

DEUTZ AG

CONFERENCE CALL Q1 2008

30 April 2008

The engine company.





Agenda

- **Highlights Q1 2008**

Dr Helmut Leube, Chairman of Management Board

- **Key performance indicators Q1 2008**

Helmut Meyer, CFO

- **Outlook for 2008**

Dr Helmut Leube, Chairman of Management Board

- **Appendix**



Successful start to 2008

- Unit sales up 14.3 % to 72,786 engines (Q1 2007: 63,672)
- Revenue up 18.4 % to €397.0 million (Q1 2007: €335.4 million)
- EBIT margin up 0.7 percentage points to 5.0% (Q1 2007: 4.3 %)
- Net income up almost 70 % to €13.5 million (Q1 2007: €8.0 million)
- Research and development expenditure rises to €16.6 million (Q1 2007: €11.7 million)
- Set-up of DEUTZ Dalian Joint Venture is fully on track



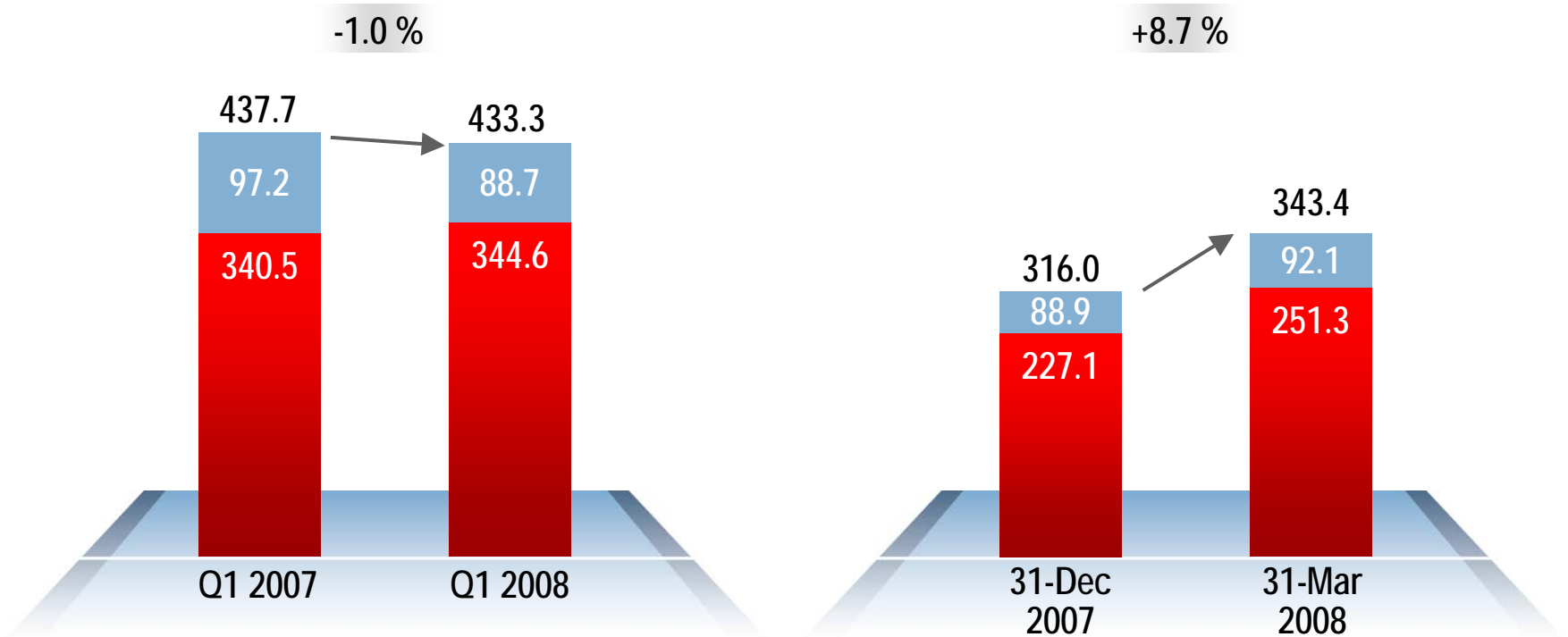
New orders and orders on hand remain at high level

