

# ANNUAL GENERAL MEETING

**Cologne, 30 April 2009**

The engine company.



## Review of 2008

- **2008 ended with the biggest financial and economic crisis seen for decades**
  - Business performed well in the first half of 2008; order situation showed no signs of a downturn
  - Demand started to fall off at an increasing rate from mid-year
  - DEUTZ's key sectoral markets (construction, commercial vehicles) were affected
  - It is still difficult to make reliable forecasts in 2009 owing to the extreme economic uncertainty
  - Sound balance sheet: equity ratio of 42 per cent, liquidity of €208 million, non-bank finance
  
- **MOVE: a comprehensive action programme to secure DEUTZ's profitability and future**
  - Short-term cost savings focussed on securing profitability
  - Structural measures aimed at improving profitability over the long term
  - Processes and structures reconfigured in response to fall in unit sales
  
- **Capital expenditure on technologies of the future will be continued**
  - Significant double-digit spending on R&D projects to be sustained
  - Focus on forthcoming exhaust-gas emission standards from 2011 and exhaust aftertreatment systems

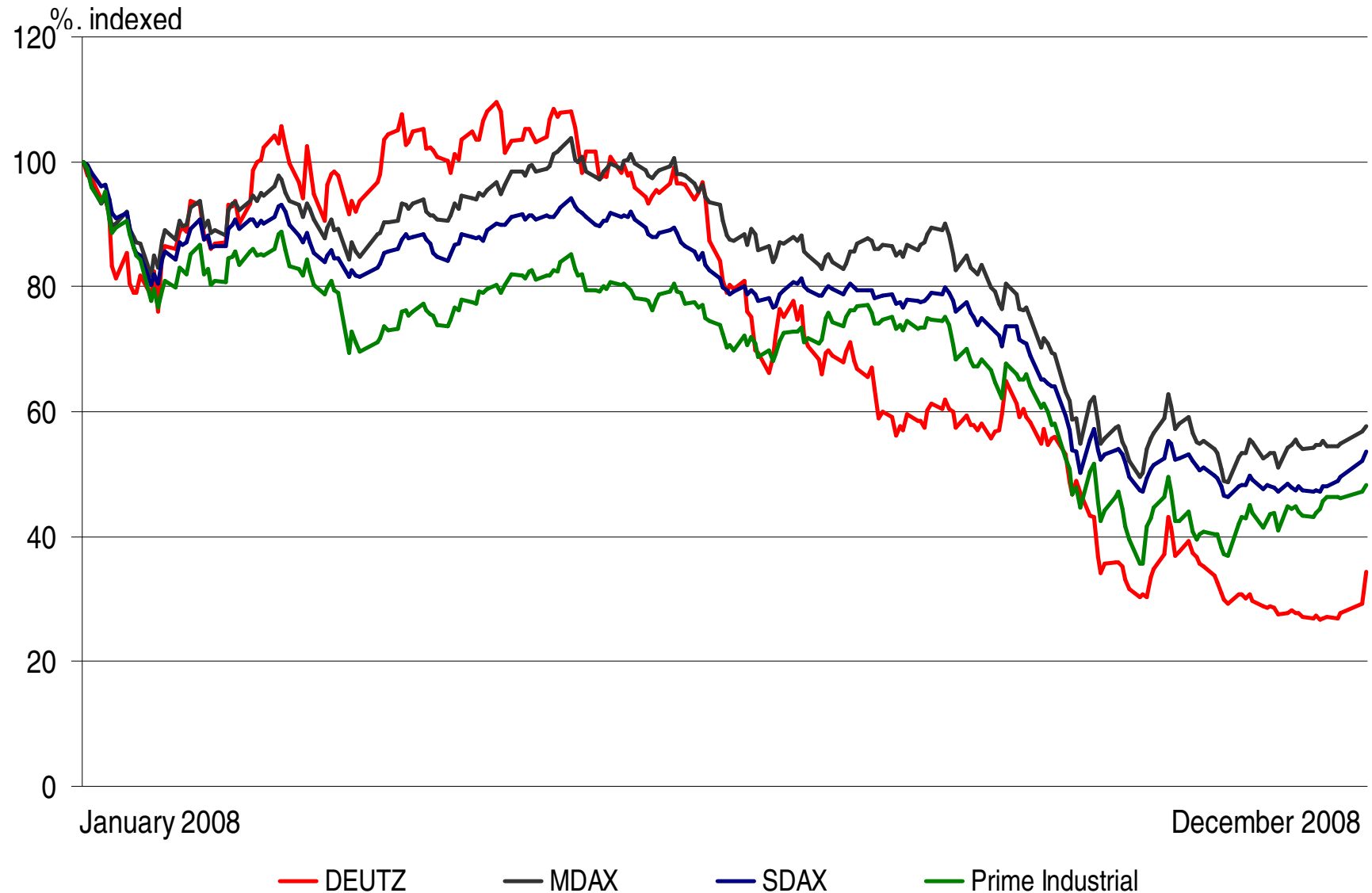
## Overview of key performance indicators for 2008

€ million	2008	2007	Change(%)
New orders	1,363.5	1,584.5	-13.9
Unit sales (quantity)	252,359	285,861	-11.7
Revenue	1,495.0	1,524.2	-1.9
Number of employees (31 December)	4,701	4,617	1.8
EBIT before one-off items <sup>*)</sup>	31.8	95.5	-66.7
EBIT margin before one-off items <sup>*)</sup> (%)	2.1	6.3	--
Net income/loss	-4.2	59.4	--
Basic earnings per share (€)	-0.04	0.51	--

