

CONFERENCE CALL Q1-Q3 2009

05 November 2009

The engine company.



Agenda

- **Overview Q1-Q3 2009**

Dr Helmut Leube, Chairman of the Management Board

- **Key financials Q1-Q3 2009**

Dr Margarete Haase, CFO

- **"MOVE" programme and outlook**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**

Highlights of Q1-Q3 2009

- **First signs of an improvement**
 - Slight improvement of new orders
 - New orders higher than revenues in Q3
 - Major application segment Mobile Machinery shows signs of recovery

- **"MOVE" programme with exciting progress**
 - Savings of €103 million since start of programme; €30 million in Q3 alone
 - Ongoing reduction of fixed costs in administration and production

- **Successful management of working capital**
 - Positive operating cash flow of €49 million in Q1-Q3 2009 mainly due to reduction of inventories
 - As a result of continuing high investments in R&D, free cash flow to remain negative

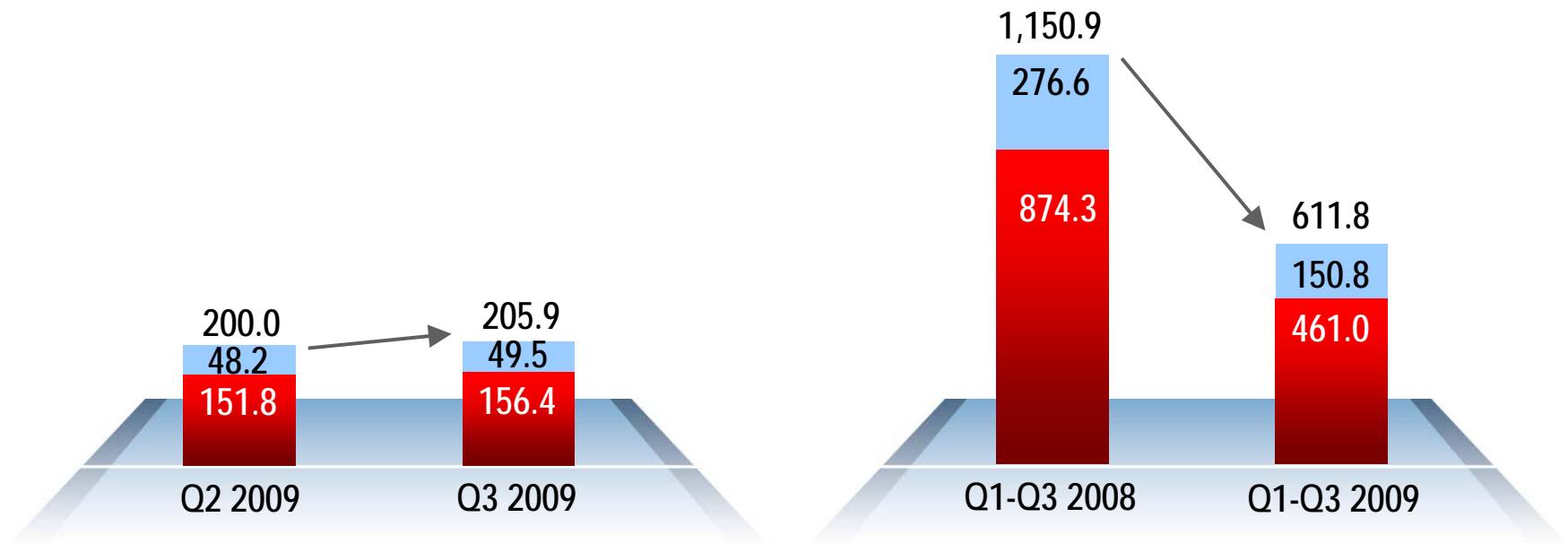
- **Ongoing good preparation for the launch of TIER 4 engines**
 - R&D activities focused to comply with our time schedule
 - Expenditures still on high level
 - Joint Venture with Bosch and Eberspächer on a good way

Development of new orders

€ million

3.0% (qoq)

-46.8% (yoy)



- improvement in Q3 compared to Q2 2009,
- Qoq, new orders in Mobile Machinery with a revival
- Yoy, slow recovery from the sharp downturn in H1 2009 but bottoming out
- Slight recovery in demand expected in 2010

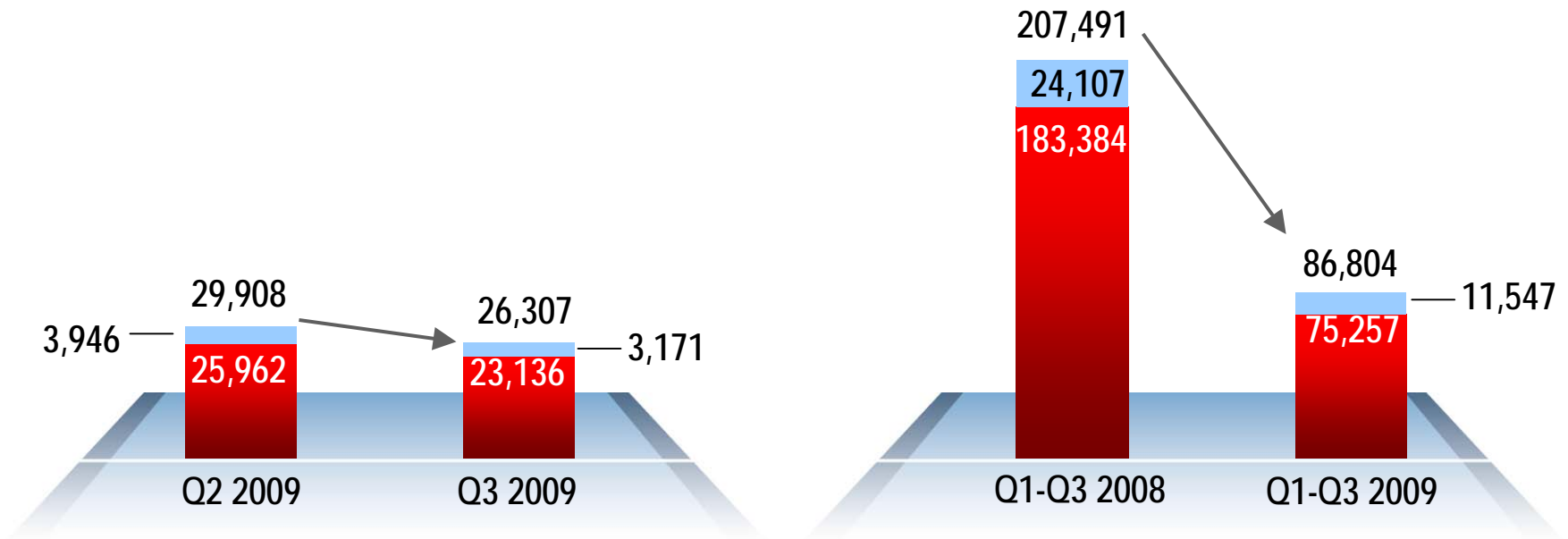
 Compact Engines  DEUTZ Customised Solutions