New orders (€ million)

Orders on hand (€ million)

-1.0 %

+8.7 %



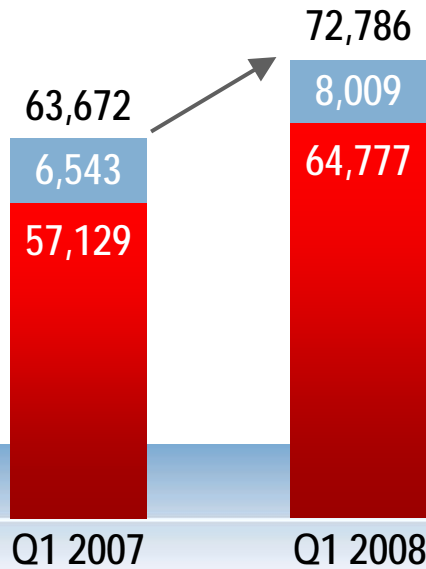
■ Compact Engines ■ DEUTZ Customised Solutions



Double-digit growth in unit sales and revenue

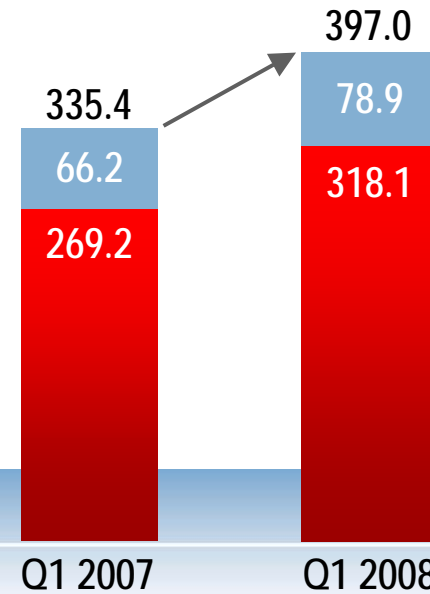
Unit sales

+14.3 %



Revenue (€ million)