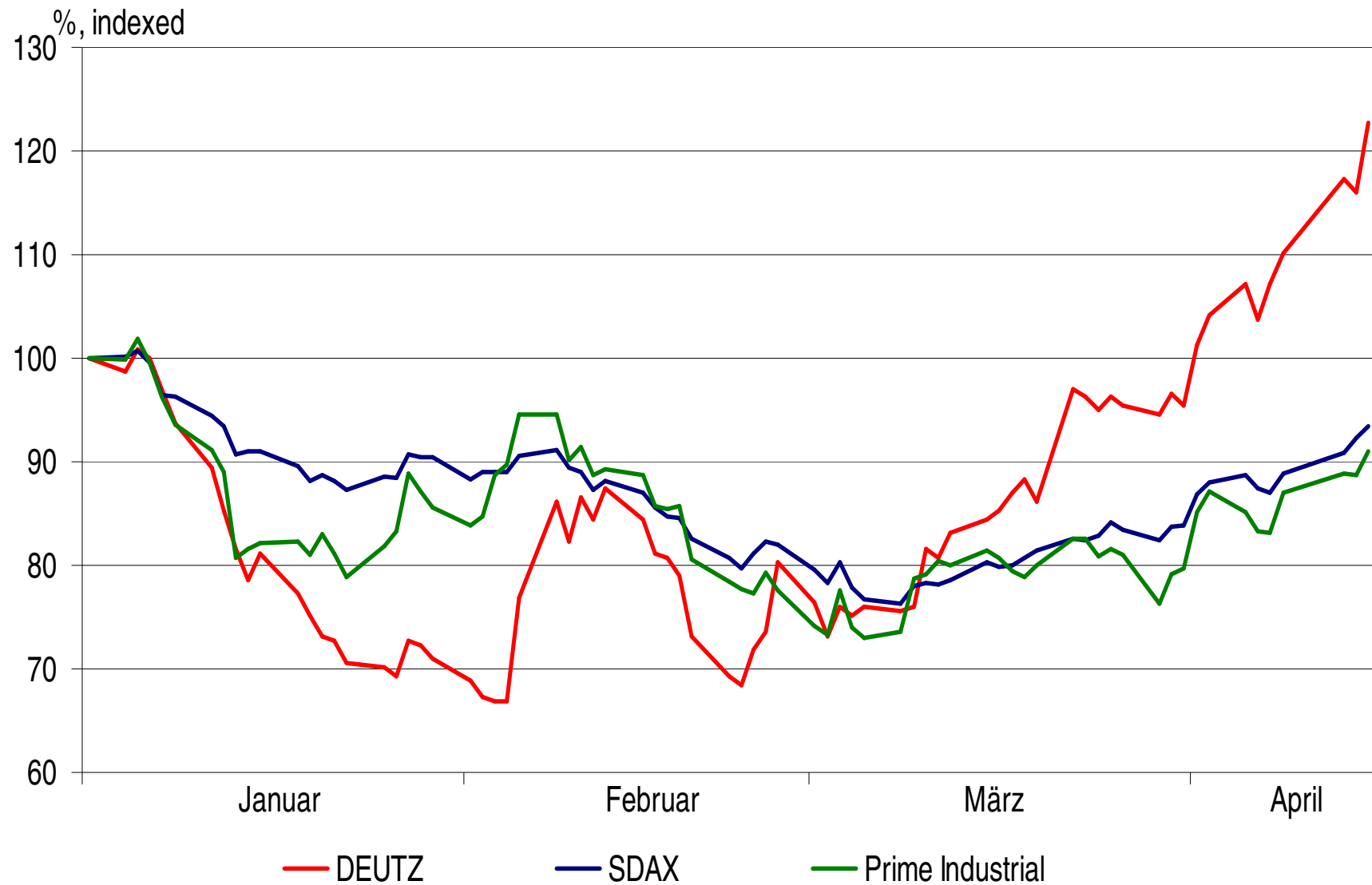
<sup>\*)</sup> One-off items: €14.3 million, mainly for personnel restructuring

**→ Proposed appropriation of DEUTZ AG's accumulated income of €26.8 million (pursuant to HGB): carry forward to the next period**