Development of unit sales

units

-12.0% (qoq)

-58.2% (yoy)



- Qoq, 12% decline due to seasonal effect: holiday months July and August at DEUTZ and customers
- Qoq, slight increase in Mobile Machinery and Stationary Equipment
- Yoy, most stable segment Agriculture

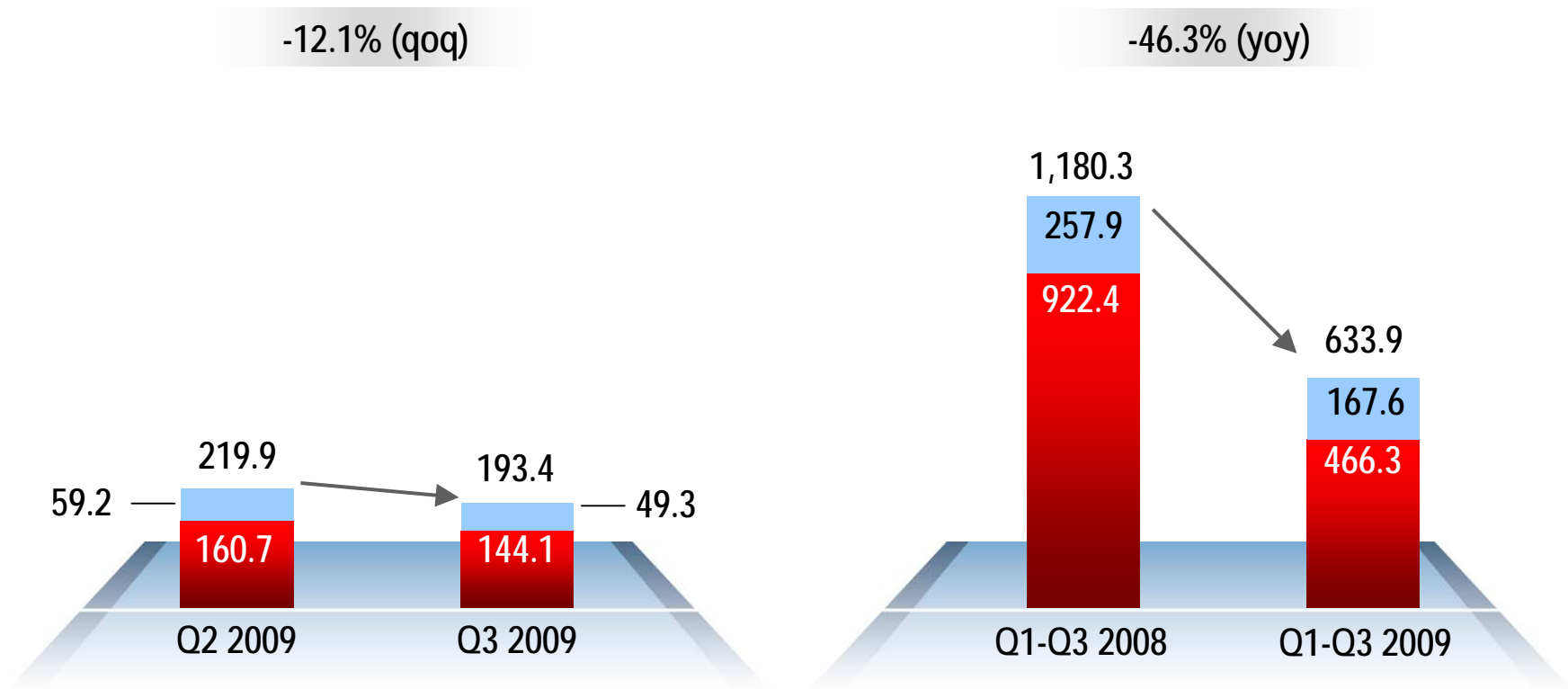
 Compact Engines  DEUTZ Customised Solutions

Development of revenue

€ million

-12.1% (qoq)

