

2010 financial year – one step ahead

17/18 March 2011

The engine company.



Agenda

- **Review of 2010**

Dr Helmut Leube, Chairman of the Board of Management

- **Key financials for 2010**

Dr Margarete Haase, Chief Financial Officer

- **Outlook**

Dr Helmut Leube, Chairman of the Board of Management

- **Annex**

Highlights of 2010

■ DEUTZ is again 'one step ahead'

- DEUTZ profitable again with an operating profit* of over €42 million.
- Unit sales and revenue grew even more strongly in the fourth quarter, up 42% and 38% respectively on 2009. We sold 167,680 engines and generated revenue of €1,189 million.
- New orders amounted to €1,315 million, up 56% on 2009.
- We have defined our outlook for 2011 in more detail based on the current course of business: We now expect unit sales of significantly more than 200,000 engines and EBIT of at least €80 million.
- We are very well placed in terms of technology for the future thanks to our two completely new engines with capacities of less than four litres and refinements to meet the new exhaust emissions standards.

■ DEUTZ shares performed exceedingly well

- In 2010, the share price rose from €3.39 to €6.25**, an increase of 84%, whereas the SDAX gained only around 45% and the Prime Industrial 39%.
- SAME reduced its shareholding by 20% to 25.1% when it placed 24 million shares in December; there was no lasting negative impact on the share price.
- Market capitalisation has increased considerably, making entry to the MDAX more probable.

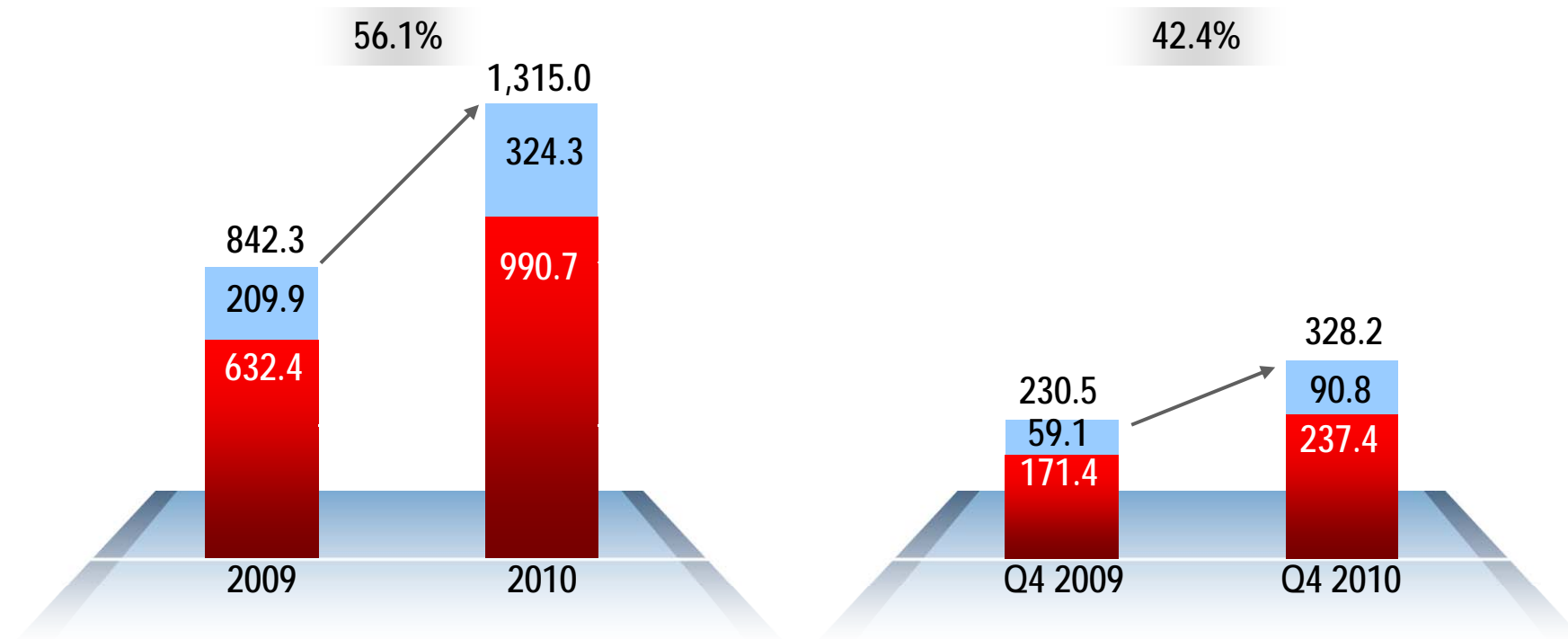
■ Restructuring of funding

- The US private placement was replaced by a secured syndicated bank loan in December. This gives us flexible funding and the financial basis for the Company's further development.

