

DEUTZ AG

CONFERENCE CALL Q1 – Q3 2008

7 November 2008

The engine company.





Agenda

- **Overview Q1 – Q3 2008**

Dr Helmut Leube, Chairman of the Management Board

- **Key financials Q1 – Q3 2008**

Helmut Meyer, Chief Financial Officer

- **Outlook and action programme**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**



DEUTZ overview Q1 – Q3 2008

- **Rapidly deteriorating market environment since mid-2008**
 - Financial crisis is clearly affecting real economy
 - Pace of economic downturn almost unprecedented
 - Very cautious approach amongst DEUTZ's customers:
sharp fall in new orders and cancellations of existing orders
 - Market downturn has spread from the US to Europe; first signs of slowdown in China

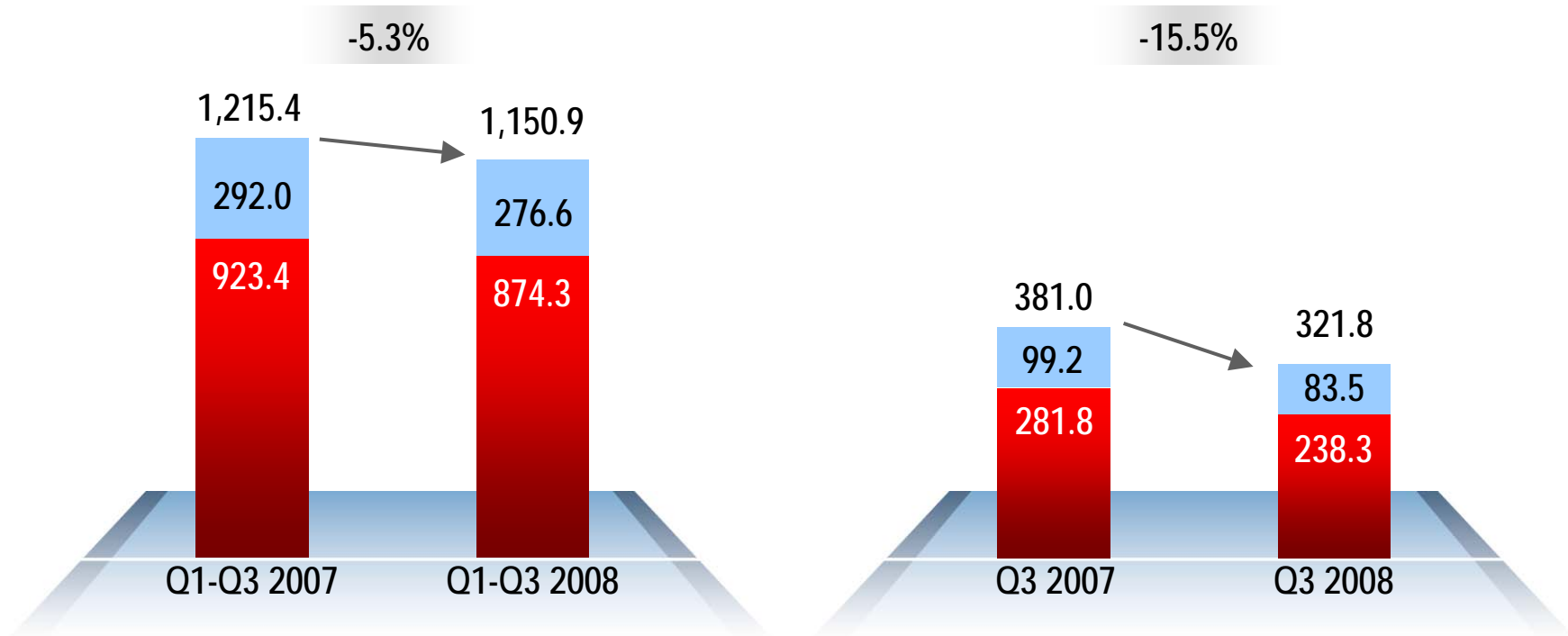
- **Top-line growth at DEUTZ mainly a result of strong first half**
 - Q3 numbers displaying adverse market trend
 - DEUTZ Customised Solutions continues to perform well
 - Service business generating encouraging growth

- **"MOVE": action programme launched to secure profitability and future prospects**
 - Comprehensive measures to strengthen profitability and improve efficiency
 - Significant additional earnings contribution in a high double-digit million euro range