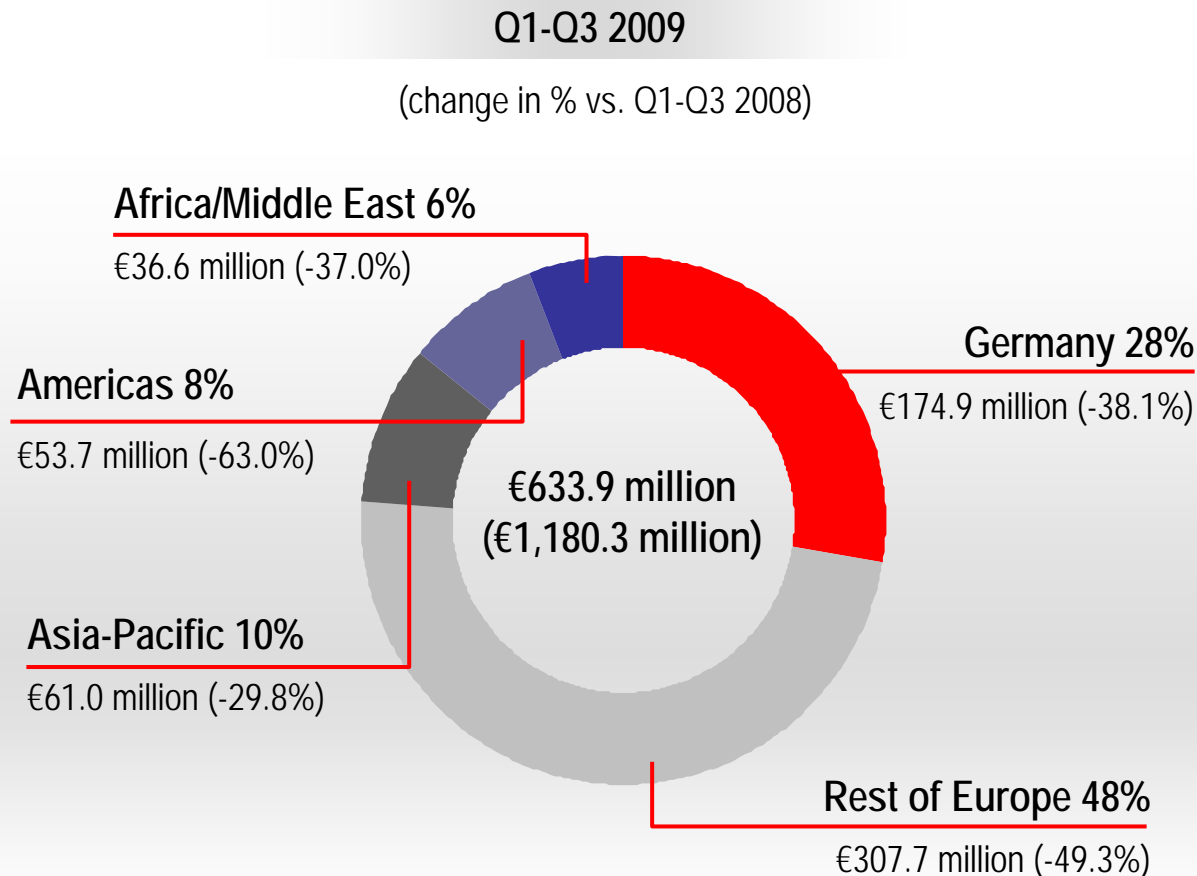
-46.3% (yoy)



- Qoq, decline in revenue as a result of downturn in unit sales
- Yoy, Agricultural Machinery close to last year's revenue level (-8,5% yoy)
- QoQ, Mobile Machinery slight increase

 Compact Engines  DEUTZ Customised Solutions

Revenue split by region



- Proportion of domestic revenue rises to 27.6% (Q1-Q3 2008: 24.0%)
- Asia-Pacific, Africa and Middle East account for 15.4% of revenue (Q1-Q3 2008: 12.3%)
- Significant revenue decline yoy in Americas (-63.0%)
- First signs of recovery qoq in Asia-Pacific

Segment overview: Compact Engines

Quarter-on-quarter comparison:

€ million	Q3 2009	Q2 2009	Change in %
New orders	156.4	151.8	3.0
Unit sales	23,136	25,962	-10.9
Revenue	144.1	160.7	-10.3
EBIT (before one-off items)	-21.4	-5.7	--

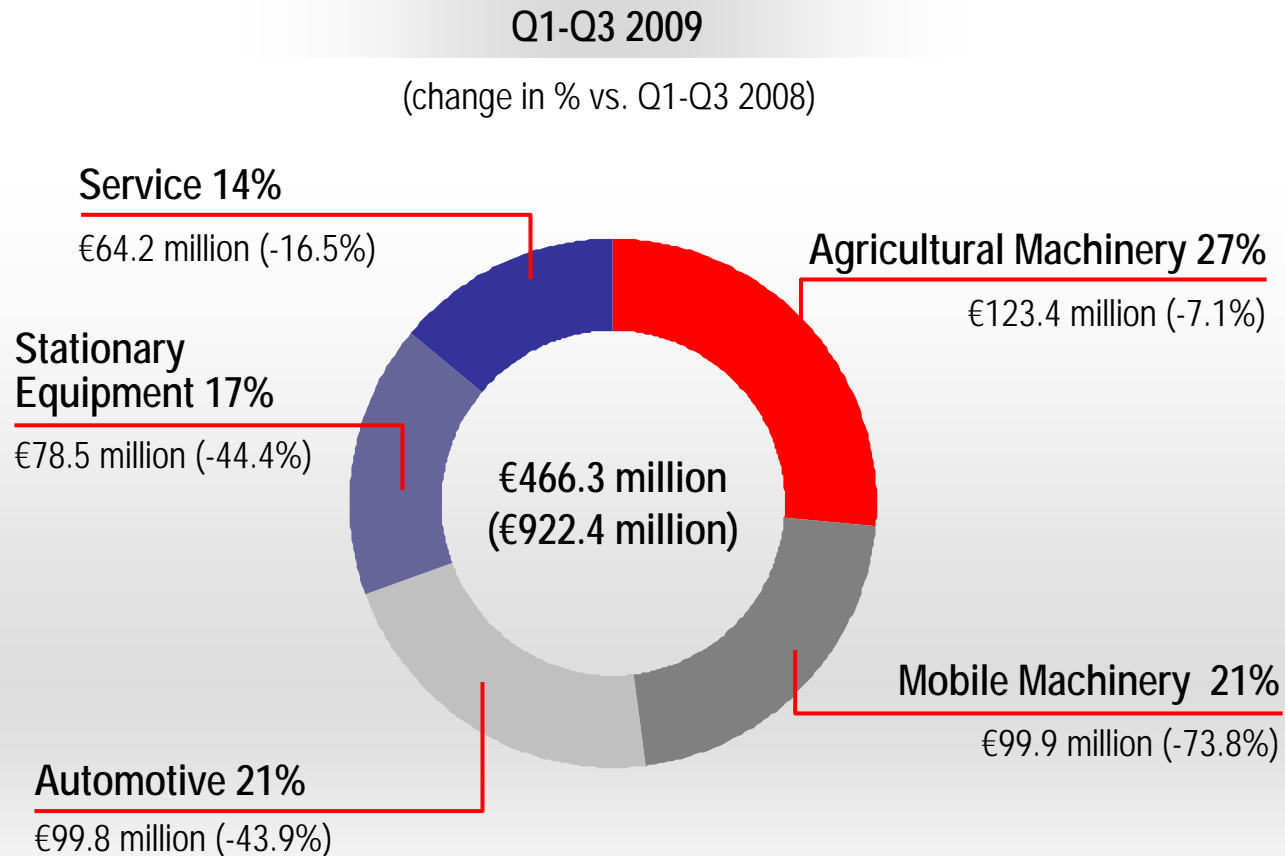
- Development of new orders is a leading indicator for a possible recovery of business
- Major segment Mobile Machinery shows signs of recovery
- Low sales volumes in Q3 due to the holiday absence of customers in July and August
- September with satisfying results

