

CONFERENCE CALL Q1-Q3 2010

10 November 2010

The engine company.



Agenda

- **Overview Q1-Q3 2010**

Dr Helmut Leube, Chairman of the Management Board

- **Key financials Q1-Q3 2010**

Dr Margarete Haase, CFO

- **Outlook**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**

Highlights of Q1-Q3 2010

■ DEUTZ returns to profitable path of growth

- Operating profit* for first nine months in excess of €25 million
- Revenue and unit sales enjoy strong year-on-year growth (29 per cent and 34 per cent respectively)
- At €987 million, new orders again up significantly (+61 per cent) year on year
- Forecast for 2010 adjusted upwards again; current business trends make us highly optimistic about 2011

■ DEUTZ share price making speedy progress

- Positive course of business reflected in the share price
- Share price gains of more than 55 per cent in the first nine months (from €3.47 to €5.39**)
- Outstanding performance compared to SDAX (21 per cent) and Prime Industrial (16 per cent)
- Highest price for 2010 so far (€6.45) reached on 9 November

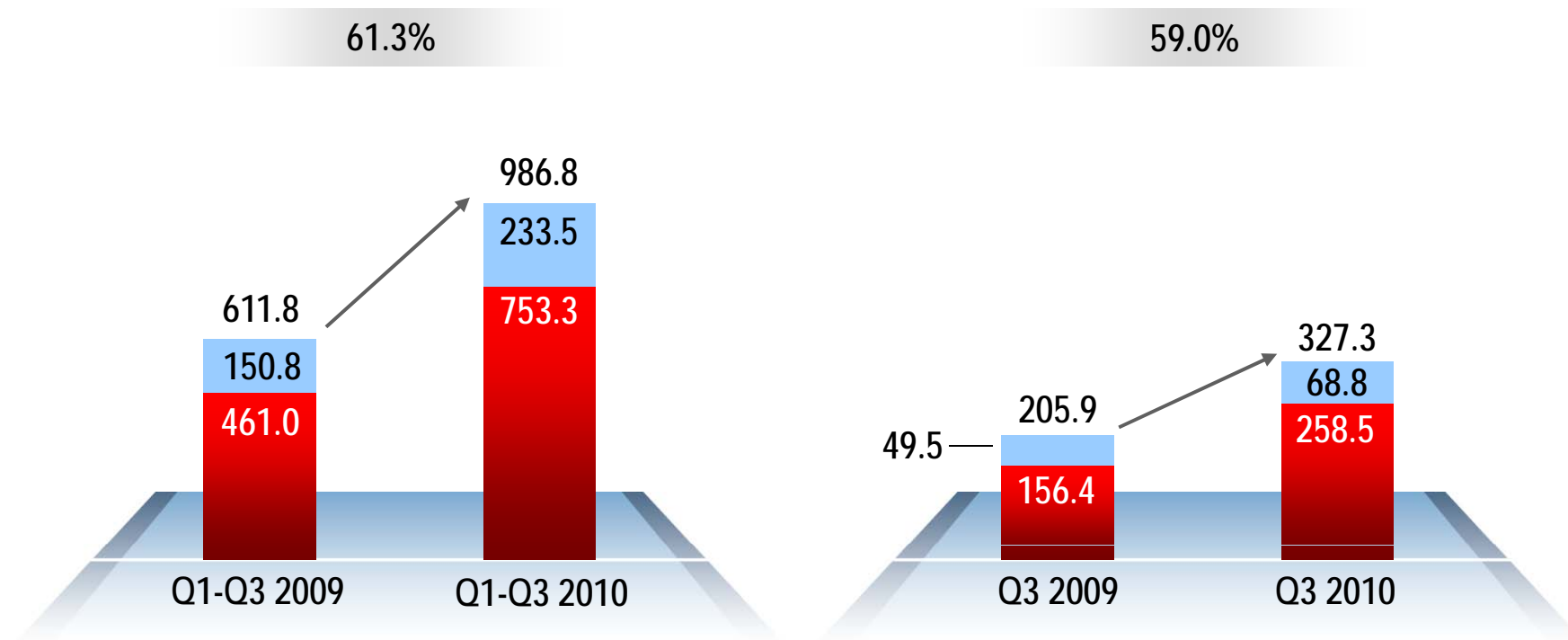
■ Capital expenditure on future-oriented technologies sustained

- High double-digit expenditure on R&D projects maintained
- Preparation for the launch of Tier 4 engines on schedule
- Joint venture with Bosch and Eberspächer according to plan
- Development of two new engines with capacities of less than four litres