## Share price performance in 2008: DEUTZ shares were not immune to the global economic crisis and stock market turmoil

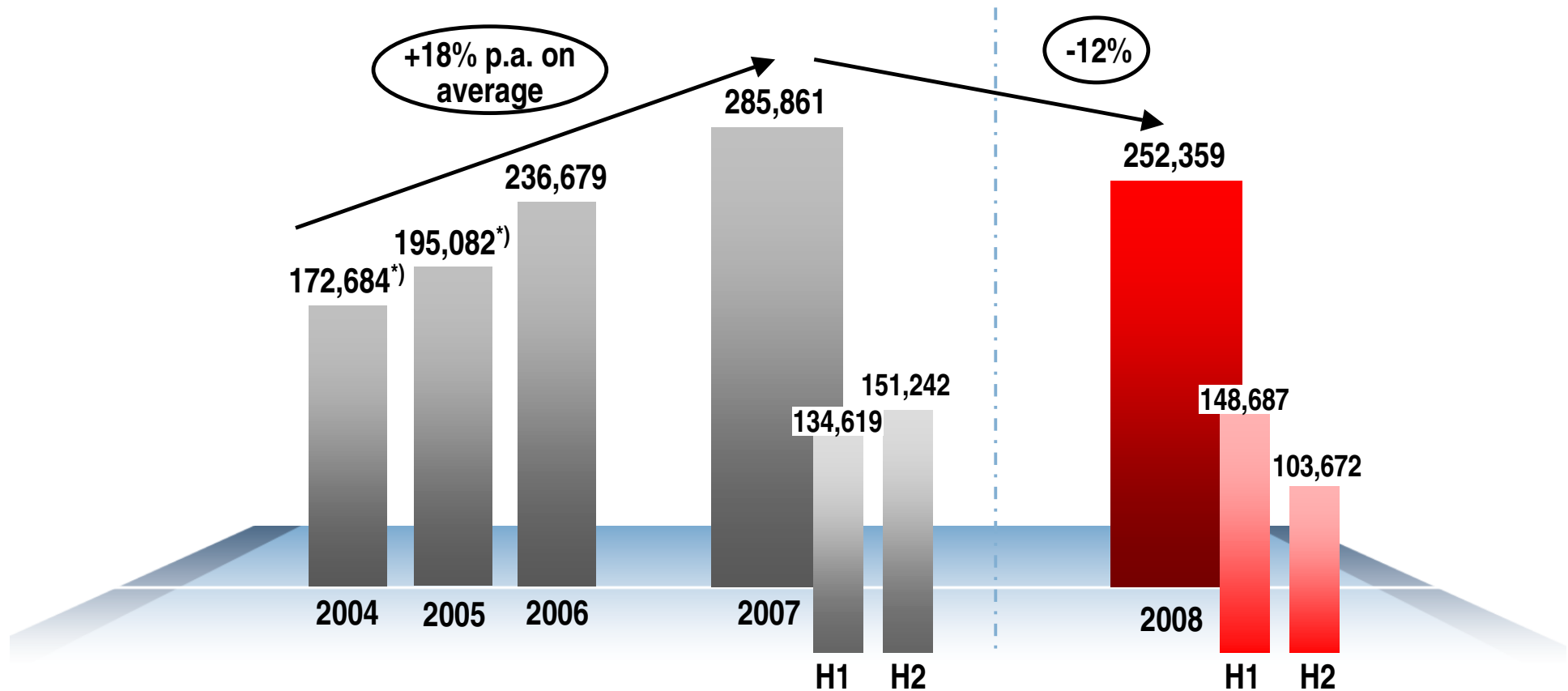


## Share price performance in 2009: strong rally starting in mid-March



## Unit sales on a five-year comparison

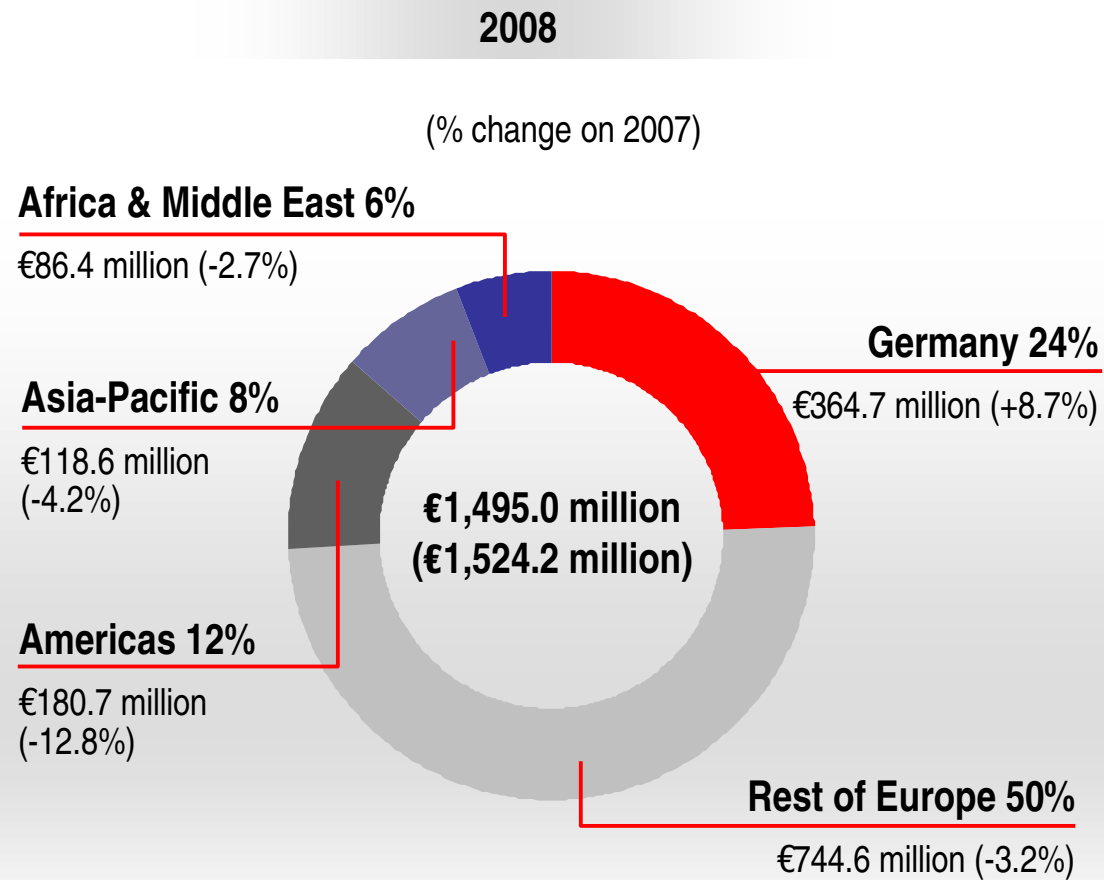
Units



- After several successive years of growth, the global financial and economic crisis prevented another record year
- A good performance in the first half of 2008 was followed by sharp fall in unit sales in Q3 and Q4 2008

<sup>\*)</sup> excluding DEUTZ Power Systems

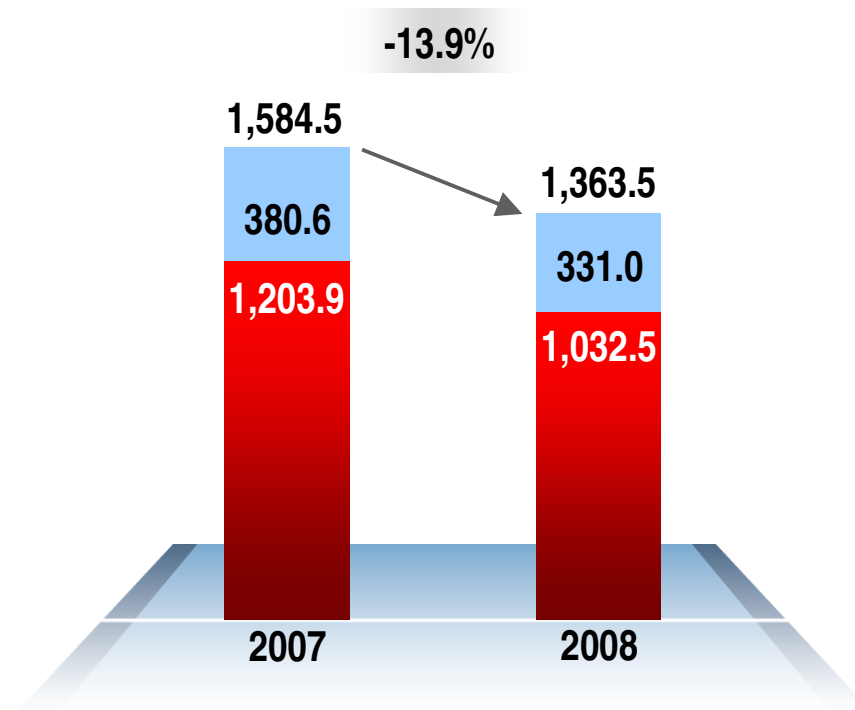
## Revenue by region



# New orders

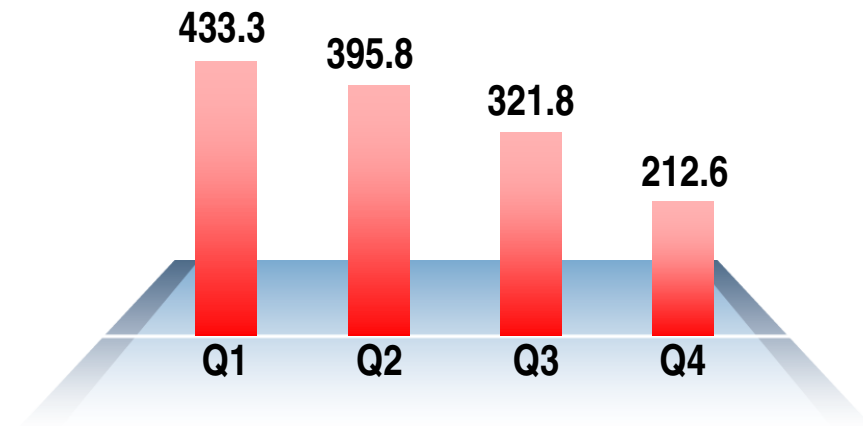
€ million

## Comparison of 2007 vs. 2008



- Fairly modest decrease over 2008 as a whole
- Particularly affected: Mobile Machinery and Automotive
- Agric. Mach., engines >8 litres & services fairly stable