Year-on-year comparison:

€ million	Q1-Q3 2009	Q1-Q3 2008	Change in %
New orders	461.0	874.3	-47.3
Unit sales	75,257	183,384	-59.0
Revenue	466.3	922.4	-49.4
EBIT (before one-off items)	-49.9	2.6	--

- Unit sales and revenues bottoming out
- Agricultural Machinery almost at prior year level in terms of revenue
- Successful implementation of cost savings measures under MOVE programme not able to compensate the impact of low sales volume on EBIT

Compact Engines: revenue split by application segment



Segment overview: DEUTZ Customised Solutions

Quarter-on-quarter comparison:

€ million	Q3 2009	Q2 2009	Change in %
New orders	49.5	48.2	2.7
Unit sales	3,171	3,946	-19.6
Revenue	49.3	59.2	-16.7
EBIT (before one-off items)	1.9	4.1	-53.7

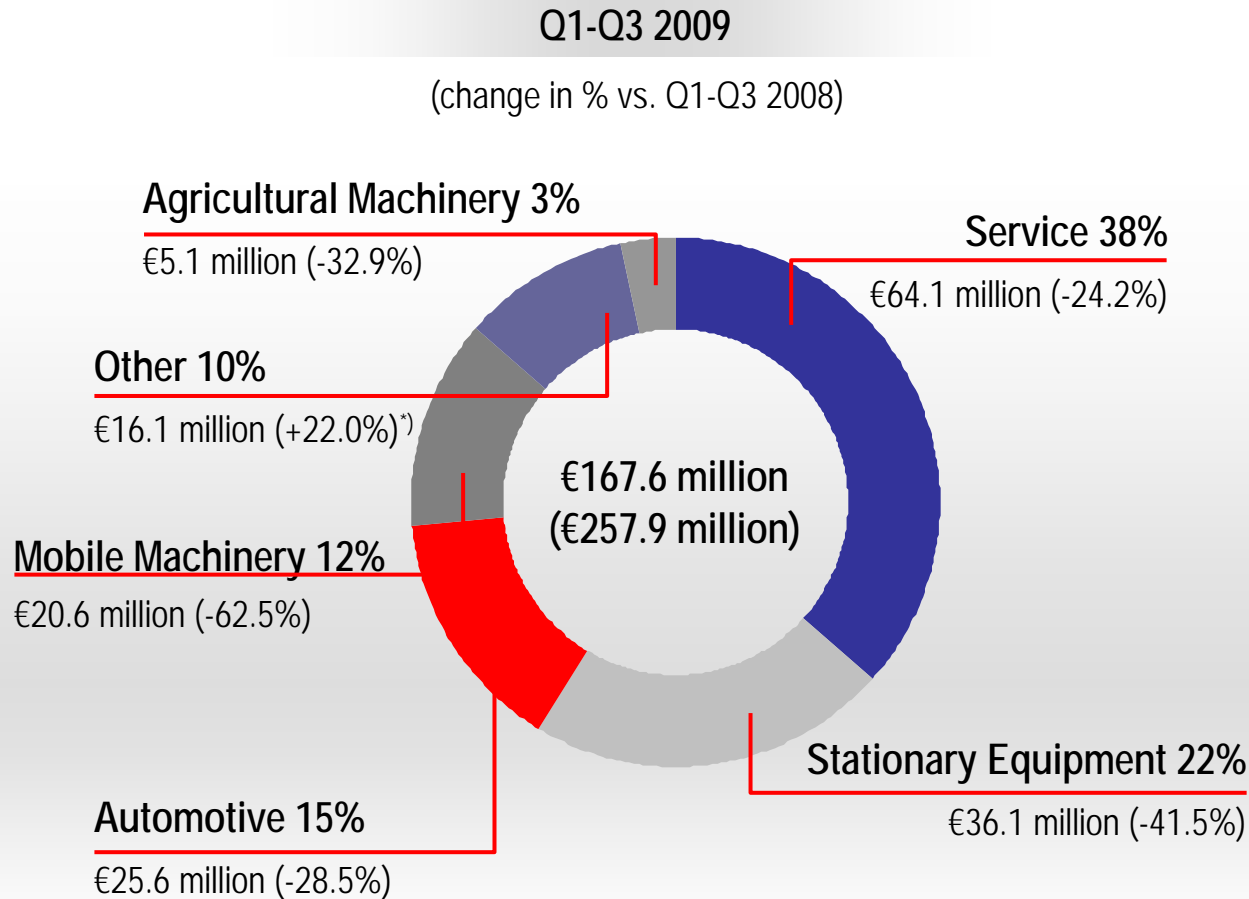
- New orders improvement especially at Stationary Equipment and Mobile Machinery
- New orders slightly over revenue – usually leading indicator for recovery
- Downturn of revenue in all application segments, especially Automotive due to seasonal effects
- Positive EBIT in Q3