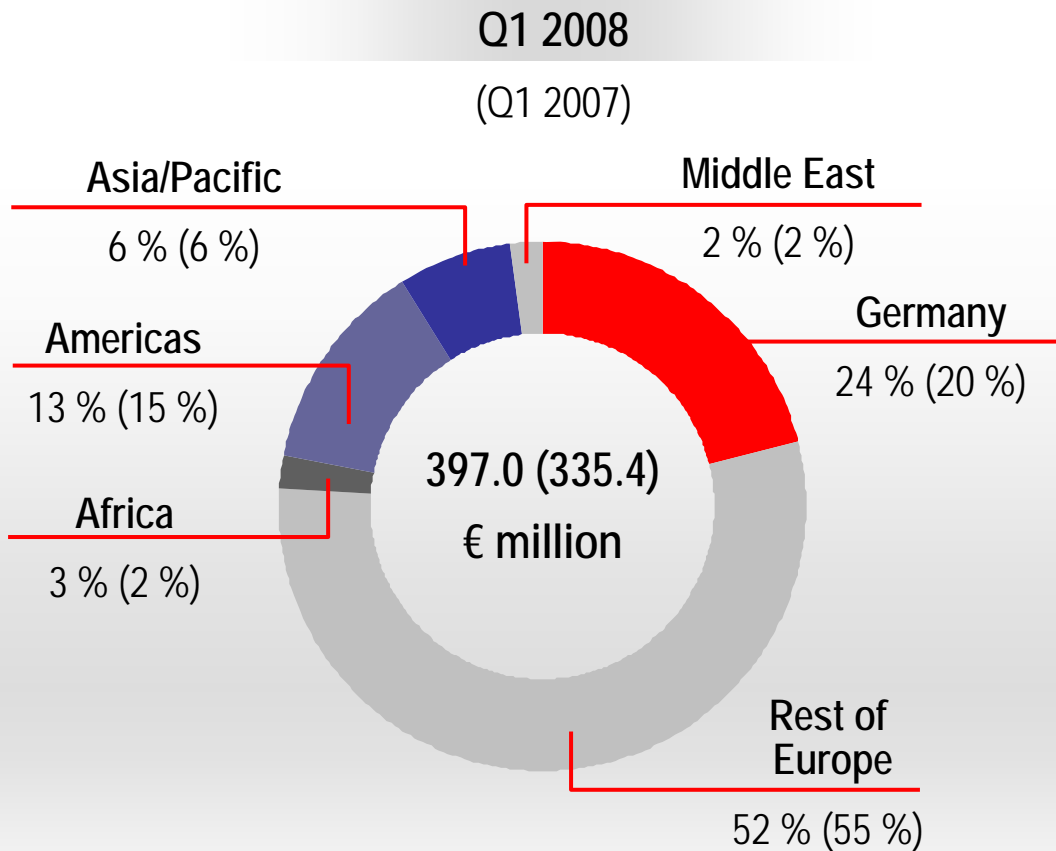
+18.4 %



■ Compact Engines ■ DEUTZ Customised Solutions



Revenue by region



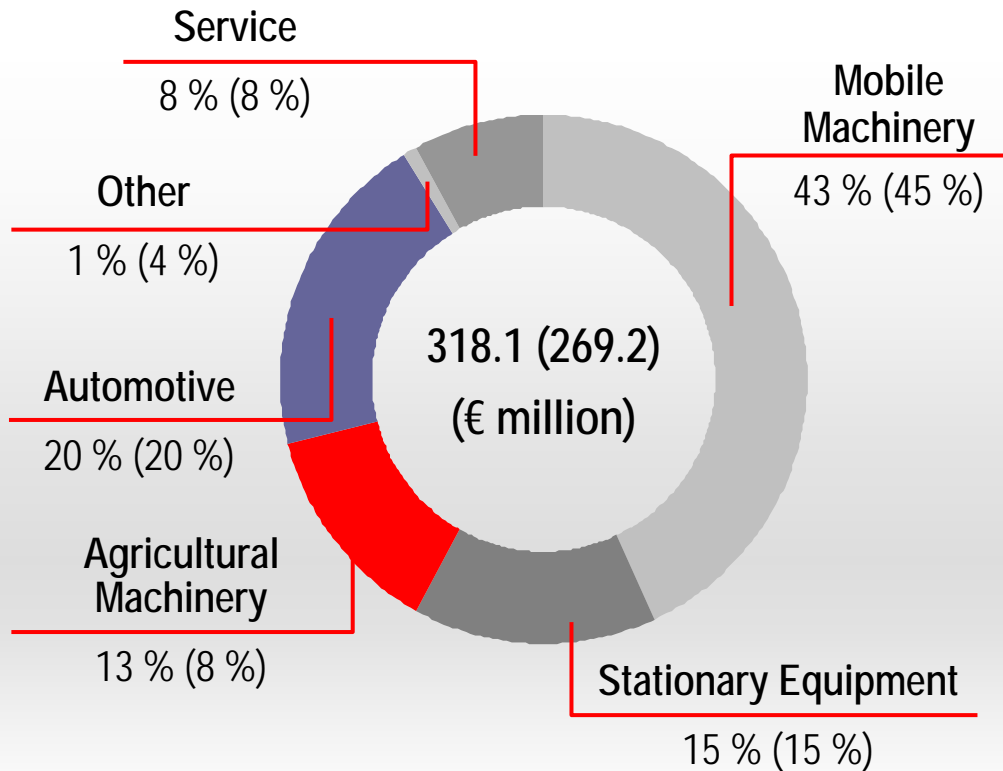
€ million	Q1 2008	Q1 2007	Delta in %
Germany	94.9	67.5	40.6
Rest of Europe	206.2	182.2	13.2
Middle East	6.9	6.9	-
Asia/Pacific	25.9	21.0	23.3
Americas	50.6	50.9	-0.6
Africa	12.5	6.9	81.2
Total	397.0	335.4	18.4



Compact Engines segment: highlights

Revenue by application segment

Q1 2008 (Q1 2007)