*) before one-off items
**) Xetra closing prices

Development of new orders

€ million

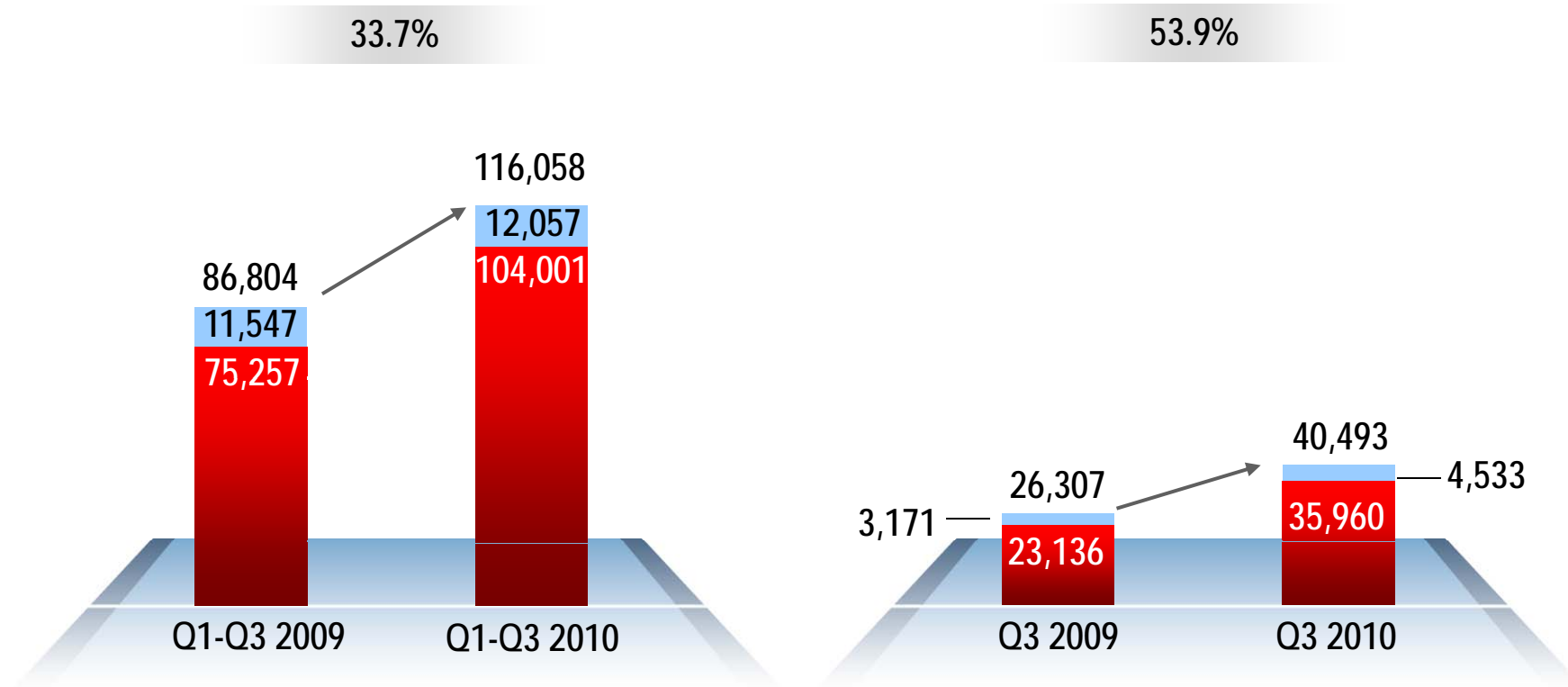


- Vigorous growth in the first nine months of 2010, especially in Mobile Machinery with +167%
- Compared to Q3 2009, new orders increased by almost 60% as a result of the ongoing strong demand
- On a qoq comparison, new orders experienced only a small seasonal decline of 5.8% (Q2 2010: €347.5 million)
- Order book as of 30 September 2010: €320.6 million (+109% year on year: €153.7 million)
- New orders still well above revenue of €820.4 million

 Compact Engines  DEUTZ Customised Solutions

Development of unit sales

units

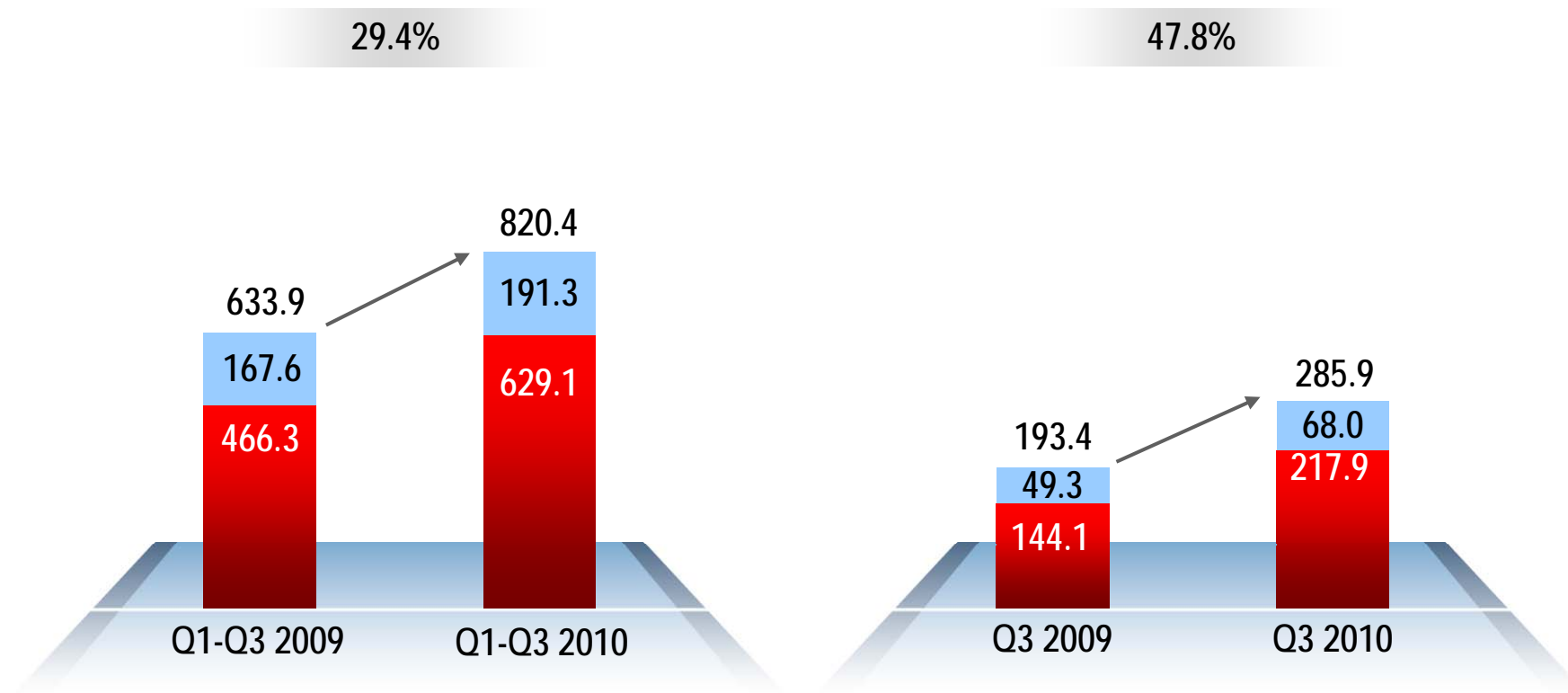


- One third more engines sold than in the comparable period of last year
- Sales of Mobile Machinery engines amounted to 50,594 units, a yoy increase of 111%
- Approx. 75% more units sold on the American market compared to Q1-Q3 2009