Year-on-year comparison:

€ million	Q1-Q3 2009	Q1-Q3 2008	Change in %
New orders	150.8	276.6	-45.5
Unit sales	11,547	24,107	-52.1
Revenue	167.6	257.9	-35.0
EBIT (before one-off items)	9.6	33.8	-71.6

- Decline in almost all application segments, especially Mobile Machinery
- High margin segment Service business still strong
- Low volume sales and decreasing service business with strong impact on EBIT
- Positive EBIT effect of cost savings measures under MOVE programme

DEUTZ Customised Solutions: revenue split by application segment



*) due to change in structural allocation

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Dr Helmut Leube, Chairman of the Management Board

- **Key financials Q1-Q3 2009**

Dr Margarete Haase, CFO

- **"MOVE" programme and outlook**

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- **Appendix**

Overview key financials of Q1-Q3 2009

- Order intake in Q3 higher than in Q2
- One-off charges of €30.4 million booked in Q2 2009 for future personnel restructuring
- Cash flow from operating activities significantly positive in Q1-Q3 2009 (€48.9 million), mainly due to consequent reduction of inventories
- Comfortable liquidity of €180,0 million (30 Sep 2009); net financial position slightly negative (€-33.4 million) due to continued high level of R&D capex; equity ratio remains high (38.6 %)
- DEUTZ is in advanced discussions with USPP investors to agree changed terms for covenants with the aim of creating more scope for future investment – especially R&D – and avoiding any non-compliance. Until the final signing of the documents we agreed an interim waiver.
 - DEUTZ is confident of to finalize of negotiations soon
 - Relevant interest rates will be adjusted accordingly and one time charges expected

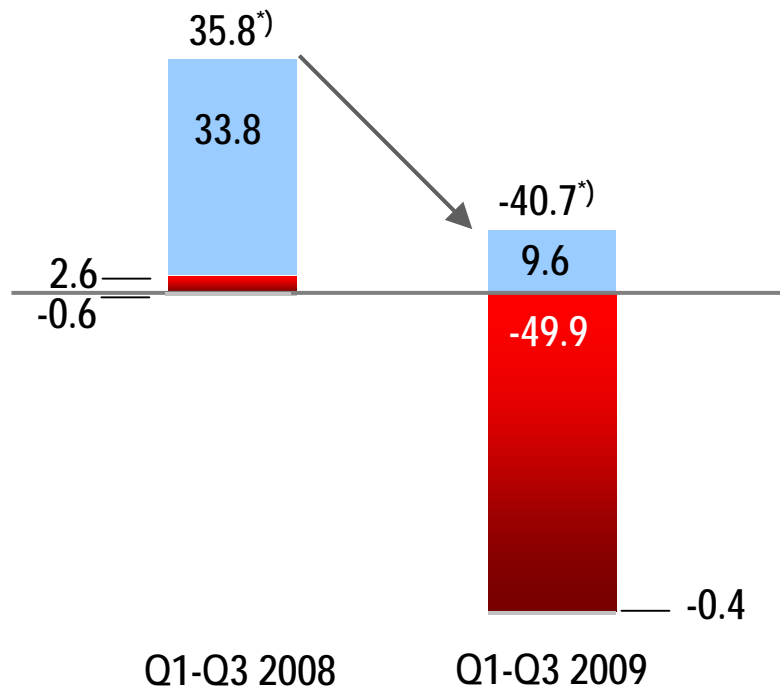
Key financials: EBIT before one-off items Q1-Q3

€ million

EBIT margin

3.0%

-6.4%



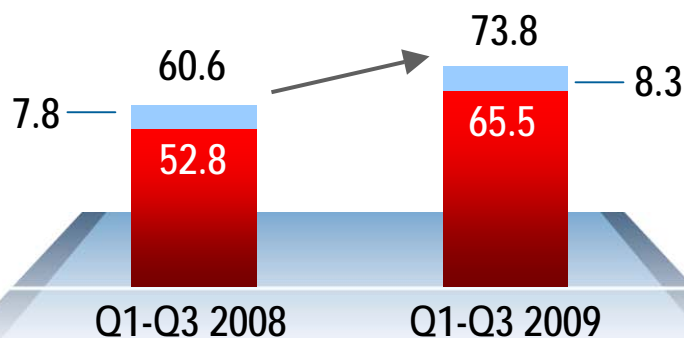
^{*)} change in EBIT calculation since Q1 2009:
 interest included in pension costs is now reported under staff costs instead of net finance costs for transparency reasons;
 pension-related interest cost in Q1-Q3 2009: €7.6 million (Q1-Q3 2008: €8.1 million);
 comparative prior-year figures have been adjusted accordingly

Key financials: R&D and capital expenditure

€ million

R&D

+21.8%



Q1-Q3 2008

Q1-Q3 2009

R&D ratio^{*)}

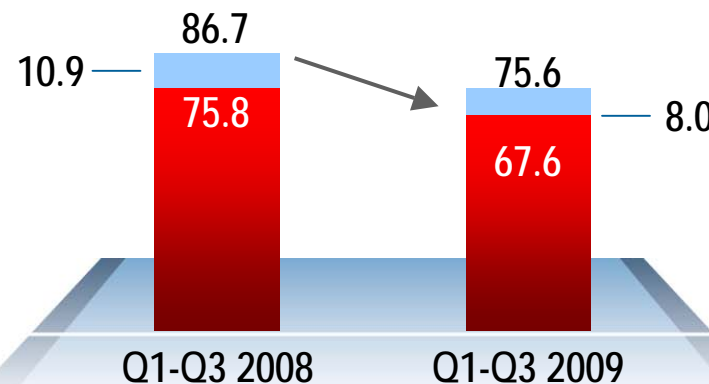
5.1%

11.6%

- Increased expenditure for R&D in light of pending exhaust gas emissions standards
- Jump in R&D ratio due to disproportionately strong decline in revenue