## Quarterly trend in 2008



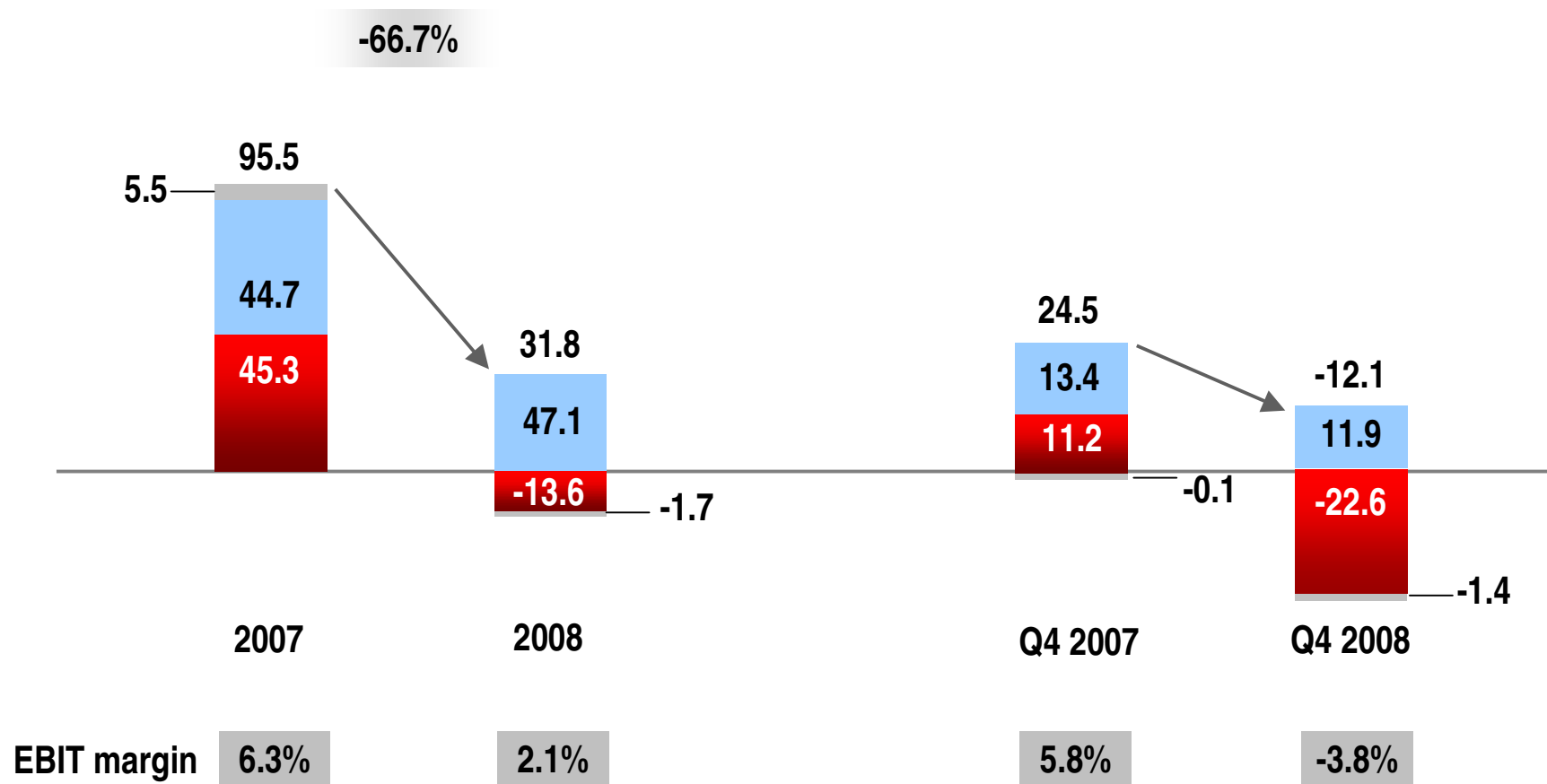
- 1st half of year still at high level of 2007
- Demand fell sharply in Q4: down 42.4% year on year
- Mobile Machinery down 75.6% in Q4

■ Compact Engines ■ DEUTZ Customised Solutions



# EBIT before one-off items

€ million



■ Compact Engines ■ DEUTZ Customised Solutions ■ Other

## Overview of segments: Compact Engines

€ million	2008	2007	Change (%)
New orders	1,032.5	1,203.9	-14.2
Unit sales (quantity)	219,681	248,971	-11.8
Revenue	1,143.2	1,186.0	-3.6
EBIT (before one-off items)	-13.6	45.3	--

- Sharp fall in demand for engines of less than four litres from mid-2008; four to eight-litre engines (incl. TCD 2013 4V commercial-vehicle engine) also affected by year-end
- Decline in unit sales and revenue, especially in Q4 2008; Mobile Machinery, Stationary Equipment and Automotive application segments adversely affected by declining business activity in the relevant sectors
- Encouraging year-on-year revenue growth in Agricultural Machinery (up 37 per cent) and Service (up 9 per cent) segments
- Operating loss for the segment owing to lower volumes, the higher cost of materials, and start-up losses at DEUTZ Dalian (€11.1 million in 2008)

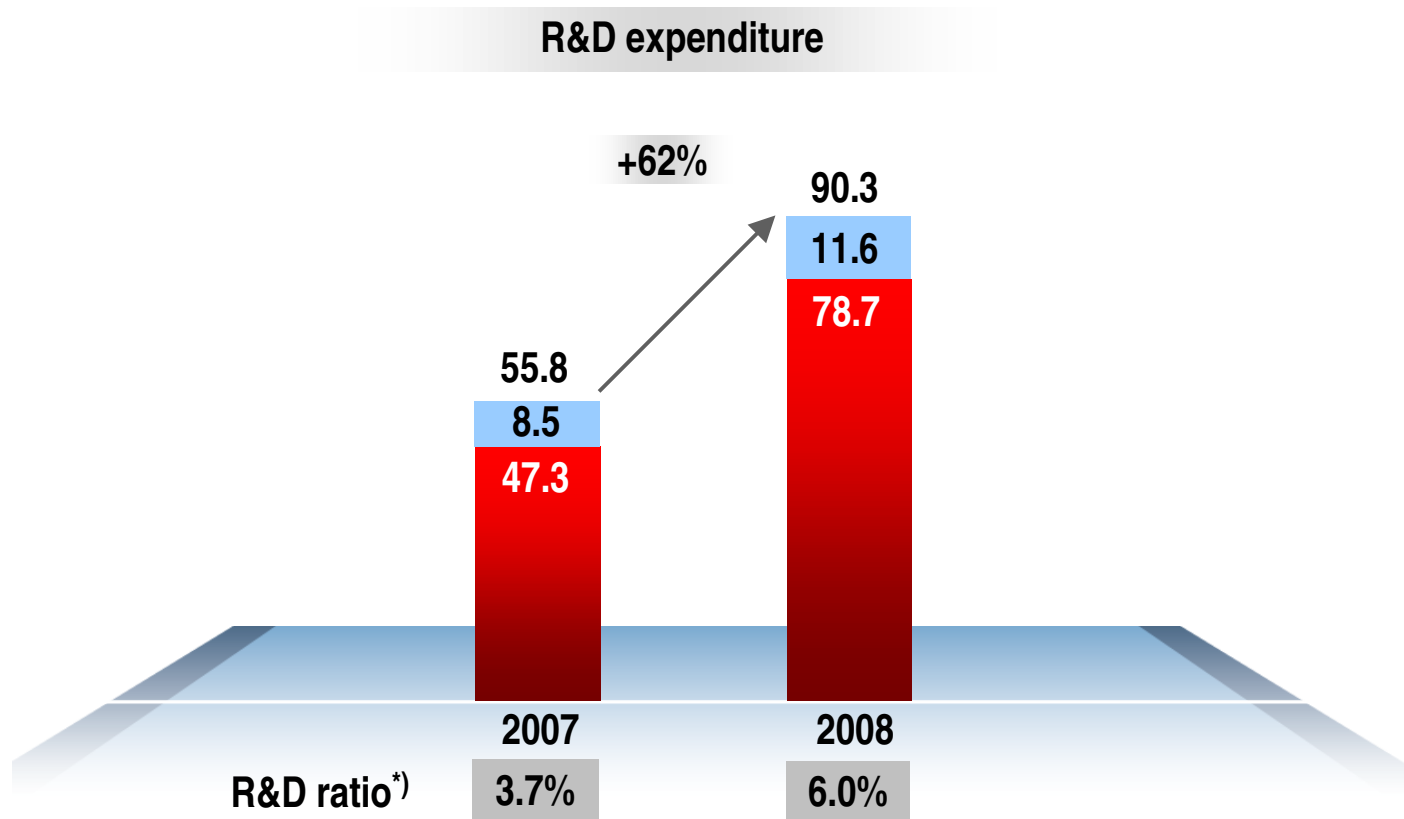
## Overview of segments: DEUTZ Customised Solutions