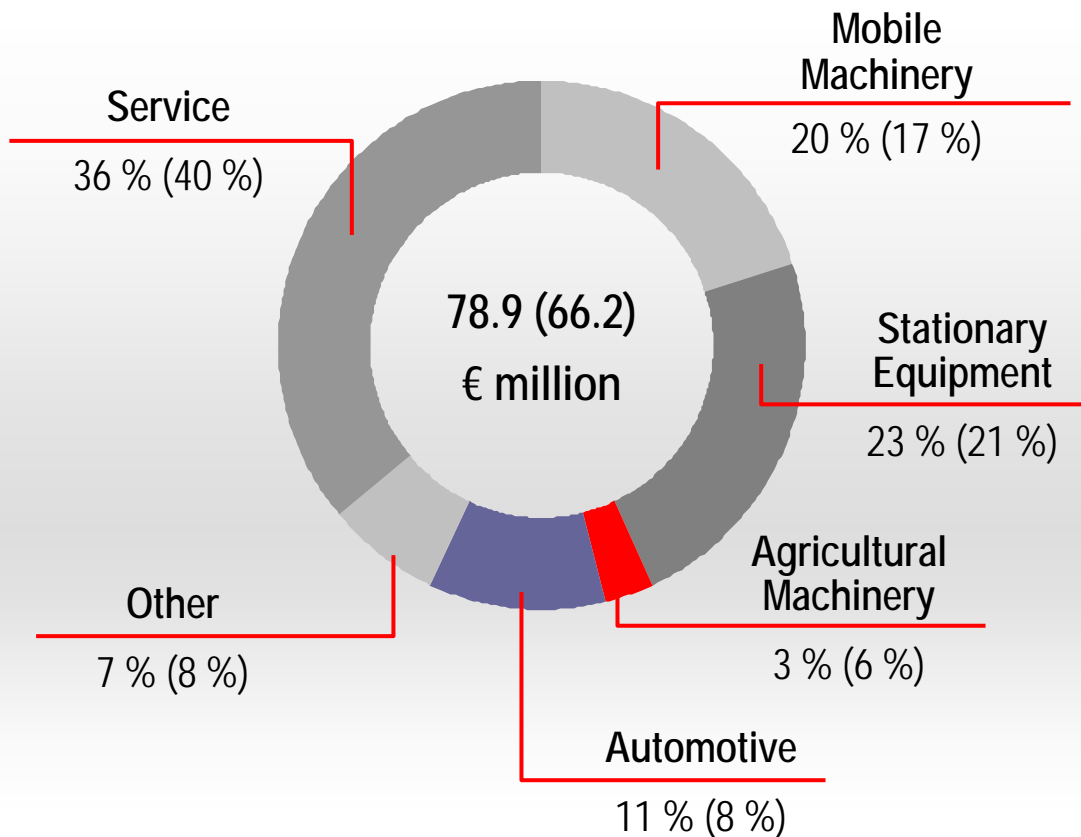
- Revenue benefits from TCD 2013 4V engine and strong demand in service business
- Exceptionally strong growth in Agricultural Machinery revenue of 86.5% to €41.4 million (Q1 2007: €22.2 million)
- Service revenue up 17.1% to €24.7 million (Q1 2007: €21.1 million)



DEUTZ Customised Solutions segment: highlights

Revenue by application segment

Q1 2008 (Q1 2007)



- Revenue improves by 19.2% to €78.9 million (Q1 2007: €66.2 million) following relocation of production from Cologne to Ulm
- Service business increases by 7.9% to €28.7 million (Q1 2007: €26.6 million)