Capital expenditure

-12.8%



Q1-Q3 2008

Q1-Q3 2009

- Strict management of capital expenditure
- Capitalised development costs increased to €45.5 million (Q1-Q3 2008: €30.6 million)

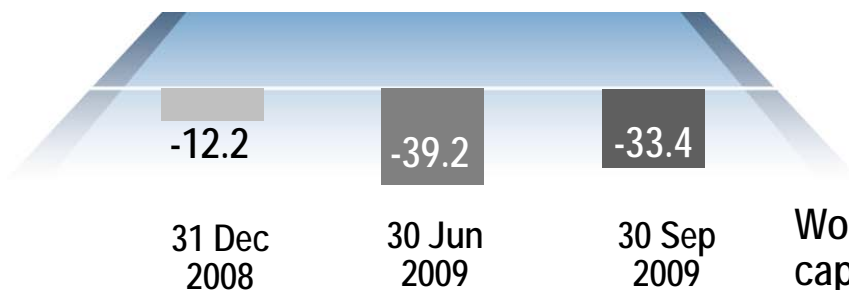
^{*)} R&D expense/consolidated revenue

■ Compact Engines ■ DEUTZ Customised Solutions

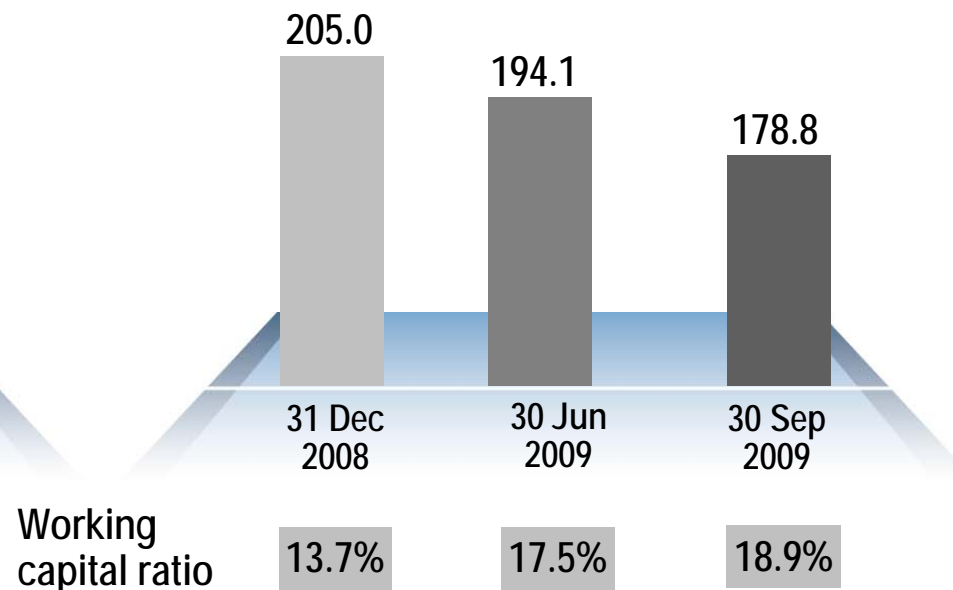
Key financials: net financial position and working capital

€ million

Net financial position



Working capital



- Cash situation still comfortable at €180 million as at 30 September 2009
- Equity ratio remains high at 38.6%

- Reduction of working capital mainly by decreased inventories and consequent management of receivables and reduced overdues
- Increase in working capital ratio due to disproportionately strong decline in revenue

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Dr Margarete Haase, CFO

- **"MOVE" and "MOVE fast", outlook**


Dr Helmut Leube, Chairman of the Management Board

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MOVE


Programme to safeguard earnings and future viability

Short-term measures for safeguarding profitability

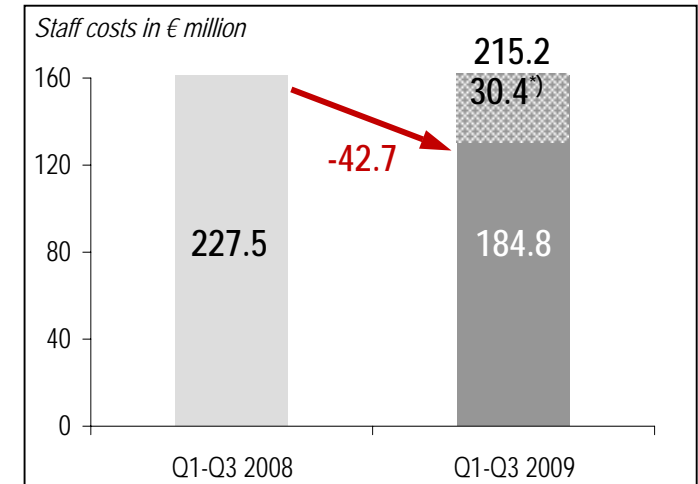
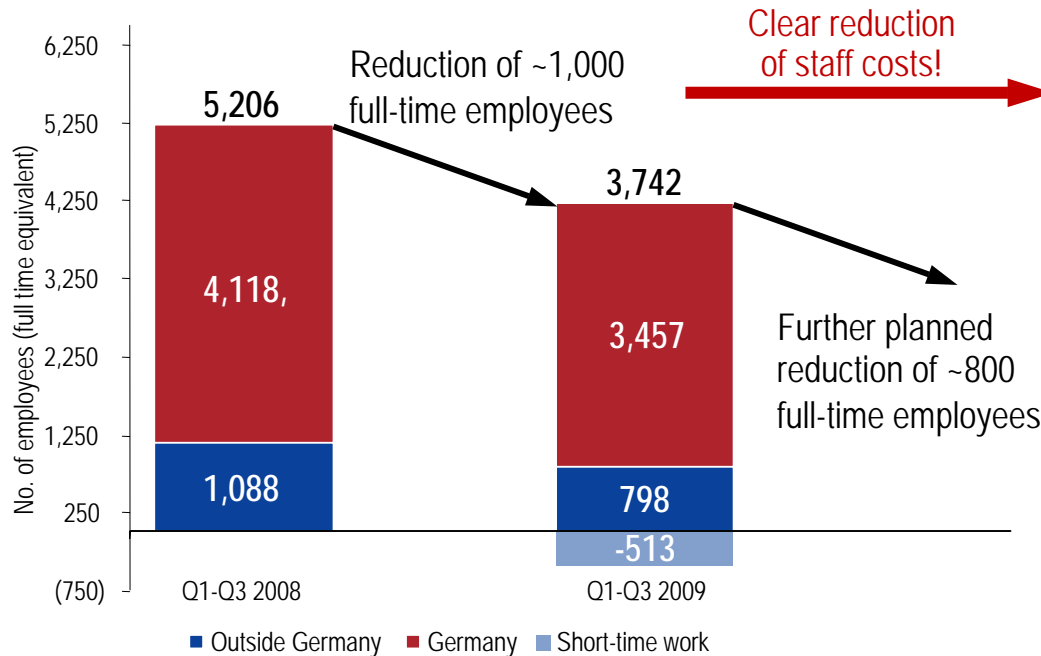
 focus in 2009