■ Compact Engines ■ DEUTZ Customised Solutions

Development of revenue

€ million



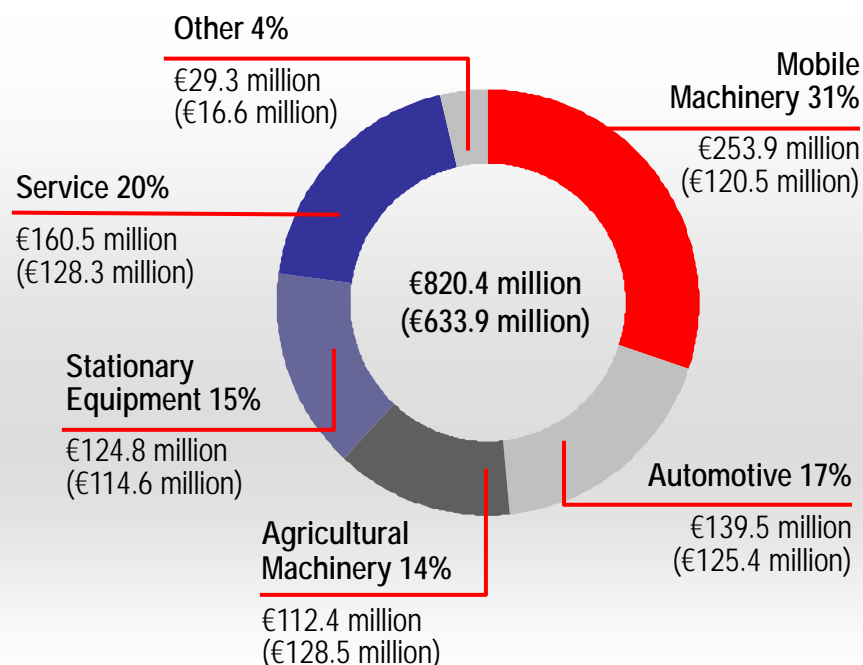
- Attractive business situation also reflected in the development of revenue, which is significantly above last year's level
- Sales of compact engines for construction machinery continued to be the driving force
- Unit sales growth slightly higher than revenue growth due to product mix

 Compact Engines  DEUTZ Customised Solutions

Revenue split

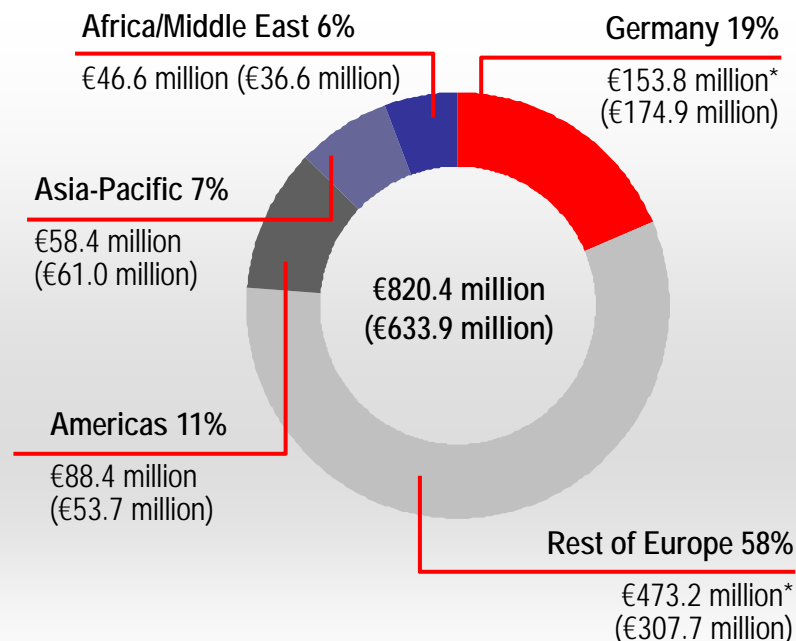
Revenue Split by Application, Q1-Q3 2010

(Q1-Q3 2009)



Revenue Split by Region, Q1-Q3 2010

(Q1-Q3 2009)



- Steep growth rates in all application segments, above all in Mobile Machinery (+111% vs. Q1-Q3 2009)
- Lucrative service business now accounts for 20% of revenue
- Agricultural Machinery: down by 13% yoy, but on quarterly basis an increase by 14.6% yoy

- Strong growth rates in America (65% vs. Q1-Q3 2009) and Africa/Middle East
- Europe including Germany +30% vs. Q1-Q3 2009
- Asia-Pacific had minor dip in revenue

Segment overview: Compact Engines

Year-on-year comparison:

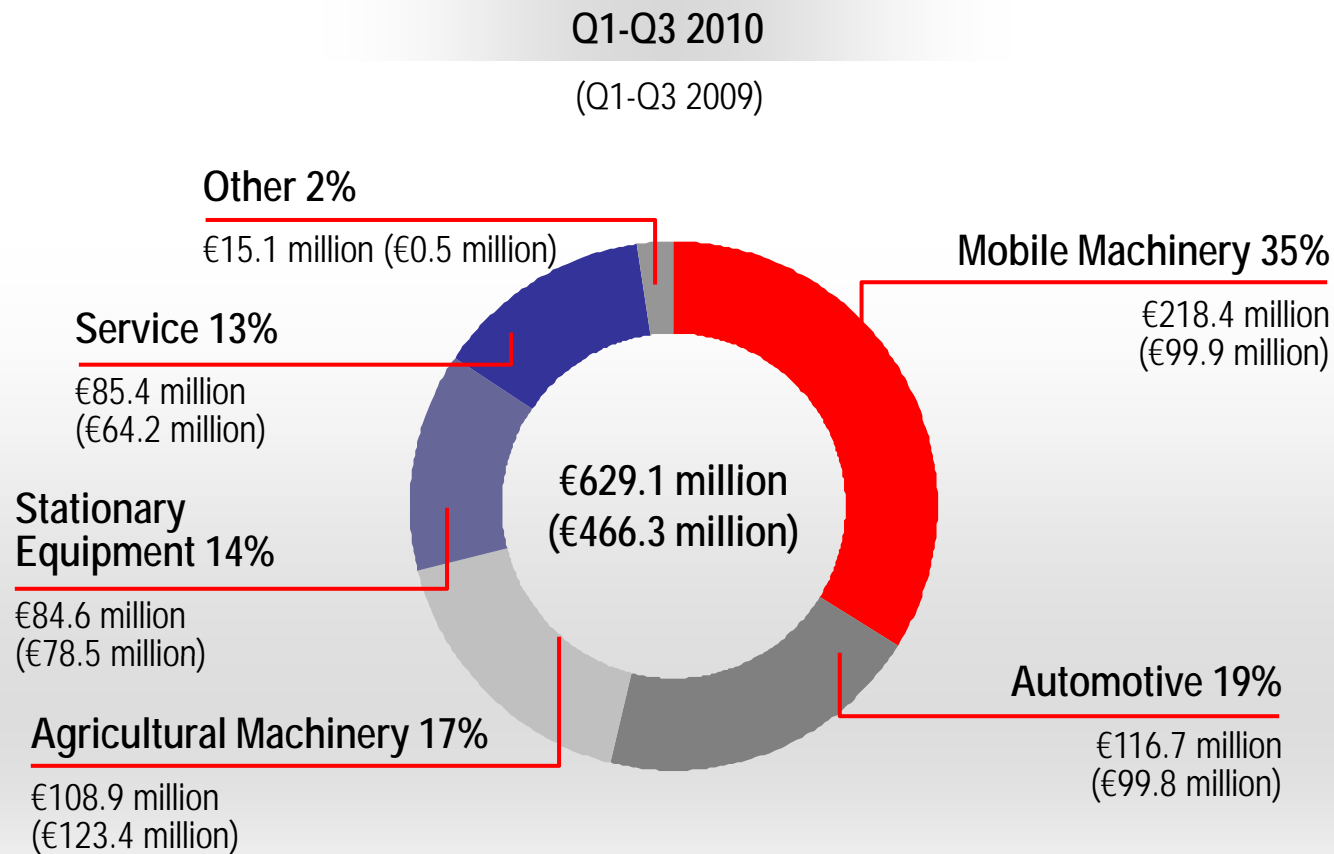
€ million	Q1-Q3 2010	Q1-Q3 2009	Change in %
New orders	753.3	461.0	63.4
Unit sales	104,001	75,257	38.2
Revenue	629.1	466.3	34.9
EBIT (before one-off items)	3.9	-49.9	--

Quarter-on-quarter comparison:

€ million	Q3 2010	Q3 2009	Change in %
New orders	258.5	156.4	65.3
Unit sales	35,960	23,136	55.4
Revenue	217.9	144.1	51.2
EBIT (before one-off items)	2.6	-21.4	--

- Segment performance in Q1-Q3 2010 considerably above expectations
- EBIT before one-off items positive again at €3.9 million
- At the DEUTZ Dalian joint venture, the loss was reduced to €2.1 million in the first nine months (Q1-Q3 2009: €-8.0 million), positive EBIT already achieved on JV level

Compact Engines: revenue split by application segment



- Mobile Machinery with very impressive performance: new orders +171%, unit sales +111% and revenue +111% compared with Q1-Q3 2009
- Agricultural Machinery is a late-cycle segment and the drop in sales by 12% yoy was therefore expected, but on a qoq comparison sales are already 14.4 % higher
- Service business remains a vital pillar: around 33% increase in revenue yoy

Segment overview: DEUTZ Customised Solutions

Year-on-year comparison:

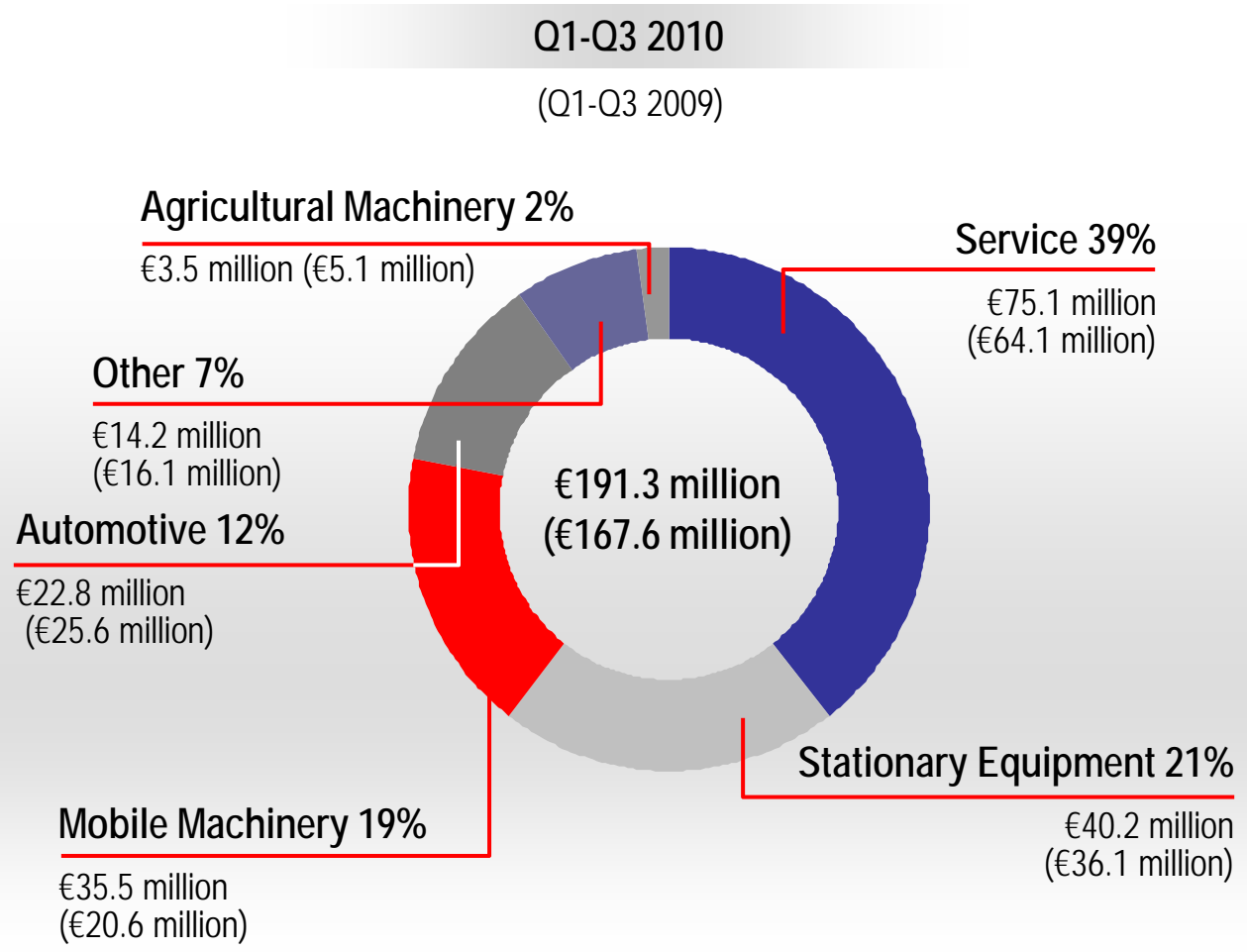
€ million	Q1-Q3 2010	Q1-Q3 2009	Change in %
New orders	233.5	150.8	54.8
Unit sales	12,057	11,547	4.4
Revenue	191.3	167.6	14.1
EBIT (before one-off items)	28.7	9.6	--

Quarter-on-quarter comparison:

€ million	Q3 2010	Q3 2009	Change in %
New orders	68.8	49.5	39.0
Unit sales	4,533	3,171	43.0
Revenue	68.0	49.3	37.9
EBIT (before one-off items)	11.4	1.9	--

- This segment's unit sales and revenue always react more slowly to economic developments due to the longer lead times in the project business
- Recovery of business now reflected in the development of revenue (14.1% yoy) and unit sales (4.4% yoy)
- New orders are progressing very well (+54.8% compared with Q1-Q3 2009)
- EBIT before one-off items up sharply by €19.1 million to €28.7 million thanks to profitable service business (Q1-Q3 2009: €9.6 million)

DEUTZ Customised Solutions: revenue split by application segment



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Overview key financials of Q1-Q3 2010

- EBIT before one-off items of €25.4 million (Q1-Q3 2009: €-40.7 million) substantially positive again after €13.3 million in H1 2010 due to lower fixed costs and improved gross margin
- Increased working capital due to higher revenues (working capital as of 30.09.2010: €180.7 million, 31.12.2009: €98.3 million)
- But a yoy comparison confirms our effective working capital management: although revenue increased by 29.4% yoy, working capital (€180.7 million) was only 1.1% higher than on 30. Sept. 2009 (€178.8 million)
- Cash flow from operating activities slightly positive (€2.9 million) despite the necessary increase in working capital
- Liquidity remains comfortable at €136.6 million as of 30 September 2010; equity ratio still high (32.3%)
- One-off items as a result of refinancing amounting to €14,1 million reduce the EBIT to €11.3 million; consolidated income: €-22.5 million (Q1-Q3 2009: €-87.7 million)
- US Private Placement will completely be refinanced by a secured syndicated bank loan, which reduces financing cost considerably in the next year