DEUTZ overview: new orders

€ million

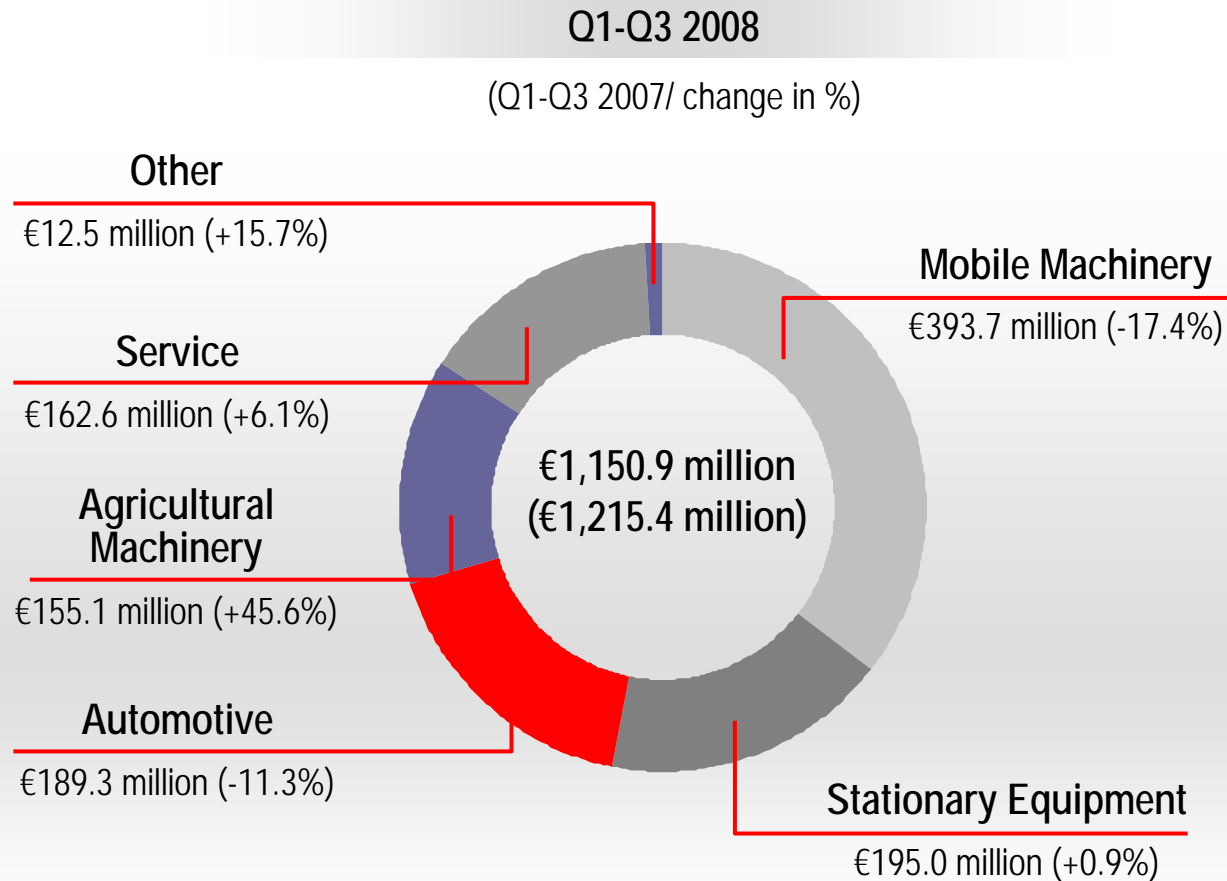


- Economic downturn is affecting DEUTZ’s business environment, especially in compact engines
- Sharp fall in new orders in Q3 reflecting very cautious approach amongst customers
- Decline at DEUTZ Customised Solutions due to strong prior-year period