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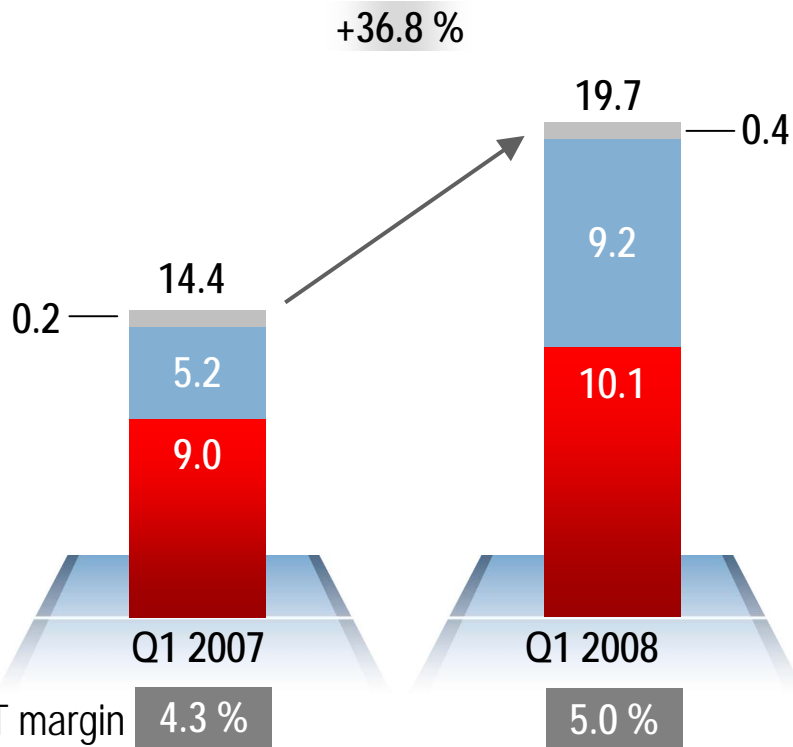
Financial highlights Q1 2008

- Substantial year-on-year improvement in EBIT
 - Group EBIT up almost 37 % to €19.7 million (Q1 2007: €14.4 million)
 - Compact Engines EBIT up 12.2 % to €10.1 million (Q1 2007: € 9.0 million) despite €3.2 million share of start-up losses in Deutz Dalian
 - 77 % surge in EBIT at Deutz Customised Solution to €9.2 million (Q1 2007: €5.2 million) due to higher volumes in new engines business and absence of the set-up costs that had been incurred in Q1 2007 in connection with the relocation of production
- With the significant improvement in net interest income/expense, net income rises almost 70 % to €13.5 million (Q1 2007: €8.0 million)
- Significant increase in working capital as a result of higher revenue and lower sales of receivables
- Net financial position remains positive at €50.1 million (Q1 2007: minus €69.1 million)



EBIT benefits from higher revenues and improved margins

EBIT (€ million)



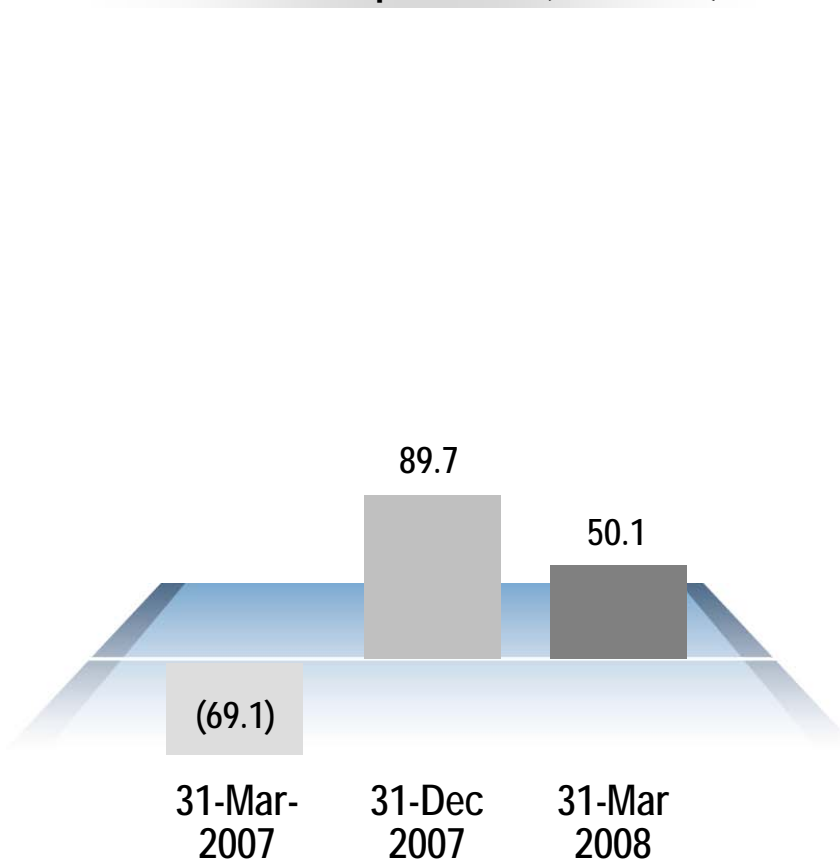
■ Compact Engines ■ DEUTZ Customised Solutions ■ Other