Key financials: EBIT before one-off items Q1-Q3

€ million

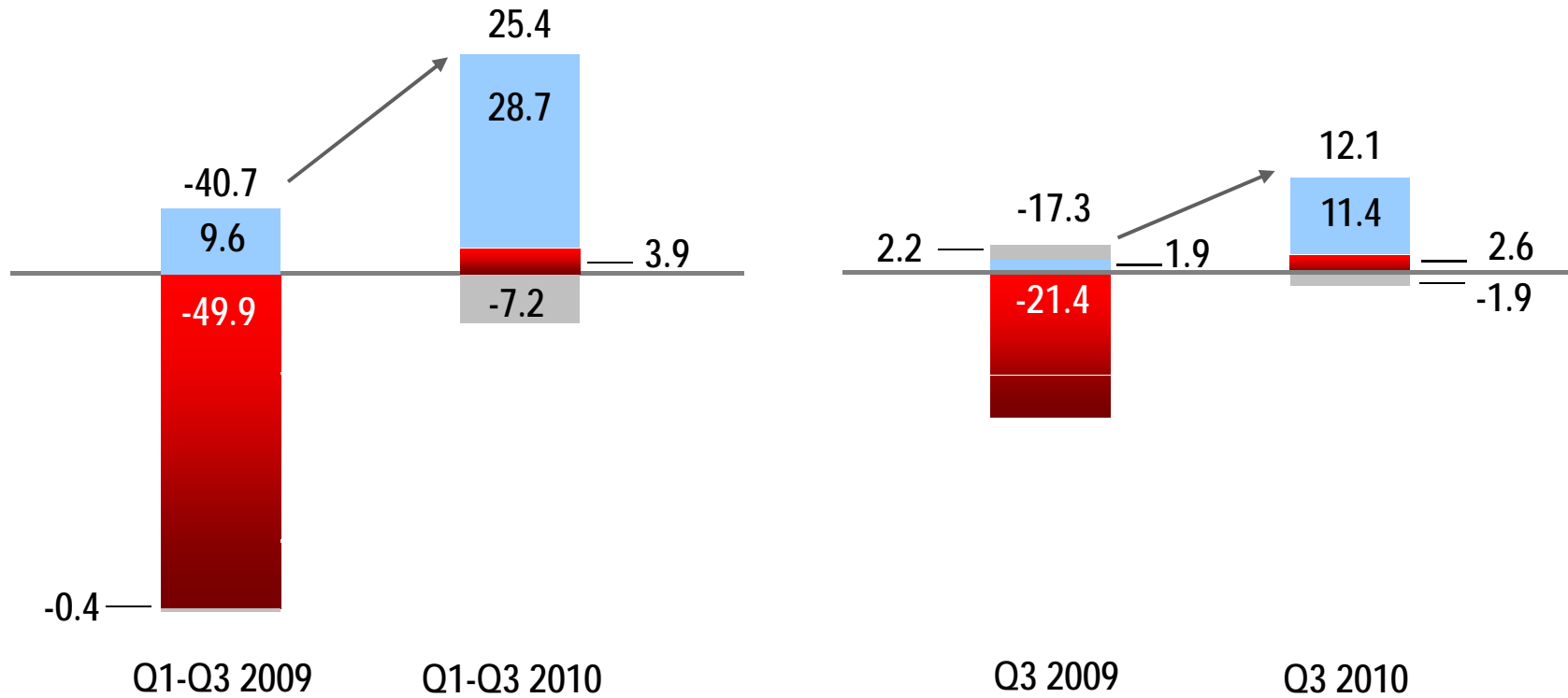
EBIT margin

-6.4%

3.1%

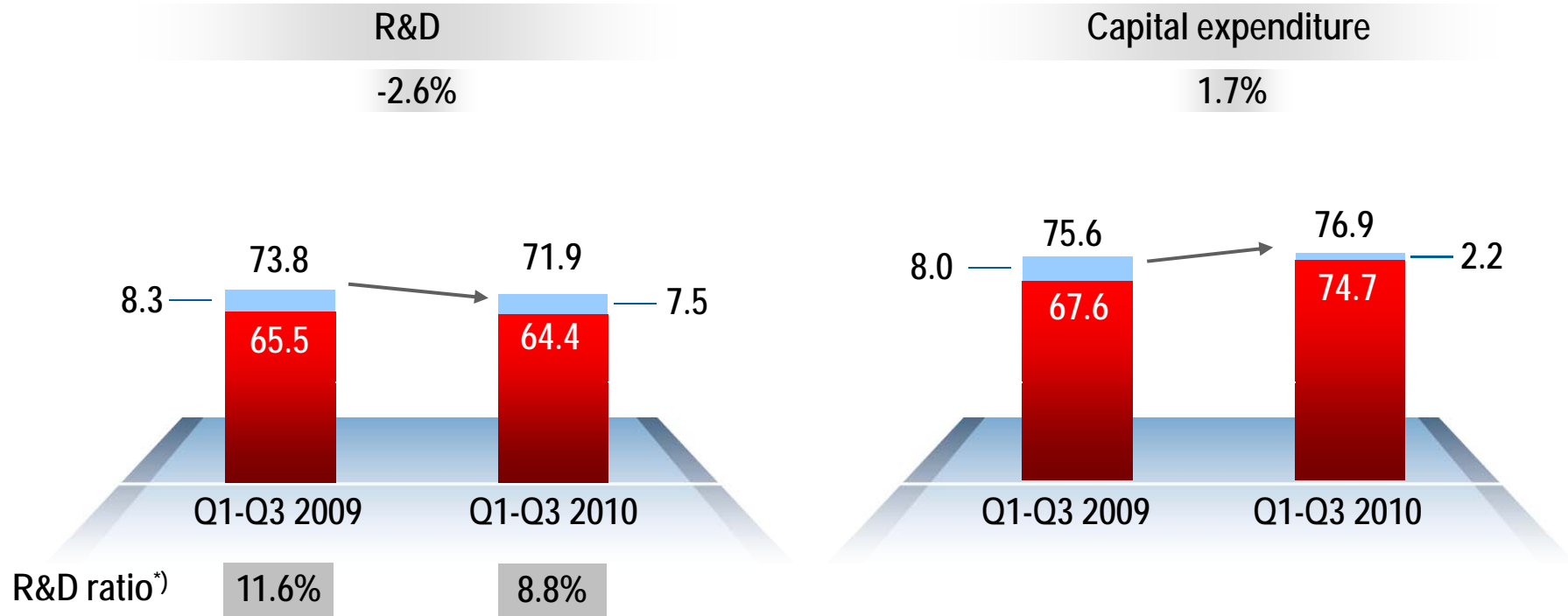
-8.9%

4.2%



Key financials: R&D and capital expenditure

€ million



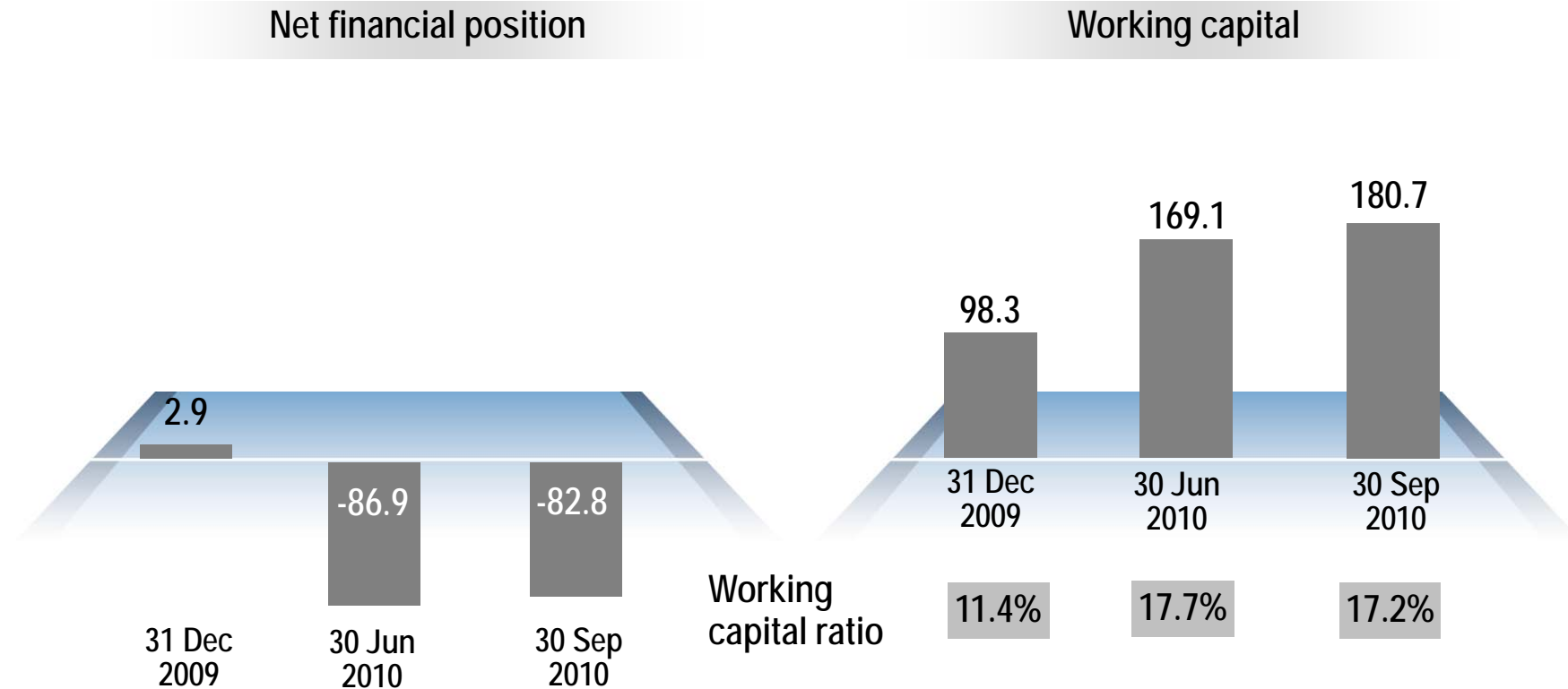
- R&D expenses in line with last year's as expected
- Focus remains on forthcoming Tier 4 emissions standard from 2011 and on developing two new engines
- Sharp decline in R&D ratio due to higher revenue in Q1-Q3 2010

- Strict management of capital expenditure and R&D projects
- Includes also investment in the joint venture Bosch Emission Systems GmbH & Co. KG (low double digit million € to be invested in the next 3 years)
- Capitalised development costs increased to €49.1 million (Q1-Q3 2009: €45.5 million)

^{*)} R&D expense/consolidated revenue

Key financials: net financial position and working capital

€ million



- High cash position of around €136.6 million as of 30.09.2010
- Equity ratio remains high at 32.3%

- Working Capital lower than revenue growth (mainly inventory)
- Receivables stable despite strong revenue growth

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Upward Forecast Revision for 2010

	2010 outlook
New orders	Well above last year
Unit sales	More than 165,000 units
Revenue	Approximately €1.2 billion
EBIT (before one-off items)	Well above €30 million
Equity ratio	Over 30%
Capex on property, plant and equipment (without R&D)	Same level as in financial year 2009 ^{*)}