- Savings since programme start in 2008: €103 million
(Q1-Q3 2009: €93 million)
- Mainly by reducing personnel and general administrative costs
- Target 2009: positive contribution of €~130 million
- Streamlining of organisational structures well under way;
further reduction of headcount announced

Structural measures for sustained improvement of earnings

 beyond 2009

Development of workforce and staff costs



*) one-off charge for personnel restructuring

- In addition to reduction of approx. 1,000 full-time employees, DEUTZ has introduced short-time work, which has reduced the full-time equivalent number of workers by 513
- Further headcount adjustment of up to 800 full-time employees worldwide is ongoing; negotiations with Company's works council finalized
- Additional measures already implemented: Board of Management reduced from four to three people, number of functions at senior management level cut by more than 30%

Continuing economic uncertainty still limits visibility

	Outlook FY 2009
New orders/unit sales/revenue	significantly below previous year; for unit sales: decline of up to ~50% revenues decline less 50 %
EBIT (before one-off items)	negative mid double-digit € million
"MOVE" programme	positive contribution of €~130 million
Capital expenditure (excl. R&D)	significantly below the level of FY 2008*
Research and development	above the high level of FY 2008 ¹⁾ due to ongoing R&D-expenses for new emission standards
Employees	short-time work: continued until further notice; headcount number clearly below previous year

→ Improvement in demand situation expected in 2010 through compensation of destocking effect in 2009 and improving economic environment

¹⁾ FY 2008:
capital expenditure (excluding R&D): €69.9 million
Research and development: €90.3 million

MOVE FAST

Further lowering of the breakeven threshold

Extending the "MOVE" package of measures: "MOVE FAST"

■ Optimising the DEUTZ business model

- Reviewing "buy-or-make" decisions
- Supporting measures to improve the utilisation of the internal service and production capacities
- Optimisation of the segment and regional mix at the engine distribution level
- Stronger use of market potential on the service side of the business through new service business model
- Actively opening up closed markets with licences for older engine models

































■ Process optimisation

- Organisation, task and selective process analyses to bring the indirect processes into line with the reduced capacity

Further lowering
of the breakeven
threshold to
125,000

Objective of the improvement in results: > €35 million p.a.

DEUTZ holds strong Market Positions in Key Application Markets*

	EMEA				Global			
	No 1	No 2	No 3	No 4	No 1	No 2	No 3	No 4
Mobile Machinery								
Stationary Equipment								
Agricultural Equipment		 Strategic Target					 Strategic Target	
Automotive								

Note: (*) Based on 2008 relevant market information

Joint venture with Bosch and Eberspächer on exhaust gas-technology on good way

- MoU signed: objective is to establish a joint venture in non-road exhaust-gas technology
- Joint Venture Agreement scheduled to be finalized at year end
- Joint development, production and sale of diesel exhaust-gas treatment systems for non-road applications with regard to emissions regulations from 2011
- Bundling of know-how:
 - Bosch: expertise in SCR metering systems as well as electronic control units and systems
 - DEUTZ: experience in reducing diesel engine emissions, necessary application know-how
 - Eberspächer: specialist in exhaust technology and leader in exhaust-gas aftertreatment
- Planned joint venture to supply complete diesel exhaust systems to all engine and machinery manufacturers worldwide

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Overview key financials (I)

€ million	Q1-Q3 2009	Q1-Q3 2008	Change in %
Revenue	633.9	1,180.3	-46.3
EBIT	-71.1	35.8	--
EBIT before one-off items	-40.7	35.8	--
EBIT margin	-11.2	3.0	--
EBIT margin before one-off items	-6.4	3.0	--
Net result	-87.7	28.0	--
Basic earnings per share (€)	-0.73	0.23	--
Number of employees as at 30 September	4,223	4,907	-13.9

Overview key financials (II)

€ million	Q1-Q3 2009	Q1-Q3 2008	Change in %
Total equity and liabilities	1,072.9	1,333.8	-19.6
Equity	414.4	546.5	-24.2
Equity ratio (%)	38.6	41.0	--
Net financial position	-33.4	25.6	--
Working capital	178.8	242.9	-26.4
Working capital ratio (balance sheet date, %)	18.9	15.2	--
Cash flow from operating activities	48.9	77.2	-36.7
Free cash flow	-26.6	-12.7	--