■ Compact Engines ■ DEUTZ Customised Solutions



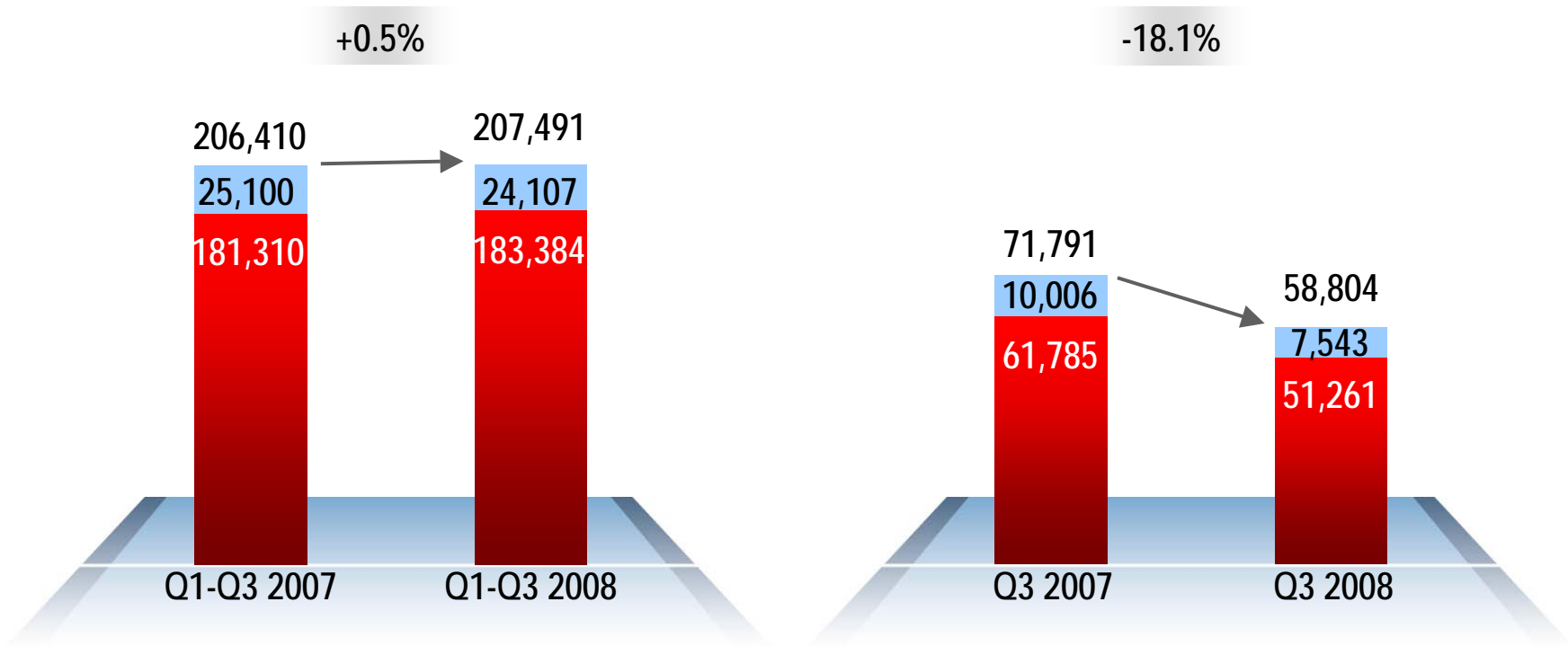
New orders by application segment



New orders by application segment not consolidated



DEUTZ overview: unit sales

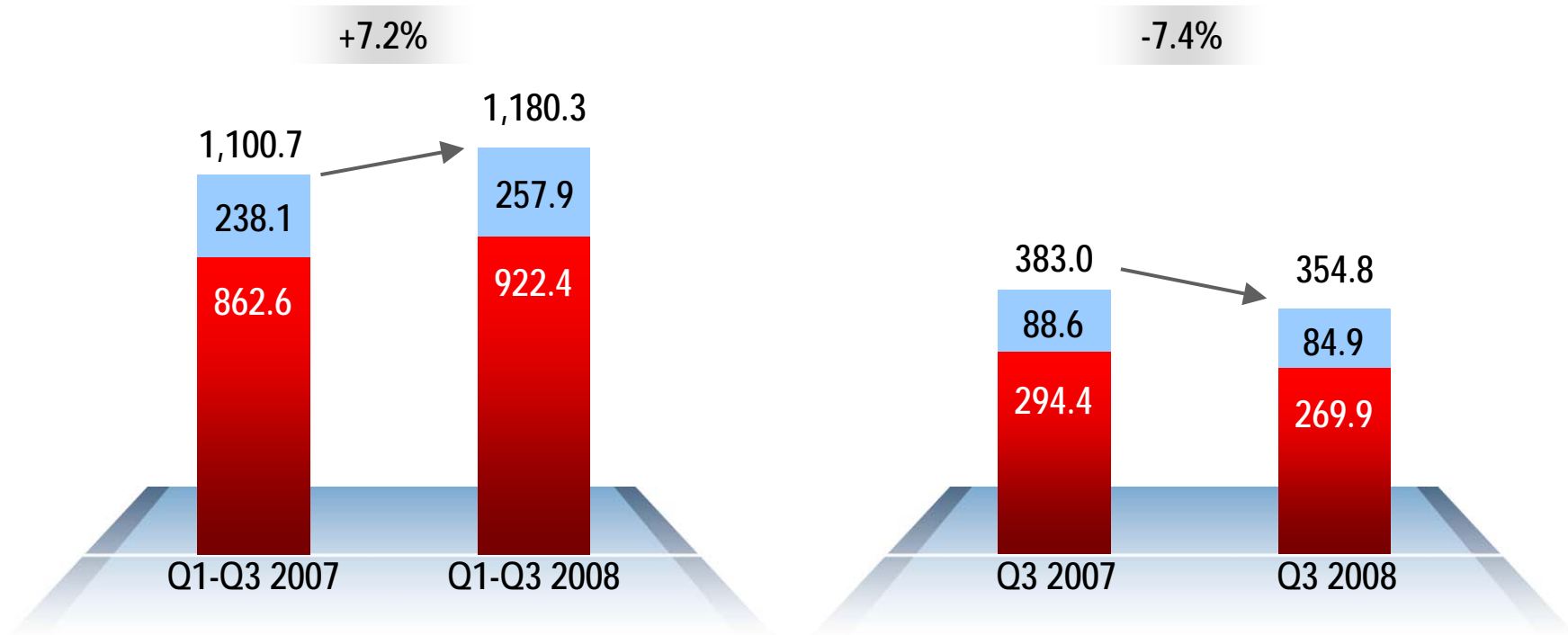


- Unit sales flat after 9 months; supported by volume growth in H1
- Q3: fall in unit sales, especially in compact engines < 4 litres
- Decrease of engine sales at DEUTZ Customised Solutions mainly attributable to change in product portfolio



DEUTZ overview: revenue

€ million

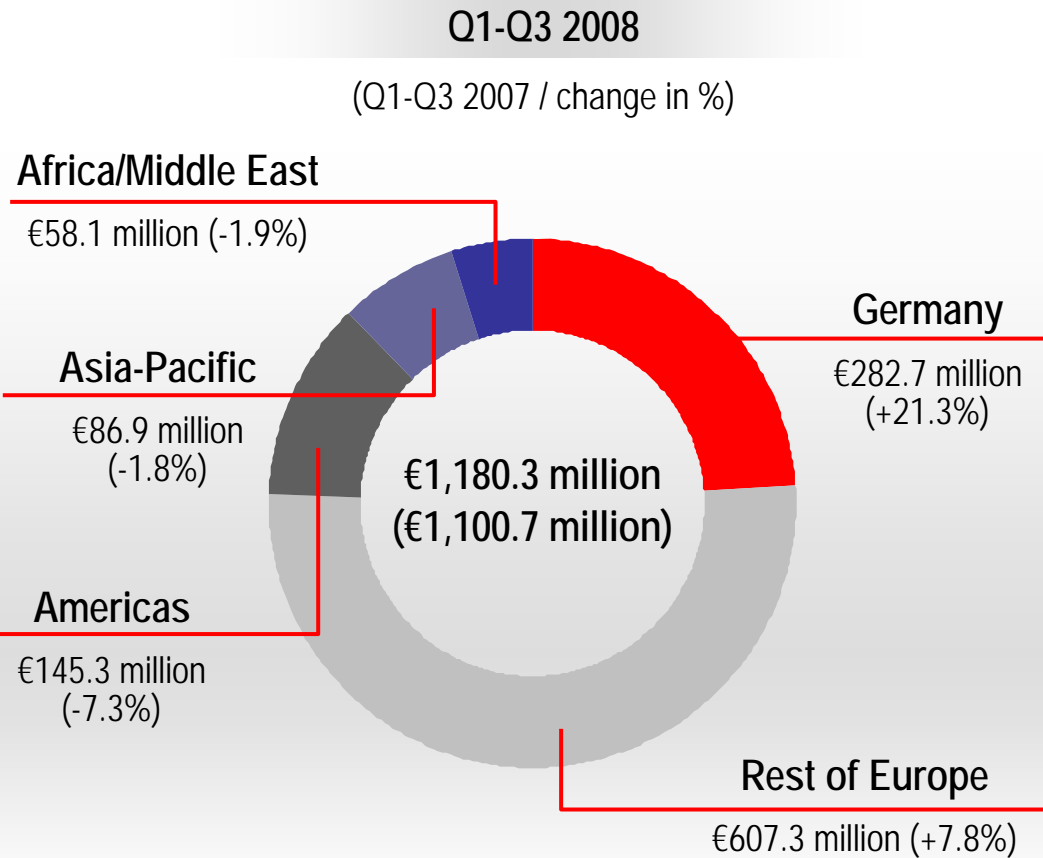


- Increase in revenue resulting from positive development in H1
- Decline in Q3 most pronounced in Mobile Machinery (construction equipment, material handling)
- Agricultural Machinery with continued encouraging performance, albeit less dynamic

