.05	0.21	-



Income statement (continuing operations)

DEUTZ Group	(€ million)	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Revenue		335.4	382.3	383.0	423.5
Changes in inventories and other own work capitalised		18.2	10.9	13.8	-12.8
Other operating income		11.8	23.0	17.6	14.3
Cost of materials		-232.3	-266.7	-264.0	-266.7
Staff costs		-65.9	-70.4	-69.4	-69.3
Depreciation and amortisation		-16.7	-15.7	-16.2	-16.9
Other operating expenses		-36.4	-37.9	-34.2	-46.8
Profit/loss from equity-accounted investments		0.3	0.3	-	-2.3
Other investment income		-	-	-	1.5
Reversal of impairment losses on non-current financial assets		-	0.2	-	-
EBIT		14,4	26.0	30.6	24.5
Interest expense, net		-5,2	-5.4	-5.7	-1.8
of which finance costs		-5,8	-5.8	-8.2	-9.8
Other taxes		-0,2	-0.4	-0.5	-0.2
Net income before taxes on continuing operations		9,0	20.2	24.4	22.5
Income taxes		-1,0	-1.7	-15.3	1.3 ¹⁾
Net income after taxes on continuing operations		8,0	18.5	9.1	23.8
Net income after taxes on discontinued operations		-2,2	2.1	107.7	16.3
Net income		5,8	20.6	116.8	40.1

1) including deferred tax assets



Financial Dates 2008 / 2009

- | | | |
|--|---------|-----------------|
| ■ Publication Report 1st Quarter 2008
Conference call with analysts and investors | | 30 April 2008 |
| ■ Annual General Meeting | Cologne | 21 May 2008 |
| ■ Publication Report 1st Half-year 2008
Press conference
Conference call with analysts and investors | Cologne | 13 August 2008 |
| ■ Publication Report 1st to 3rd Quarter 2008
Conference call with analysts and investors | | 7 November 2008 |
| ■ Annual General Meeting | Cologne | 30 April 2009 |



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