Research and development	Same level as in financial year 2009 ^{*)} due to ongoing R&D expenses for new emissions standards and developing two new engines
Employees	Personnel measures have been largely completed

^{*)} FY 2009:
Capex (without R&D): €52.9 million
Research and development: €104.6 million

Optimistic Outlook for 2011

	2011 outlook
New orders	Well above financial year 2010
Unit sales	More than 200,000 units
Revenue	Approximately €1.4 billion
EBIT (before one-off items)	High double-digit million
Equity ratio	Over 30%
Capex on property, plant and equipment (without R&D)	Same level as in financial year 2010
Research and development	Same level as in financial year 2010 due to ongoing R&D expenses for new emissions standards and developing two new engines

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Overview key financials (I)

€ million	Q1-Q3 2010	Q1-Q3 2009	Change in %
Revenue	820.4	633.9	29.4
EBIT	11.3	-71.1	--
EBIT before one-off items	25.4	-40.7	--
EBIT margin	1.4	-11.2	--
EBIT margin before one-off items	3.1	-6.4	--
Net result	-22.5	-87.7	--
Basic earnings per share (€)	-0.19	-0.73	--
Number of employees as at 30 September	3,877	4,223	-8.2

Overview key financials (II)

€ million	Q1-Q3 2010	Q1-Q3 2009	Change in %
Total equity and liabilities	1,127.1	1,072.9	5.1
Equity	364.5	414.4	-12.0
Equity ratio (%)	32.3	38.6	--
Net financial position	-82.8	-33.4	--
Working capital	180.7	178.8	1.1
Working capital ratio (balance sheet date, %)	17.2	18.9	--
Cash flow from operating activities	2.9	48.9	-94.1
Free cash flow	-74.4	-26.6	--