■ Compact Engines ■ DEUTZ Customised Solutions



DEUTZ overview: revenue by region





Compact Engines: segment overview

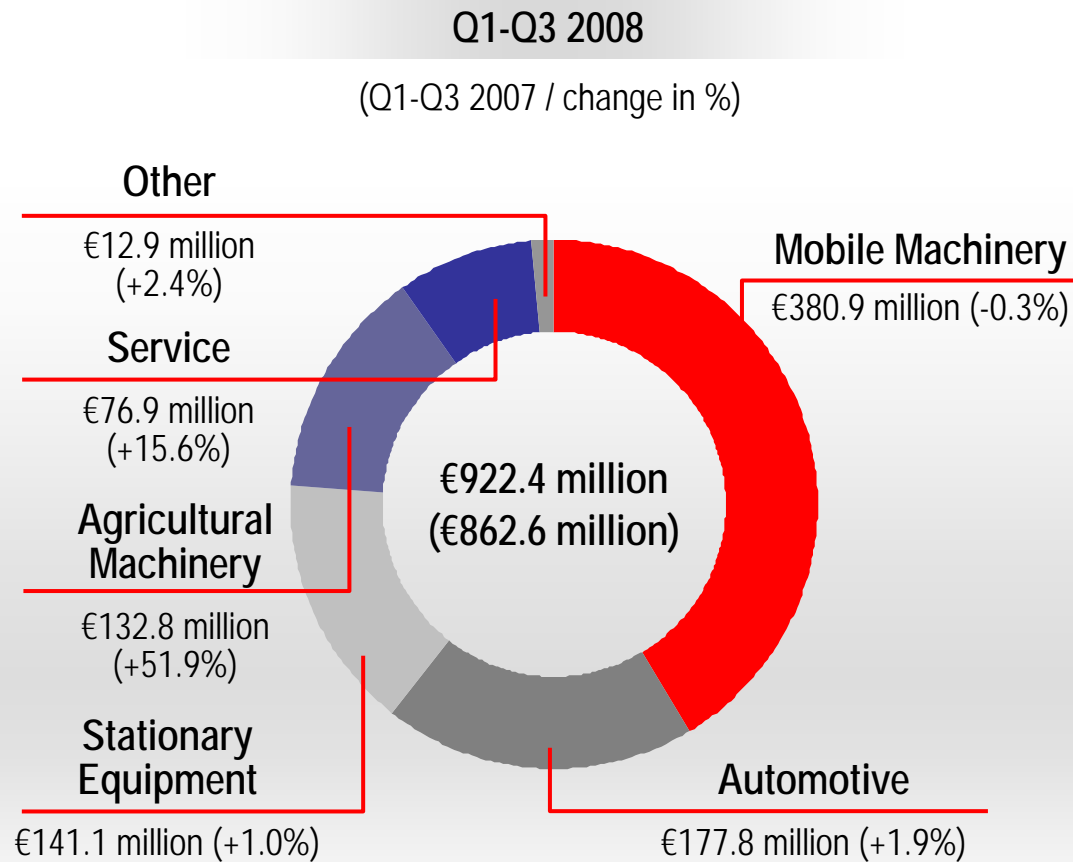
€ million	Q1-Q3 2008	Q1-Q3 2007	Change (%)
New orders	874.3	923.4	-5.3
Unit sales (no.)	183,384	181,310	1.1
Revenue	922.4	862.6	6.9
EBIT	9.0	34.1	-73.6

€ million	Q3 2008	Q3 2007	Change (%)
New orders	238.3	281.8	-15.4
Unit sales (no.)	51,261	61,785	-17.0
Revenue	269.9	294.4	-8.3
EBIT	-11.8	14.6	--

- Acceleration of decline in new orders and unit sales, especially for engines < 4 litres
- Decrease in all application segments except for Agricultural Machinery and in all regions except for eastern Europe
- 4–8 litre engines: increase in unit sales supported by strong first half; slowdown expected
- Service business with double-digit growth after 9 months
- EBIT clearly impacted by lower volumes in Q3 and higher cost of materials; start-up costs for DEUTZ Dalian Engines: €7.0 million (Q1-Q3 2008)



Compact Engines: revenue by application segment





DEUTZ Customised Solutions: segment overview

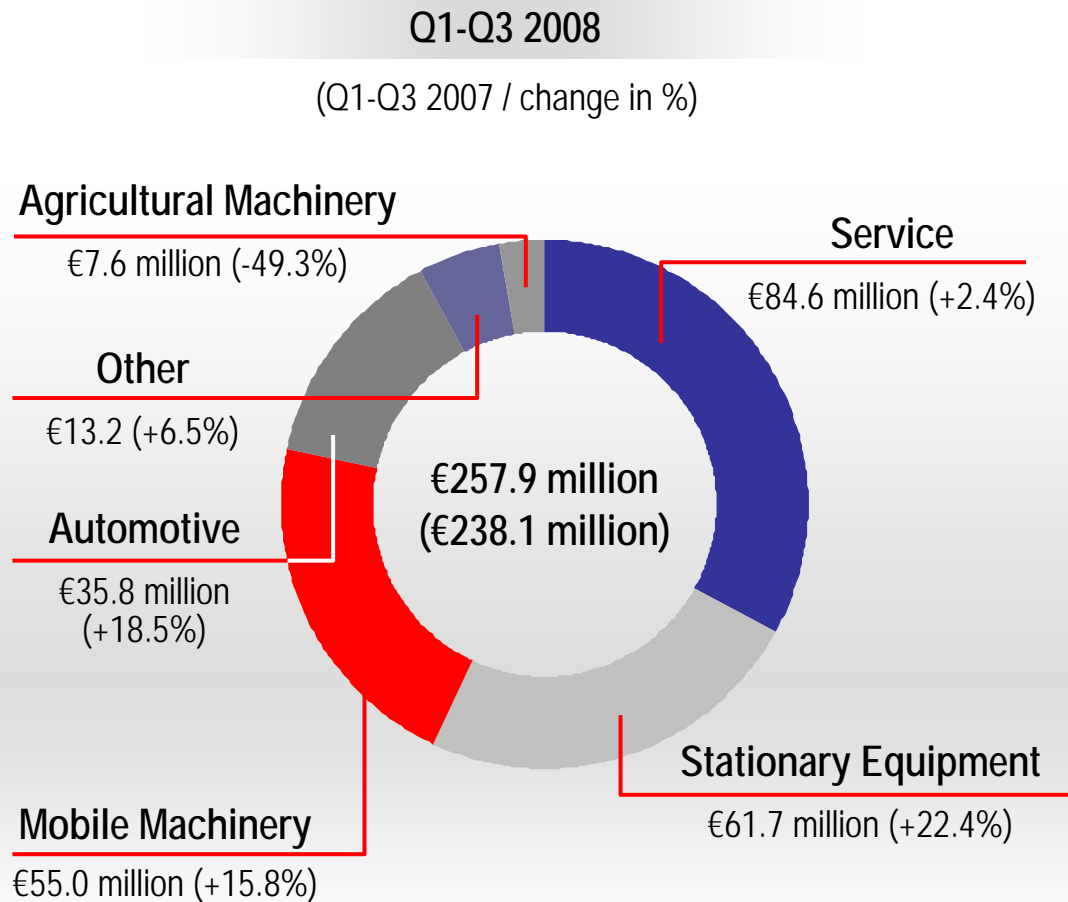
€ million	Q1-Q3 2008	Q1-Q3 2007	Change (%)
New orders	276.6	292.0	-5.3
Unit sales (no.)	24,107	25,100	-4.0
Revenue	257.9	238.1	8.3
EBIT	35.2	31.3	12.5