€ million	<b>2008</b>	<b>2007</b>	Change (%)
New orders	<b>331.0</b>	380.6	-13.0
Unit sales (quantity)	<b>32,678</b>	36,890	-11.4
Revenue	<b>351.8</b>	338.2	4.0
EBIT (before one-off items)	<b>47.1</b>	44.7	5.4

- The volume of new orders of new engines (mainly construction equipment and underground equipment) and, to a lesser extent, services contracted owing to the economic situation, especially in the fourth quarter
- Agricultural Machinery: switch by a major customer from air-cooled to water-cooled DEUTZ engines is causing new orders, unit sales and revenue to fall by significant double-digit percentages
- Revenue growth in all other application segments, especially Stationary Equipment (up 22 per cent owing to its improved product mix and the discontinuation of small air-cooled engines in Spain); stabilising service-related business is largest revenue driver (roughly one third of segment revenue)
- Encouraging growth in large engines (> 8 litres) used in rail and marine applications
- EBIT increased on the back of higher revenue, the improved product mix and the large proportion of services

## R&D expenditure increased in preparation for forthcoming exhaust-gas emission standards

€ million

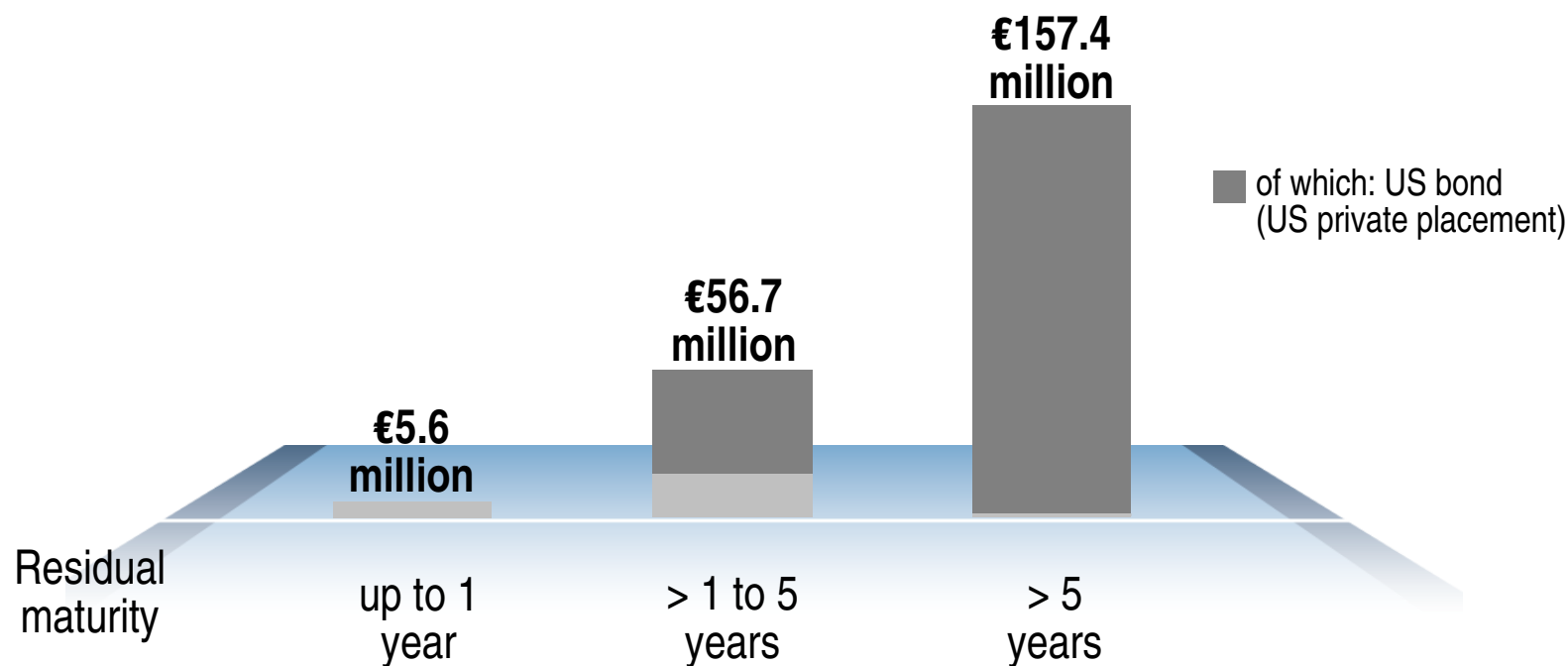


<sup>\*)</sup> R&D spending as a percentage of revenue

■ Compact Engines ■ DEUTZ Customised Solutions

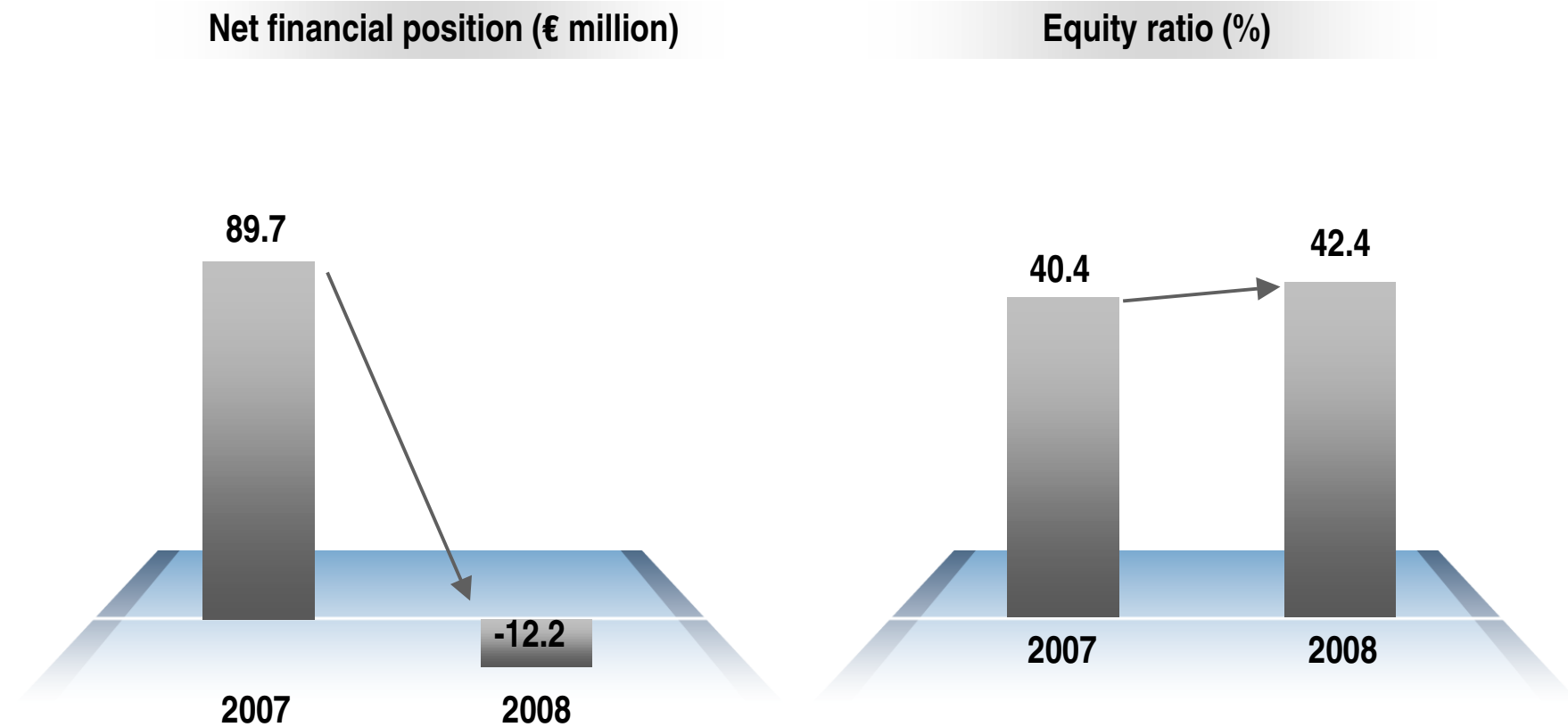
## Liabilities mainly non-current

Total financial liabilities (31 December 2008): €219.7 million



→ Over 70 per cent of financial liabilities have residual maturities of more than five years; DEUTZ AG therefore has no short-term funding requirements

## Key balance sheet figures: net financial position and equity ratio



\*) Cash and cash equivalents minus current and non-current interest-bearing financial liabilities