Income statement

€ million	Q1-Q3 2010	Q1-Q3 2009	Change in %
Revenue	820.4	633.9	29.4
Change in inventories and other own work capitalised	44.1	1.8	--
Other operating income	56.4	53.8	4.8
Cost of materials	-539.6	-414.4	30.2
Staff costs	-187.6	-215.2 ^{*)}	-12.8
Depreciation and amortisation	-46.9	-49.2	-4.7
Impairment losses	0.0	-1.0	-100.0
Other operating expenses	-133.2	-75.1	77.4
Net result from equity-accounted investments	-2.4	-5.7	-57.9
Other investment income	0.1	0.0	--
EBIT	11.3	-71.1	--
thereof one-off items	-14.1	-30.4	--
thereof operating profit (EBIT before one-off items)	25.4	-40.7	--
Interest expenses, net	-18.7	-6.7	--
Other taxes	-1.2	-1.4	-14.3
Net income before taxes on continuing operations	-8.6	-79.2	--
Income taxes	-13.9	-8.5	63.5
Net income on continuing operations	-22.5	-87.7	--
Net income on discontinued operations	0.0	-0.2	-100.0
Net income	-22.5	-87.9	--

^{*)} adjusted for one-off charge of €30.4 million in Q2 2009

Balance sheet: assets

€ million	30 Sep 2010	31 Dec 2009	Change in %
Non-current assets (before deferred tax assets)	582.4	539.7	8.0
Deferred tax assets	13.8	22.4	-38.4
Inventories	180.8	127.5	41.8
Trade receivables	158.5	112.3	41.1
Other receivables and assets	54.5	54.3	0.4
Cash and cash equivalents	136.6	214.7	-36.4
Non-current assets and disposal groups held for sale	0.5	0.5	0.0
Total assets	1,127.1	1,071.1	5.2

Balance sheet: equity and liabilities

€ million	30 Sep 2010	31 Dec 2009	Change in %
Equity	364.5	379.2	-3.9
Provisions for pensions and other post-retirement benefits	159.1	163.9	-2.9
Deferred tax provisions	4.7	0.1	--
Other provisions	40.4	26.9	50.2
Financial liabilities	12.4	206.2	-94.0
Other liabilities	8.0	13.4	-40.3
Non-current liabilities	224.6	410.5	-45.3
Provisions for pensions and other post-retirement benefits	16.1	16.1	0.0
Other provisions/provisions for current taxes	81.5	55.8	46.1
Financial liabilities	207.0	5.6	--
Trade payables	158.6	141.5	12.1
Other liabilities	74.8	62.4	19.9
Current liabilities	538.0	281.4	91.2
Total equity and liabilities	1,127.1	1,071.1	5.2

Cash flow statement (summary)

€ million	Q1-Q3 2010	Q1-Q3 2009
EBIT	11.3	-71.1
Cash flow from operating activities (total)	2.9	48.9
Cash flow from investing activities (continuing operations)	-60.2	-62.0
Cash flow from investing activities (discontinued operations)	-3.2	-0.4
Cash flow from investing activities (total)	-63.4	-62.4
Cash flow from financing activities	-17.7	-14.1
Change in cash and cash equivalents	-78.2	-27.6

Segment overview Q1-Q3 2010

New orders (€ million)	Q1-Q3 2010	Q1-Q3 2009	Change in %
Compact Engines	753.3	461.0	63.4
DEUTZ Customised Solutions	233.5	150.8	54.8
Total activities	986.8	611.8	61.3

Revenue (€ million)	Q1-Q3 2010	Q1-Q3 2009	Change in %
Compact Engines	629.1	466.3	34.9
DEUTZ Customised Solutions	191.3	167.6	14.1
Total activities	820.4	633.9	29.4
Germany	18.7%	27.6%	--
Exports	81.3%	72.4%	--

Unit sales	Q1-Q3 2010	Q1-Q3 2009	Change in %
Compact Engines	104,001	75,257	38.2
DEUTZ Customised Solutions	12,057	11,547	4.4
Total activities	116,058	86,804	33.7

EBIT before one-off items (€ million)	Q1-Q3 2010	Q1-Q3 2009	Change in %
Compact Engines incl. DDE	3.9	-49.9	--
<i>DEUTZ Dalian Engines (DDE)</i>	-2.1	-8.0	--
<i>Compact Engines excluding DDE</i>	6.0	-41.9	--
DEUTZ Customised Solutions	28.7	9.6	--
Other	-7.2	-0.4	--
Total activities	25.4	-40.7	--

Segment overview Q3 2010

	Q3 2010	Q3 2009	Change in %
New orders (€ million)			
Compact Engines	258.5	156.4	65.3
DEUTZ Customised Solutions	68.8	49.5	39.0
Total activities	327.3	205.9	59.0

	Q3 2010	Q3 2009	Change in %
Revenue (€ million)			
Compact Engines	217.9	144.1	51.2
DEUTZ Customised Solutions	68.0	49.3	37.9
Total activities	285.9	193.4	47.8
Germany	19.7%	25.3%	--
Exports	80.3%	74.7%	--

	Q3 2010	Q3 2009	Change in %
Unit sales			
Compact Engines	35,960	23,136	55.4
DEUTZ Customised Solutions	4,533	3,171	43.0
Total activities	40,493	26,307	53.9

	Q3 2010	Q3 2009	Change in %
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	2.6	-21.4	--
<i>DEUTZ Dalian Engines (DDE)</i>	-0.6	-2.7	--
<i>Compact Engines excluding DDE</i>	3.2	-18.7	--
DEUTZ Customised Solutions	11.4	1.9	--
Other	-1.9	2.2	--
Total activities	12.1	-17.3	--

Financial calendar 2011

- | | | |
|---|----------------|------------------|
| ■ Annual Press Conference
Annual Report 2010 | Cologne | 17 March 2011 |
| ■ Analysts' Meeting | Frankfurt/Main | 18 March 2011 |
| ■ Annual General Meeting | Cologne | 5 May 2011 |
| ■ Interim Report 1st Quarter 2011
Conference call with Analysts and Investors | | 12 May 2011 |
| ■ Interim Report 1st Half-year 2011
Conference call with Analysts and Investors | | 4 August 2011 |
| ■ Interim Report 1st to 3rd Quarter 2011
Conference call with Analysts and Investors | | 10 November 2011 |

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