EBIT (€ million)	Q1 2008	Q1 2007	Change in %
Compact Engines without DDE	13.3	9.0	47.8
DEUTZ Dalian Engines (DDE)	(3.2)	-	-
Compact Engines incl. DDE	10.1	9.0	12.2
DEUTZ Customised Solutions	9.2	5.2	76.9
Other	0.4	0.2	-
Total	19.7	14.4	36.8

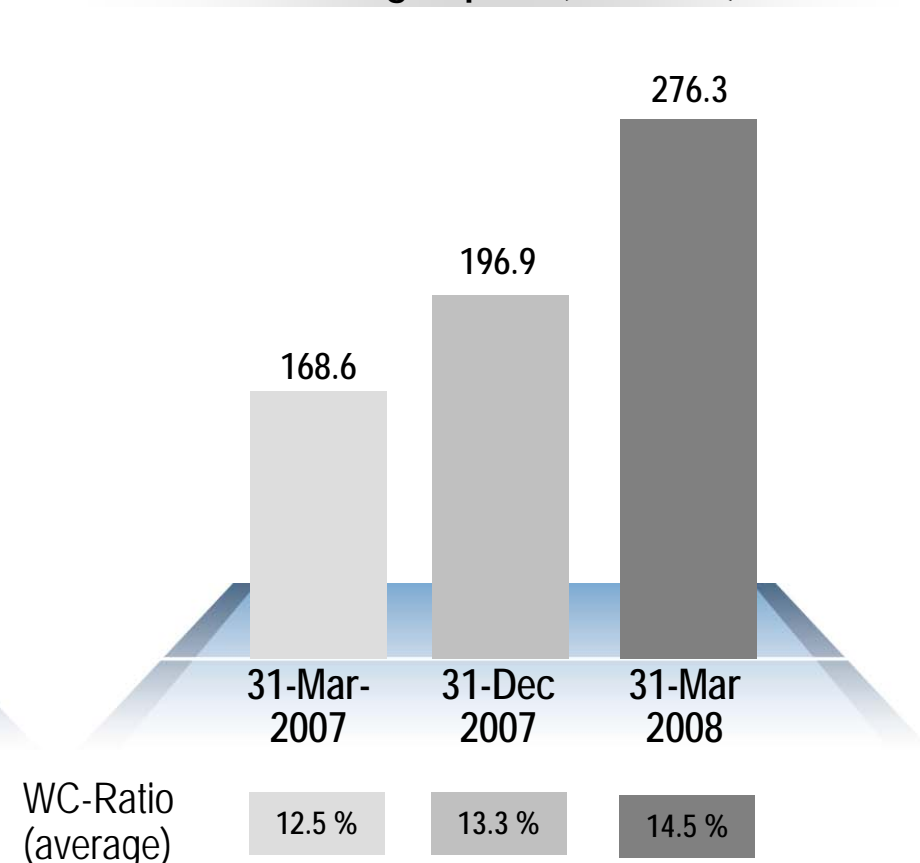


Net financial position positive following the sale of DEUTZ Power Systems; working capital reflects rising volume of business

Net financial position (€ million)



Working capital (€ million)