## **The economy has not yet bottomed out**


- First half of 2008 continued the strong trend from 2007; downturn started in third quarter of 2008
- Demand fell sharply in fourth quarter of 2008 (starting with bankruptcy of Lehman Brothers!)
  - Downturn especially severe in compact engines (construction equipment)
  - Initially affected engines < 4 litres; also hit engines > 4 litres from fourth quarter
  - Commercial-vehicles sector reported sharp fall in demand towards year-end
- German and international economic indicators (e.g. ifo index, Germany's engineering and automotive federations, and WTO) are predicting that the recession will continue throughout 2009 and into 2010
- Any recovery will be only gradual: the key factor will be whether and, if so, how quickly economic and fiscal stimulus packages take hold
- Given the considerable economic uncertainty, it is difficult to make reliable forecasts; latest assessment: the sharp downturn that started in Q4 2008 will continue in H1 2009

# DEUTZ's MOVE action programme

## **MOVE**

**Programme to secure the Company's profitability and future**

### **Short-term measures to secure profitability**

 **focus on 2009**

- Reduce overheads (operating and staff costs)
- Lower the cost of materials
- Bring headcount into line with revised sales forecasts
- Improve efficiency of R&D
- Adjust pricing accordingly

### **Structural measures to improve profitability over the long term**

 **beyond 2009**

- Successfully launch new products (Tier 4 Interim/Final, exhaust aftertreatment)
- Continually improve productivity by optimising processes
- Continue to streamline organisational structures
- Improve the profitability of the DEUTZ Dalian joint venture

 **The aim of MOVE is to enable us to react flexibly to constantly changing economic circumstances**



## See future trends as an opportunity



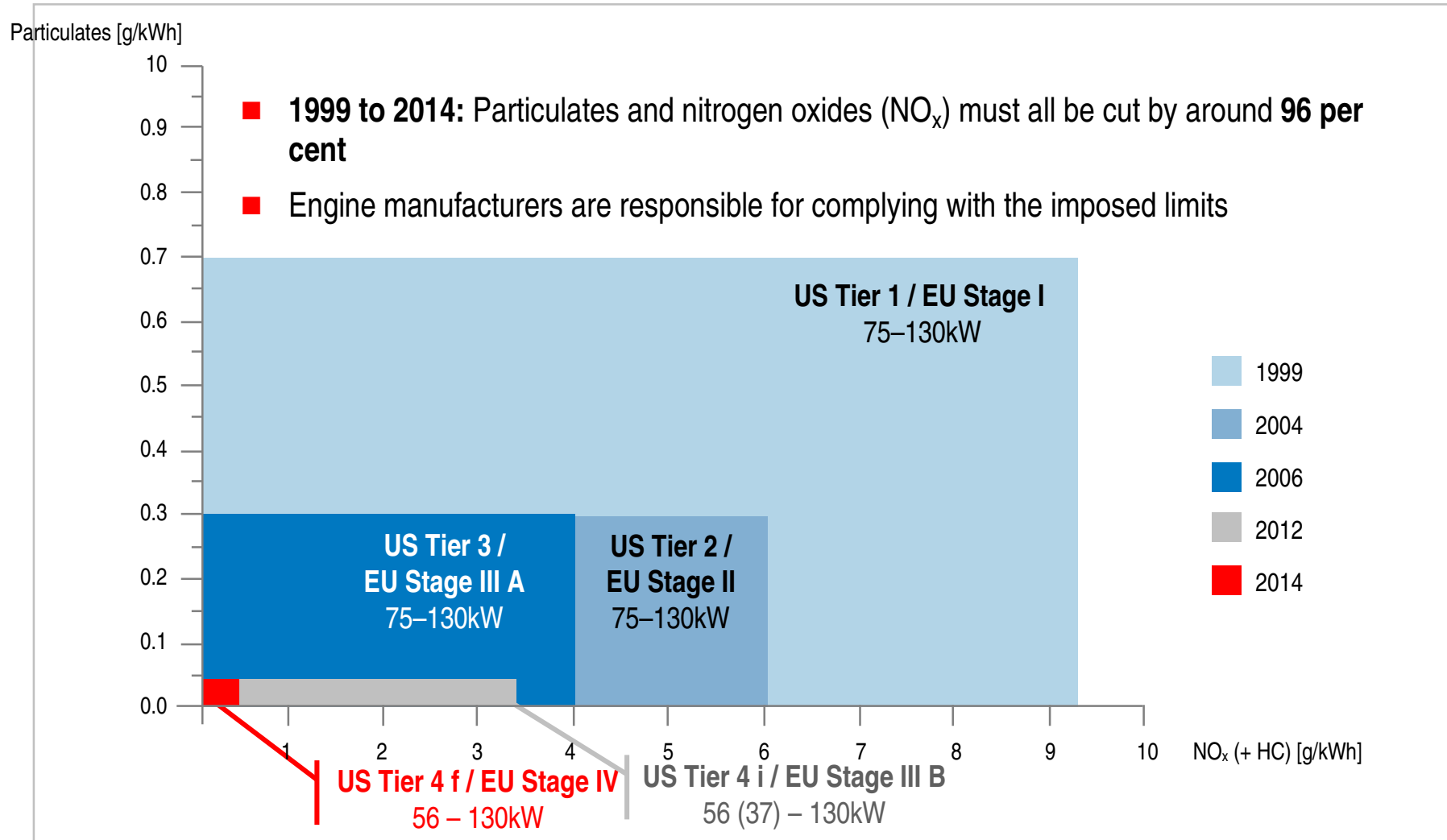
**Growing world population  
More efficient agriculture**