€ million	Q3 2008	Q3 2007	Change (%)
New orders	83.5	99.2	-15.8
Unit sales (no.)	7,543	10,006	-24.6
Revenue	84.9	88.6	-4.2
EBIT	12.9	13.5	-4.4

- In Agricultural Machinery, switch from air-cooled to water-cooled DEUTZ engines by one major customer impacted new orders, unit sales and revenue
- All other application segments with clear increase in sales
- Service business with further expansion and strongest contribution to overall sales
- EBIT with double-digit increase after 9 months, supported by high-margin service business



DEUTZ Customised Solutions: revenue by application segment





Agenda

- **Overview Q1 – Q3 2008**

Dr Helmut Leube, Chairman of the Management Board

- **Key financials Q1 – Q3 2008**

Helmut Meyer, Chief Financial Officer

- **Outlook and action programme**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**



Financial overview Q1 – Q3 2008

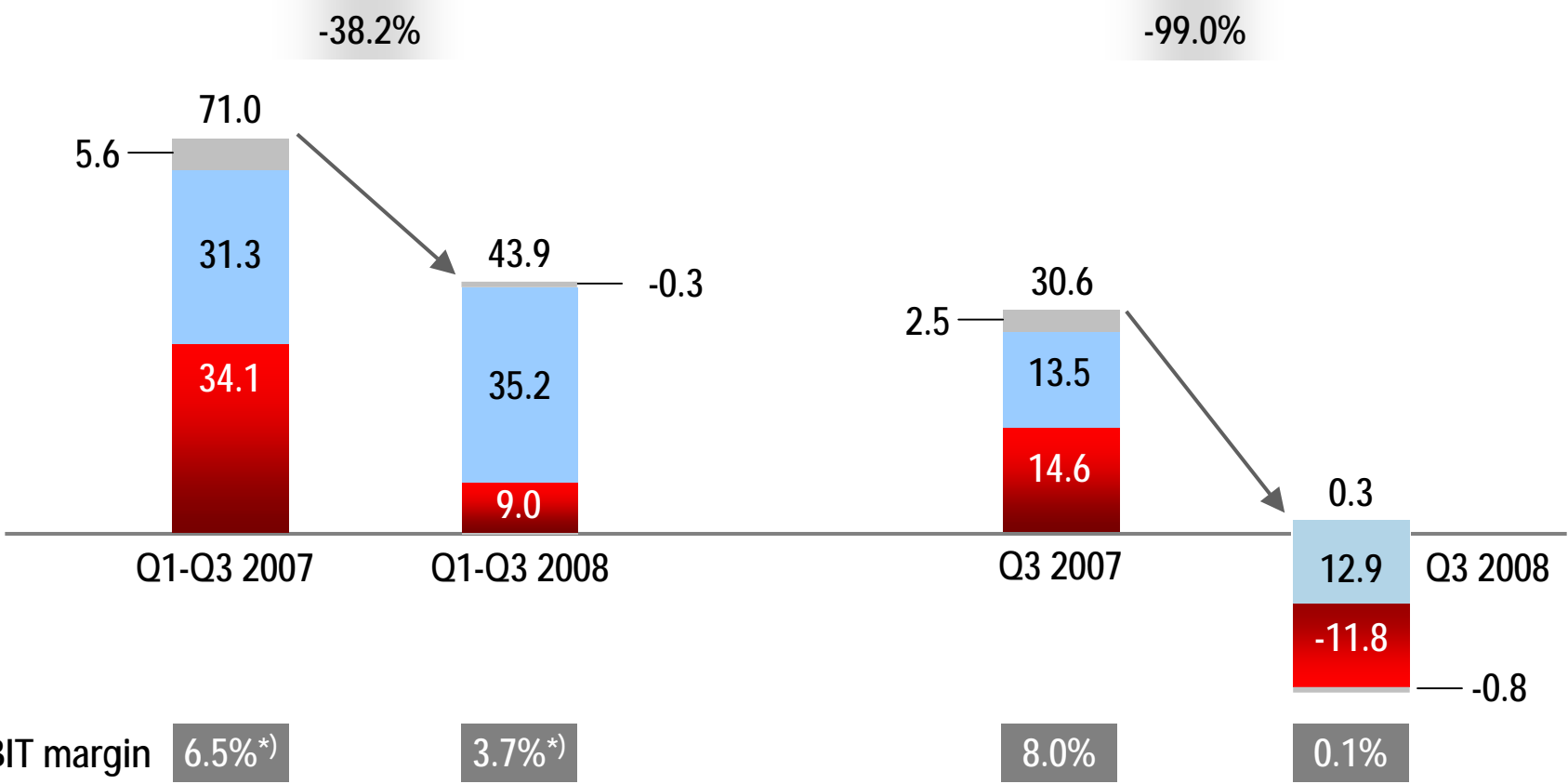
- EBIT and net income impacted by decline in unit sales – especially of compact engines in Q3 – and higher cost of materials
- Further improvement in net interest expense
- Cash flow from operating activities grew to €77.2 million (-€111.2 million)
- Positive net financial position of €25.6 million (€37.0 million)
- Equity ratio of 41.0% (38.2%)
- US private placement secures long-term financing