Income statement

€ million	Q1-Q3 2009	Q1-Q3 2008	Change in %
Revenue	633.9	1,180.3	-46.3
Change in inventories and other own work capitalised	1.8	38.4	-95.3
Other operating income	53.8	46.6	15.5
Cost of materials	-414.4	-828.3	-50.0
Staff costs	-215.2 ^{*)}	-227.5	-5.4
Depreciation and amortisation	-49.2	-54.0	-8.9
Impairment losses	-1.0	--	--
Other operating expenses	-75.1	-115.5	-35.0
Net result from equity-accounted investments	-5.7	-4.2	35.7
EBIT	-71.1	35.8	--
thereof one-off items	-30.4	--	--
thereof operating profit (EBIT before one-off items)	-40.7	35.8	--
Interest expenses, net	-6.7	-2.2	--
Other taxes	-1.4	-1.3	7.7
Net income before taxes on continuing operations	-79.2	32.3	--
Income taxes	-8.5	-4.3	97.7
Net income on continuing operations	-87.7	28.0	--
Net income on discontinued operations	-0.2	--	--
Net income	-87.9	28.0	--

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

Balance sheet: assets

€ million	30 Sep 2009	31 Dec 2008	Change in %
Non-current assets (before deferred tax assets)	535.1	539.7	-0.9
Deferred tax assets	29.8	33.1	-10.0
Inventories	163.8	222.0	-26.2
Trade receivables	106.7	121.1	-11.9
Other receivables and assets	57.0	82.0	-30.5
Cash and cash equivalents	180.0	207.5	-13.3
Non-current assets and disposal groups held for sale	0.5	0.9	-44.4
Total assets	1,072.9	1,206.3	-11.1

Balance sheet: equity and liabilities

€ million	30 Sep 2009	31 Dec 2008	Change in %
Equity	414.4	511.3	-19.0
Provisions for pensions and other post-retirement benefits	164.6	169.3	-2.8
Deferred tax provisions	0.1	0.1	--
Other provisions	27.9	45.7	-38.9
Financial liabilities	208.8	214.1	-2.5
Other liabilities	13.1	1.7	--
Non-current liabilities	414.5	430.9	-3.8
Provisions for pensions and other post-retirement benefits	16.4	16.4	--
Other provisions/provisions for current taxes	85.5	50.9	67.9
Financial liabilities	4.6	5.6	-17.9
Trade payables	91.7	138.1	-33.6
Other liabilities	45.8	53.1	-13.7
Current liabilities	244.0	264.1	-7.6
Total equity and liabilities	1,072.9	1,206.3	-11.1

Cash flow statement (summary)

€ million	Q1-Q3 2009	Q1-Q3 2008
EBIT	-71.1	35.8
Cash flow from operating activities (total)	48.9	77.2
Cash flow from investing activities (continuing operations)	-62.0	-75.6
Cash flow from investing activities (discontinued operations)	-0.4	-2.1
Cash flow from investing activities (total)	-62.4	-77.7
Cash flow from financing activities	-14.1	-63.8
Change in cash and cash equivalents	-27.6	-64.3

Segment overview Q1-Q3 2009

	Q1-Q3 2009	Q1-Q3 2008	Change in %
New orders (€ million)			
Compact Engines	461.0	874.3	-47.3
DEUTZ Customised Solutions	150.8	276.6	-45.5
Total activities	611.8	1,150.9	-46.8

	Q1-Q3 2009	Q1-Q3 2008	Change in %
Revenue (€ million)			
Compact Engines	466.3	922.4	-49.4
DEUTZ Customised Solutions	167.6	257.9	-35.0
Total activities	633.9	1,180.3	-46.3
Germany	27.6 %	24.0 %	--
Exports	72.4 %	76.0 %	--

	Q1-Q3 2009	Q1-Q3 2008	Change in %
Unit sales			
Compact Engines	75,257	183,384	-59.0
DEUTZ Customised Solutions	11,547	24,107	-52.1
Total activities	86,804	207,491	-58.2

	Q1-Q3 2009	Q1-Q3 2008	Change in %
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	-49.9	2.6	--
<i>DEUTZ Dalian Engines (DDE)</i>	<i>-8.0</i>	<i>-7.0</i>	<i>14.3</i>
<i>Compact Engines excluding DDE</i>	<i>-41.9</i>	<i>9.6</i>	<i>--</i>
DEUTZ Customised Solutions	9.6	33.8	-71.6
Other	-0.4	-0.6	-33.3
Total activities	-40.7	35.8	--

Segment overview Q3 2009

	Q3 2009	Q3 2008	Change in %
New orders (€ million)			
Compact Engines	156.4	238.3	-34.4
DEUTZ Customised Solutions	49.5	83.5	-40.7
Total activities	205.9	321.8	-36.0

	Q3 2009	Q3 2008	Change in %
Revenue (€ million)			
Compact Engines	144.1	269.9	-46.6
DEUTZ Customised Solutions	49.3	84.9	-41.9
Total activities	193.4	354.8	-45.5
Germany	25.3%	23.4%	--
Exports	74.7%	76.6%	--

	Q3 2009	Q3 2008	Change in %
Unit sales			
Compact Engines	23,136	51,261	-54.9
DEUTZ Customised Solutions	3,171	7,543	-58.0
Total activities	26,307	58,804	-55.3

	Q3 2009	Q3 2008	Change in %
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	-21.4	-14.1	51.8
<i>DEUTZ Dalian Engines (DDE)</i>	-2.7	-2.3	17.4
<i>Compact Engines excluding DDE</i>	-18.7	-11.8	58.5
DEUTZ Customised Solutions	1.9	12.5	-84.8
Other	2.2	-0.8	--
Total activities	-17.3	-2.4	--

Financial calendar 2010

- | | | |
|---|----------------|------------------|
| ■ Annual Press Conference
Annual Report 2009 | Cologne | 18 March 2010 |
| ■ Analysts' Meeting | Frankfurt/Main | 19 March 2010 |
| ■ Annual General Meeting | Cologne | 6 May 2010 |
| ■ Interim Report 1st Quarter 2010
Conference call with Analysts and Investors | | 12 May 2010 |
| ■ Interim Report 1st Half-year 2010
Conference call with Analysts and Investors | | 5 August 2010 |
| ■ Interim Report 1st to 3rd Quarter 2010
Conference call with Analysts and Investors | | 10 November 2010 |

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