**Advancing globalisation  
Increasing mobility**

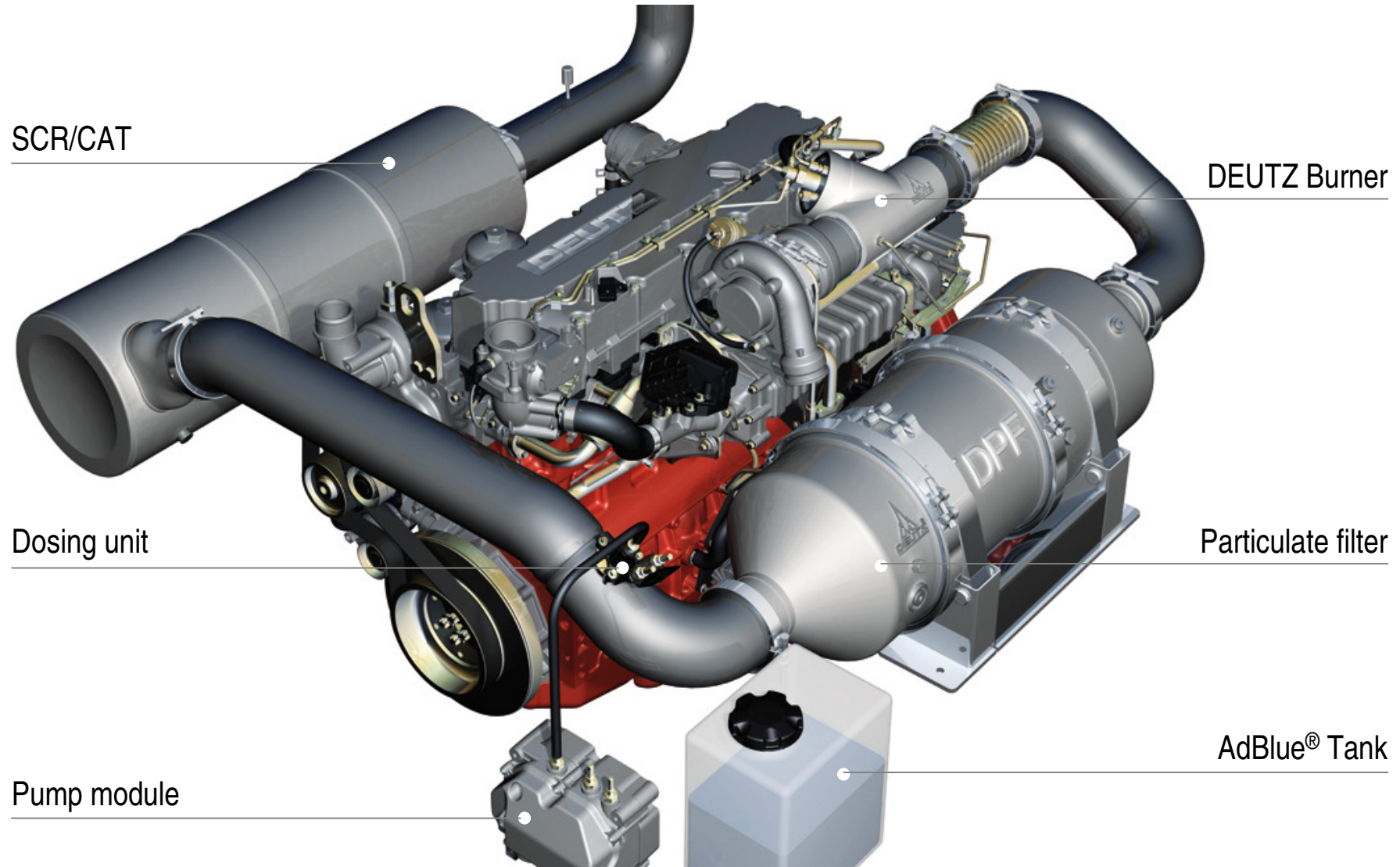


**Growing urbanisation  
Action to prevent climate change**

## Challenges facing R&D in the 21st century: stricter limits imposed and carbon emissions reduced

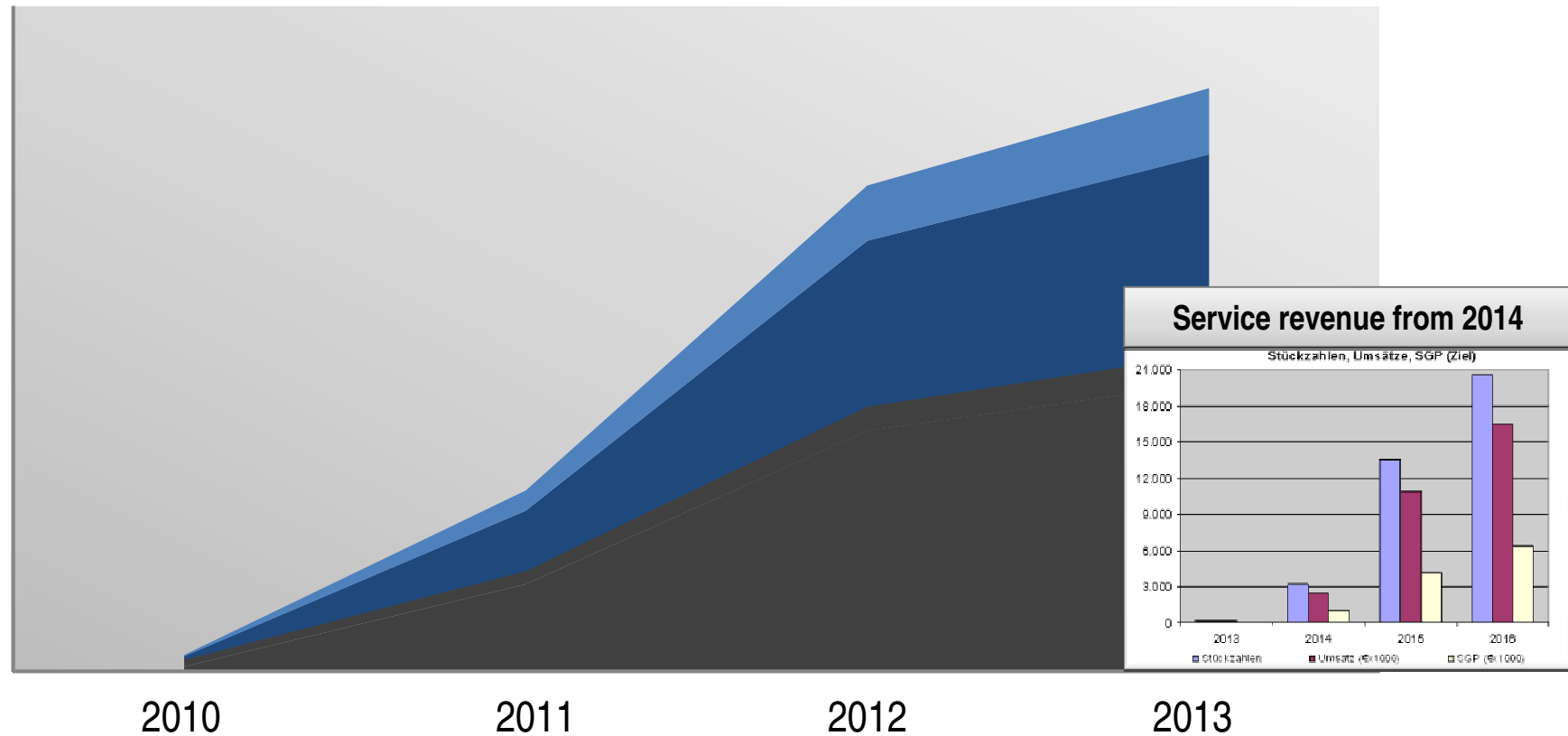


## TIER 4 engine: system for exhaust aftertreatment



# Potential growth from future exhaust technologies

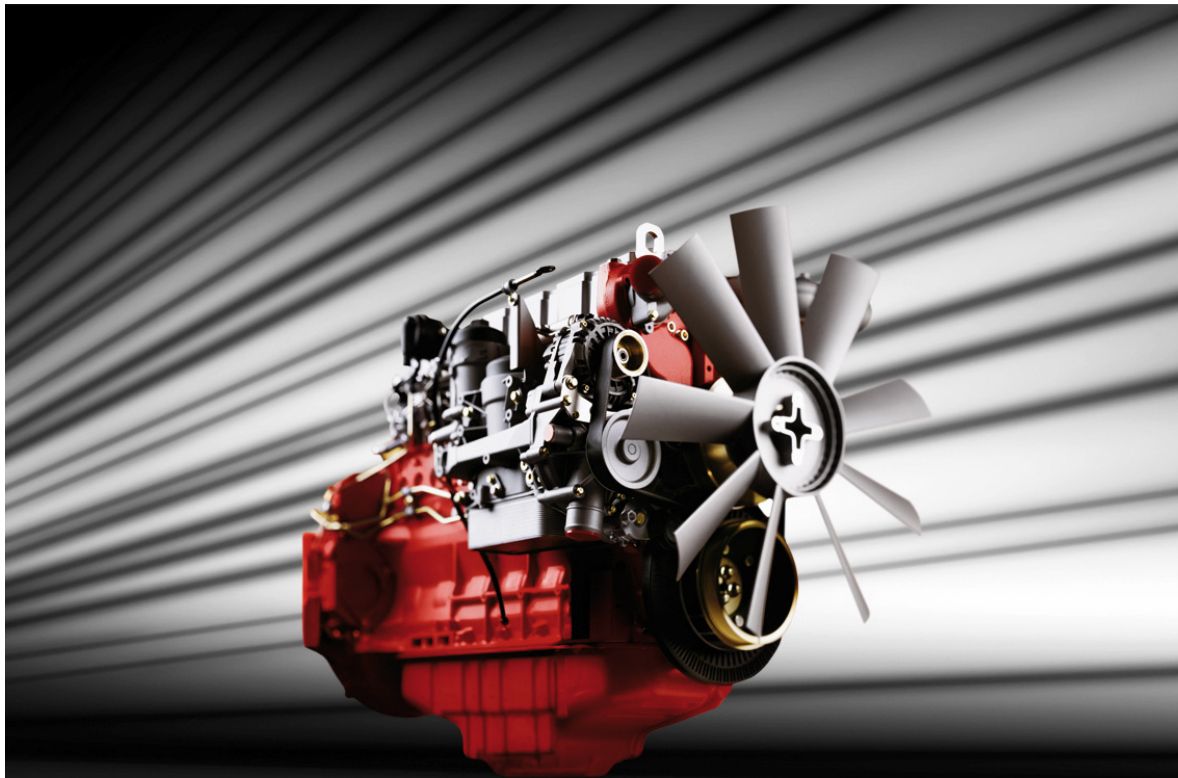
Revenue (€ million)



- Potential revenue from exhaust aftertreatment
- Potential revenue from exhaust aftertreatment collaborations
- Potential revenue from systems engineering collaborations

- Thorough realignment of costs and organisational structures
  - Sound balance sheet; financing not reliant on banks
    - Expansion of technological base
      - Leading global brand
      - Highly skilled workforce

***“All things considered, DEUTZ is ideally placed to return swiftly to profitability and growth once the global economic crisis is over”***



**The engine company.**

## Financial calendar for 2009

- |   |         |                 |
|---|---------|-----------------|
| ■ Annual General Meeting  | Cologne | 30 April 2009   |
| ■ Interim report on first quarter of 2009<br>Conference call with analysts and investors        |         | 7 May 2009      |
| ■ Interim report on first half of 2009<br>Conference call with analysts and investors           |         | 12 August 2009  |
| ■ Interim report on first three quarters of 2009<br>Conference call with analysts and investors |         | 5 November 2009 |



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