() = Q1-Q3 2007



Key financials: EBIT

€ million



*) excl. one-offs: 5.5%

4.3%

Compact Engines DEUTZ Customised Solutions Other



Impact of start-up costs incurred by DEUTZ Dalian Engines

EBIT (€ million)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines incl. DDE	9.0	34.1	-73.6
<i>DEUTZ Dalian Engines (DDE)</i>	<i>-7.0</i>	<i>-2.2</i>	<i>--</i>
<i>Compact Engines excl. DDE</i>	<i>16.0</i>	<i>36.3</i>	<i>-55.9</i>

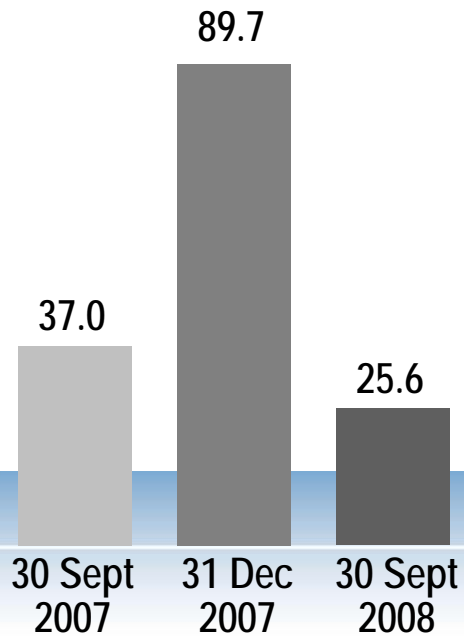
EBIT (€ million)	Q3 2008	Q3 2007	Change (%)
Compact Engines incl. DDE	-11.8	14.6	--
<i>DEUTZ Dalian Engines (DDE)</i>	<i>-2.3</i>	<i>-1.2</i>	<i>--</i>
<i>Compact Engines excl. DDE</i>	<i>-9.5</i>	<i>15.8</i>	<i>--</i>



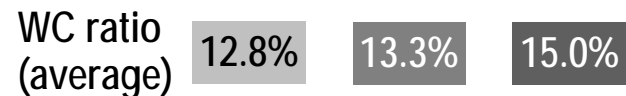
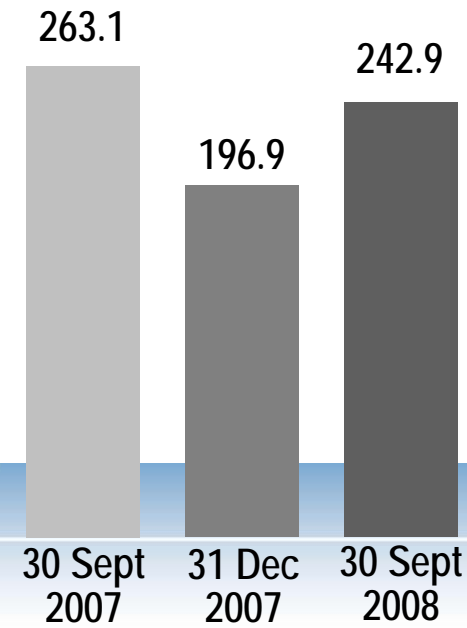
Key financials: net financial position and working capital

€ million

Net financial position



Working capital



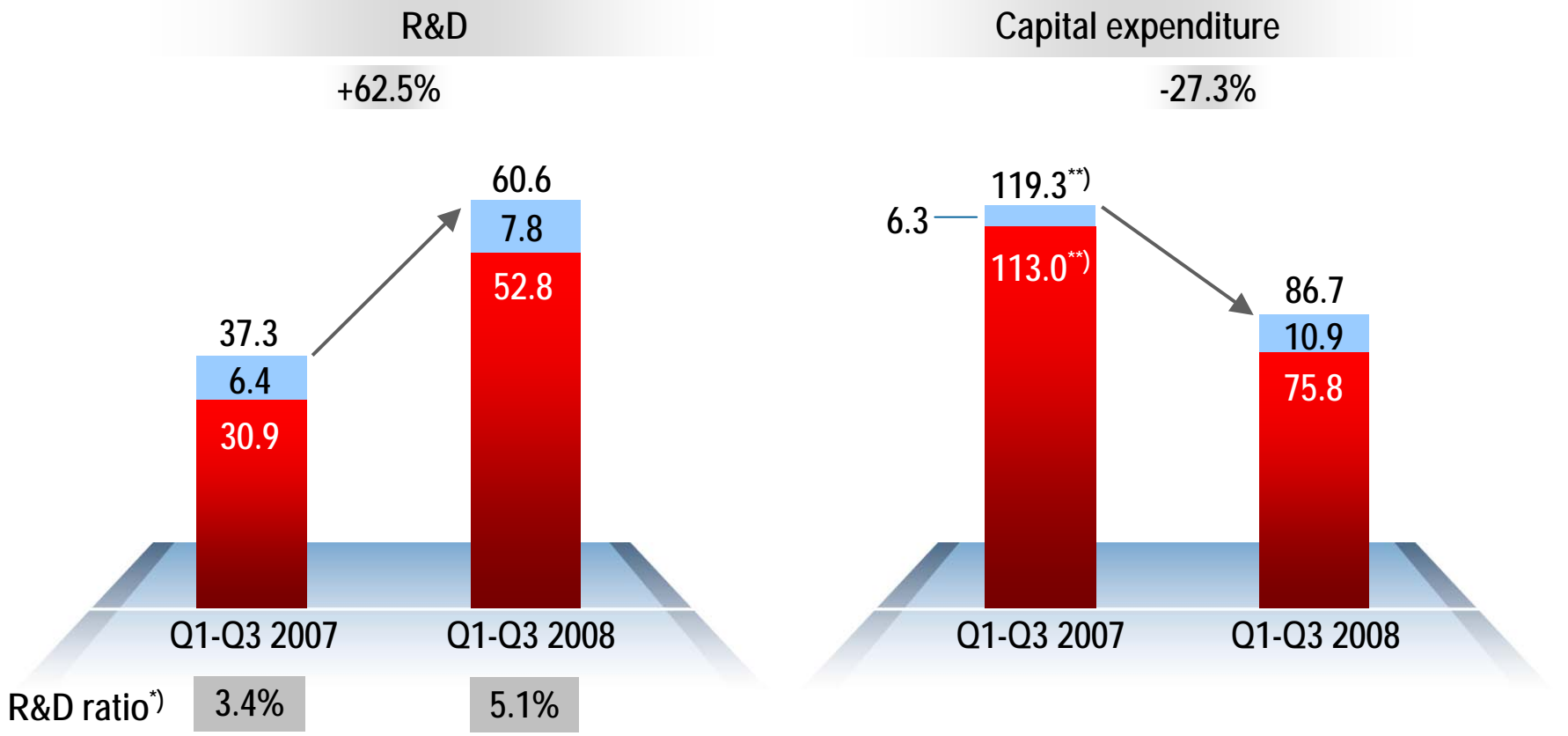
- Positive net financial position after payment of dividend in Q2 (€48.0 million)
- USPP as major part of financial liabilities secures long-term financing