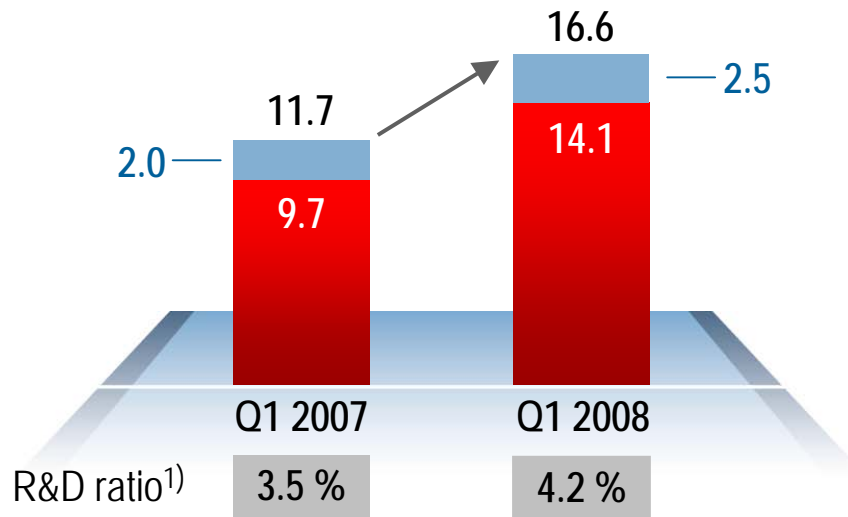




R&D expenditure increased by 42%; €22 million invested in expansion of capacity and in service business

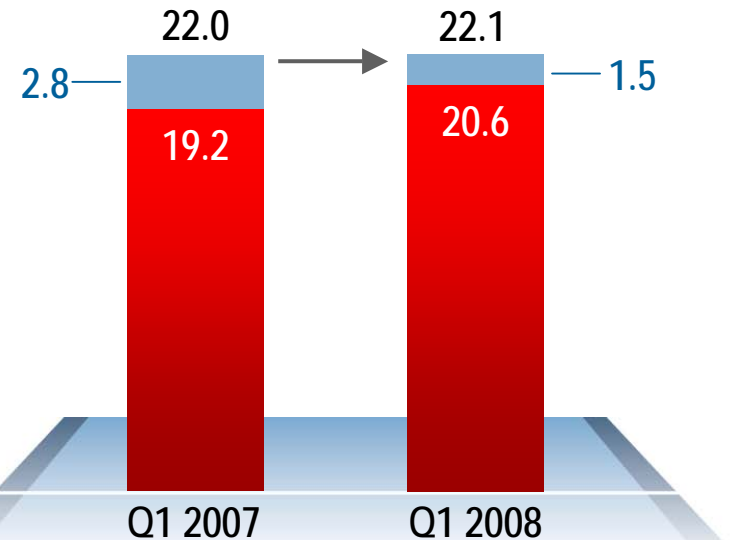
R&D (€ million)

+41.9 %



Capital expenditure (€ million)

+0.5 %



¹⁾ R&D expense / Group revenue

■ Compact engines ■ DEUTZ Customised Solutions



Key balance sheet statistics

€ million	31-Mar-2008	31-Dec-2007	Change (%)
Total assets	1,387.5	1,378.6	0.6
Equity	570.1	557.1	2.3
Equity ratio (%)	41.1	40.4	-
Cash flow from operating activities	(20.4)	(38.7)	-
Net financial position	50.1	89.7	-44.1
Working capital	276.3	196.9	40.3



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Positive Outlook for 2008

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

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



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Key Performance Indicators Q1 2008

€ million	Q1 2008	Q1 2007	Change (%)
Revenue	397.0	335.4	18.4
EBITDA	37.0	31.1	19.0
EBIT	19.7	14.4	36.8
EBIT margin before one-off items (%)	5.0	4.3	-
Net income	13.5	5.8	-
Basic earnings per share (€)	0.11	0.05	-
Number of employees (31 March)	4,909	4,629	6.0



Income Statement

DEUTZ Group:				Change
Income statement	(€ million)	Q1 2008	Q1 2007	in %
Revenue		397.0	335.4	18.4
Changes in inventories and other own work capitalised		13.6	18,2	-25.3
Other operating income		16.7	11.8	41.5
Cost of materials		(275.3)	(232.3)	18.5
Staff costs		(73.4)	(65.9)	11.4
Depreciation and amortisation		(17.3)	(16.7)	3.6
Other operating expenses		(39.2)	(36.4)	7.7
Profit/loss from equity-accounted investments		(2.4)	0.3	-
EBIT		19.7	14.4	36.8
Interest expense, net		(3.6)	(5.2)	-30.8
of which finance costs		(8.6)	(5.8)	-48.3
Other taxes		(0.3)	(0.2)	50.0
Net income before taxes on continuing operations		15.8	9.0	75.6
Income taxes		(2.3)	(1.0)	-
Net income after taxes on continuing operations		13.5	8.0	68.8
Net income after taxes on discontinued operations		-	(2.2)	-
Net income		13.5	5.8	-