- Trend well in line with working capital target (average ratio ~15%)



Key financials: R&D and capital expenditure

€ million



^{*)} ratio of R&D spending to revenue

^{**)} incl. capex for DDE: €58 million



Agenda

- **Overview Q1 – Q3 2008**

Dr Helmut Leube, Chairman of the Management Board

- **Key financials Q1 – Q3 2008**

Helmut Meyer, Chief Financial Officer

- **Outlook and action programme**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**



Global economic growth has slowed significantly

- The sharp deterioration in economic conditions as a result of the global financial crisis has become increasingly evident during 2008
- Global GDP growth is expected to slow significantly in 2009, leading to a downturn in Europe and the USA

% year on year	2007	2008e	2009e
Germany	2.6	1.4	-1.5
Euro zone	2.6	0.9	-1.4
USA	2.0	1.1	-1.0
China	11.9	9.8	8.0
World	4.7	3.2	1.2

➔ The financial crisis is clearly affecting the real economy

Source: Deutsche Bank, October 2008



Outlook reflecting rapidly changing global market conditions

	Outlook 2008
Unit sales (DEUTZ Group)	~ 260,000
Revenue growth (%)	up by as much as 2%
EBIT margin (%)	~ 2%
R&D (€ million)	90
Unit sales (DEUTZ Dalian)	~ 100,000
Revenue (DEUTZ Dalian, € million)	~ 240

➔ Reliability of forecast impacted by high level of uncertainty among our customers



DEUTZ prepares its business to withstand tough market conditions

Challenges

- The financial crisis is now affecting the real economy.
- The effects of current market trends are being felt throughout the engineering sector.
- Economic conditions are expected to continue to deteriorate sharply in 2009; DEUTZ expects the operating environment to remain volatile and markets to remain flat or turn down.



DEUTZ's action programme

- Improve profitability in new engines business
- Ensure that major new products are launched over the next three years
- Expand and strengthen investment in China
- Improve efficiency of all business-related processes
- Adjust staffing levels in operating units and administrative functions

▶ DEUTZ has launched **MOVE** action programme to shore up its profitability





Key aspects of DEUTZ's action programme

- **Improve profitability of new engines business**
 - Cut costs (cost of materials and general administration costs)
 - Adjust pricing to appropriate level
- **Ensure that major new products are launched over the next three years**
 - Invest selectively in DEUTZ's future capabilities
 - Focused spending in research and development
- **Expand and strengthen investment in China**
 - Prime objective: improve profitability of DEUTZ Dalian Engines
- **Improve efficiency of all business-related processes**
 - Starting point: Superior demand on quality of products and processes
- **Adjust staffing levels in operating units and administrative functions**
 - Detailed numbers have yet to be finalised
 - Measures aimed at increasing flexibility are being implemented (shift-working concepts, reduction of working-time accounts)

➔ **MOVE is intended to significantly improve DEUTZ's earnings by a high double-digit million euro amount**



Agenda

- **Overview Q1 – Q3 2008**

Dr Helmut Leube, Chairman of the Management Board

- **Key financials Q1 – Q3 2008**

Helmut Meyer, Chief Financial Officer

- **Outlook and action programme**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**



Key financial data

€ million	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Revenue	1,180,3	1,100.7	7.2
EBITDA	97.9	119.6	-18.1
EBIT	43.9	71.0	-38.2
EBIT margin before one-off items (%)	3.7	6.5	--
Net income on continuing operations	28.0	35.6	-21.3
Basic earnings per share (€)	0.23	0.31	-25.8
Number of employees as at 30 Sept	4,907	4,930	-0.5



Key balance sheet figures

€ million	30 Sep 2008	31 Dec 2007	Change (%)
Total assets	1,333.8	1,378.6	-3.2
Equity	546.5	557.1	-1.9
Equity ratio (%)	41.0	40.4	--
Cash flow from operating activities (continuing operations)	77.2	-38.7	--
Net financial position	25.6	89.7	-71.5
Working capital	242.9	196.9	23.4



Income statement

	(€ million)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Revenue		1,180.3	1,100.7	7.2
Changes in inventories and other own work capitalised		38.4	42.9	-10.5
Other operating income		46.6	52.4	-11.1
Cost of materials		-828.3	-763.0	8.6
Staff costs		-219.4	-205.7	6.7
Depreciation and amortisation		-54.0	-48.6	11.1
Other operating expenses		-115.5	-108.5	6.5
Profit/loss on equity-accounted investments		-4.2	0.6	--
Reversal of impairment losses on non-current financial assets		0.0	0.2	--
EBIT / operating profit		43.9	71.0	-38.2
Net interest expense		-10.3	-16.3	-36.8
thereof finance costs		-26.3	-19.8	32.8
Other taxes		-1.3	-1.1	18.2
Net income before taxes on continuing operations		32.3	53.6	-39.7
Income taxes		-4.3	-18.0	-76.1
Net income on continuing operations		28.0	35.6	-21.3
Net income on discontinued operations		0.0	107.6	--
Net income		28.0	143.2	-80.4



Balance sheet: assets

Assets	(€ million)	30 Sept 2008	31 Dec 2007	Change (%)
Non-current assets (before deferred tax assets)		535.8	511.3	4.8
Deferred tax assets		45.7	49.4	-7.5
Inventories		247.8	214.2	15.7
Trade receivables		159.9	188.8	-15.3
Other receivables and assets		97.0	102.9	-5.7
Cash and cash equivalents		246.7	311.1	-20.7
Non-current assets held for resale		0.9	0.9	--
Total assets		1,333.8	1,378.6	-3.2



Balance sheet: equity and liabilities

		30 Sept 2008	31 Dec 2007	Change (%)
Equity and liabilities	(€ million)			
Equity		546.5	557.1	-1.9
Provisions for pensions and other post-retirement benefits		170.4	176.7	-3.6
Other provisions		49.0	46.5	5.4
Financial liabilities		215.7	216.0	-0.1
Other liabilities		2.0	10.0	-80.0
Non-current liabilities		437.1	449.2	-2.7
Provisions for pensions and other post-retirement benefits		16.7	16.7	--
Other provisions / Provisions for current income taxes		96.5	75.0	28.7
Financial liabilities		5.4	5.4	--
Trade payables		164.8	206.1	-20.0
Other liabilities		66.8	69.1	-3.3
Current liabilities		350.2	372.3	-5.9
Total equity and liabilities		1,333.8	1,378.6	-3.2



Cash flow statement (condensed)

	€ million	Q1-Q3 2008	Q1-Q3 2007
EBIT		43.9	71.0
Cash flow from operating activities (continuing operations)		77.2	-111.2
Cash flow from operating activities (discontinued operations)		-	-9.1
Cash flow from operating activities (total)		77.2	-120.3
Capital expenditure on intangible assets, property, plant and equipment and investments		-75.6	-123.7
Cash receipts from the sale of businesses / Proceeds from the sale of non-current assets		-	15.3
Cash flow from investing activities (continuing operations)		-75.6	-108.4
Cash flow from investing activities (discontinued operations)		-2.1	283.0
Cash flow from investing activities (total)		-77.7	174.6
Cash flow from financing activities		-63.8	165.6
Change in cash and cash equivalents		-64.3	219.9



Segment overview Q1 – Q3 2008

New orders (€ million)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines	874.3	923.4	-5.3
DEUTZ Customised Solutions	276.6	292.0	-5.3
Total	1,150.9	1,215.4	-5.3

Revenue (€ million)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines	922.4	862.6	6.9
DEUTZ Customised Solutions	257.9	238.1	8.3
Total	1,180.3	1,100.7	7.2
Germany	24.0%	21.2%	--
outside Germany	76.0%	78.8%	--

Unit sales (no.)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines	183,384	181,310	1.1
DEUTZ Customised Solutions	24,107	25,100	-4.0
Total	207,491	206,410	0.5

EBIT (€ million)	Q1-Q3 2008	Q1-Q3 2007	Change (%)
Compact Engines incl. DDE	9.0	34.1	-73.6
<i>DEUTZ Dalian Engines (DDE)</i>	<i>-7.0</i>	<i>-2.2</i>	<i>--</i>
<i>Compact Engines excl. DDE</i>	<i>16.0</i>	<i>36.3</i>	<i>-55.9</i>
DEUTZ Customised Solutions	35.2	31.3	12.5
Other	-0.3	5.6	--
Total	43.9	71.0	-38.2



Segment overview Q3 2008

New orders (€ million)	Q3 2008	Q3 2007	Change (%)
Compact Engines	238.3	281.8	-15.4
DEUTZ Customised Solutions	83.5	99.2	-15.8
Total	321.8	381.0	-15.5

Revenue (€ million)	Q3 2008	Q3 2007	Change (%)
Compact Engines	269.9	294.4	-8.3
DEUTZ Customised Solutions	84.9	88.6	-4.2
Total	354.8	383.0	-7.4
Germany	23.4%	22.3%	--
outside Germany	76.6%	77.7%	--

Unit sales (no.)	Q3 2008	Q3 2007	Change (%)
Compact Engines	51,261	61,785	-17.0
DEUTZ Customised Solutions	7,543	10,006	-24.6
Total	58,804	71,791	-18.1

EBIT (€ million)	Q3 2008	Q3 2007	Change (%)
Compact Engines incl. DDE	-11.8	14.6	--
<i>DEUTZ Dalian Engines (DDE)</i>	-2.3	-1.2	--
<i>Compact Engines excl. DDE</i>	-9.5	15.8	--
DEUTZ Customised Solutions	12.9	13.5	-4.4
Other	-0.8	2.5	--
Total	0.3	30.6	-99.0



Financial calendar 2009

- | | | |
|---|----------------|-----------------|
| ■ Annual Results Press Conference
Publication of annual report for 2008 | Cologne | 19 March 2009 |
| ■ Annual Results Analysts' Meeting | Frankfurt/Main | 20 March 2009 |
| ■ Annual General Meeting | Cologne | 30 April 2009 |
| ■ Interim report on Q1 2009
Conference call with analysts and investors | | 7 May 2009 |
| ■ Interim report on H1 2009
Conference call with analysts and investors | | 12 August 2009 |
| ■ Interim report on Q1 – Q3 2009
Conference call with analysts and investors | | 5 November 2009 |



Contact

DEUTZ AG

Sandra Siegele

Investor Relations

Ottostrasse 1

51149 Cologne (Porz-Eil)

Germany

Tel.: +49 (0)221 822 2492

Fax: +49 (0)221 822 2498

www.deutz.com



Disclaimer

The details given in this document are based on the information available at the time it was prepared. This presents the risk that actual figures may differ from forward-looking statements. Such discrepancies may be caused by changes in political, economic or business conditions, a decrease in the technological lead of DEUTZ's products, changes in competition, the effects of movements in interest rates or exchange rates, the pricing of parts supplied and other risks and uncertainties not identified at the time this document was prepared.

The forward-looking statements made in this document are not corrected.