Q1 2008: Segment Overview

Unit Sales	Q1 2008	Q1 2007	Delta in %
Compact Engines	64,777	57,129	13.4
DEUTZ Customised Solutions	8,009	6,543	22.4
Total	72,786	63,672	14.3

Revenue (€ million)	Q1 2008	Q1 2007	Delta in %
Compact Engines	318.1	269.2	18.2
DEUTZ Customised Solutions	78.9	66.2	19.2
Total	397.0	335.4	18.4
Germany	23.9 %	20.1 %	
Exports	76.1 %	79.9 %	

New orders (€ million)	Q1 2008	Q1 2007	Delta in %
Compact Engines	344.6	340.5	1.2
DEUTZ Customised Solutions	88.7	97.2	-8.7
Total	433.3	437.7	-1.0

EBIT (€ million)	Q1 2008	Q1 2007	Delta in %
Compact Engines excl. DDE	13.3	9.0	47.8
DEUTZ Dalian Engines (DDE)	(3.2)	-	-
Compact Engines incl. DDE	10.1	9.0	12.2
DEUTZ Customised Solutions	9.2	5.2	76.9
Other	0.4	0.2	-
Total	19.7	14.4	36.8



Balance Sheet: Assets

DEUTZ Group:		31.03.	31.12.	Delta
Assets	(€ million)	2008	2007	in %
Non-current assets		509.7	511.3	-0.3
Deferred tax assets		47.6	49.4	-3.6
Inventories		229.3	214.2	7,0
Trade receivables		241.9	188.8	28.1
Other receivables and assets		100.1	102.9	-2.7
Cash and cash equivalents		258.0	311.1	-17.1
Non-current assets and disposal groups held for sale		0.9	0.9	-
Total assets		1,387.5	1,378.6	0.6



Balance sheet: Equity and liabilities

DEUTZ Group:		31.03.	31.12.	Delta
Equity and liabilities	(€ million)	2008	2007	in %
Equity		570.1	557.1	2.3
Provisions for pensions and other post retirement benefits		173.0	176.7	-2.1
Other provisions/deferred tax provisions		46.8	46.5	0.6
Financial liabilities (non-current)		202.2	216.0	-6.4
Other liabilities		17.9	10.0	79.0
Non-current liabilities		439.9	449.2	-2.1
Provisions for pensions and other post retirement benefits		16.7	16.7	-
Other provisions/provisions for current income taxes		87.6	75.0	16.8
Financial liabilities (current)		5.7	5.4	5.6
Trade payables		194.9	206.1	-5.4
Other liabilities		72.6	69.1	5.1
Current liabilities		377.5	372.3	1.4
Total equity and liabilities		1,387.5	1,378.6	0.6



Cash Flow Statement (condensed)

DEUTZ Group	€ million	Q1 2008	Q1 2007
EBIT		19.7	14.4
Cash flow from operating activities (continuing operations)		(20.4)	3.0
Cash flow from operating activities (discontinued operations)		-	(13.7)
Cash flow from operating activities (total)		(20.4)	(10.7)
Capital expenditures on intangible assets, property, plant and equipment, investments		(24.3)	(24.9)
Cash receipts from the sale of business		-	(0.4)
Proceeds from the sale of non-current assets		-	0.5
Cash flow from investing activities (continuing operations)		(24.3)	(24.8)
Cash flow from investing activities (discontinued operations)		(0.9)	(0.5)
Cash flow from investing activities (total)		(25.2)	(25.3)
Cash flow from financing activities		(7.1)	(0.5)
Change in cash and cash equivalents		(52.7)	(36.5)



Financial Dates 2008 / 2009

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