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

Summary of new orders

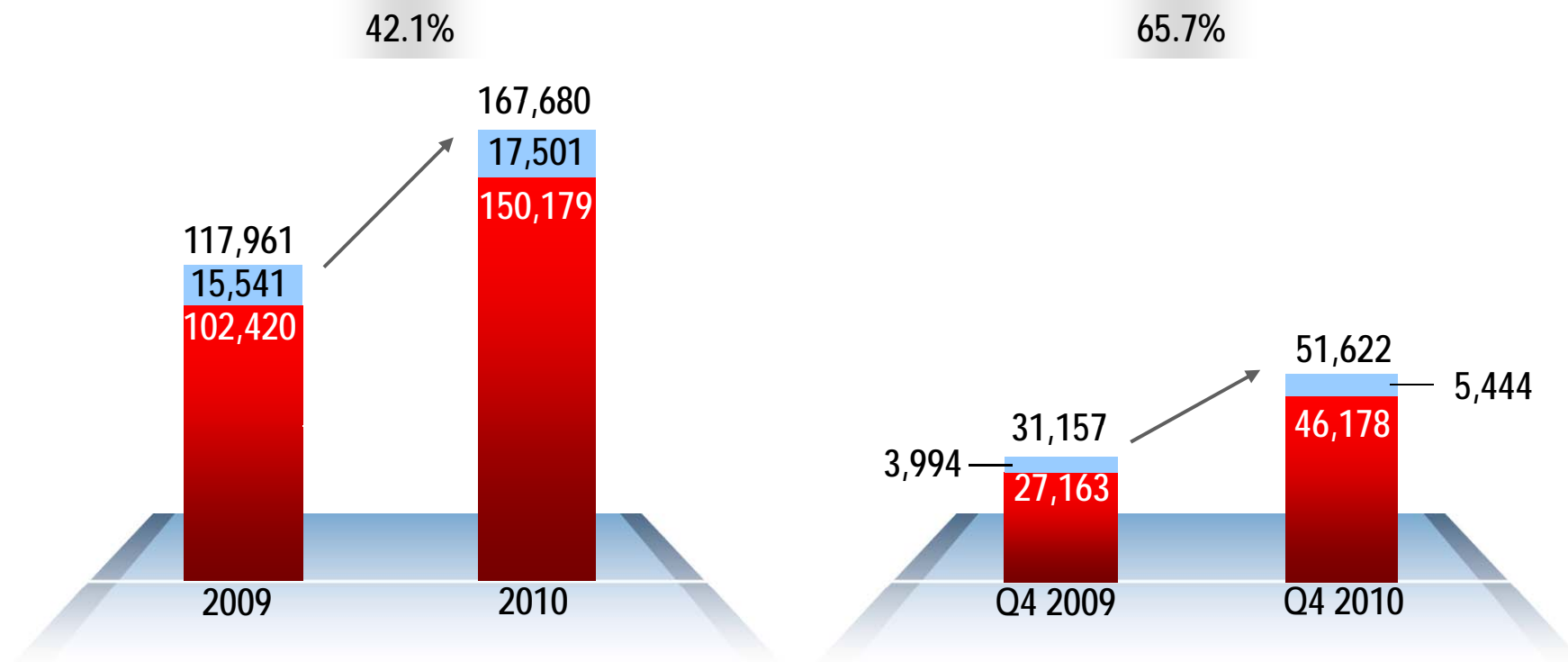
€ million



- New orders up 56% on 2009; Mobile Machinery was particularly encouraging, rising by 109% to €417 million (2009: €200 million)
- Boom in the highly profitable service business: 25% increase in new orders compared to 2009
- New orders higher than revenue in all application segments
- Current trend remains positive

Summary of unit sales

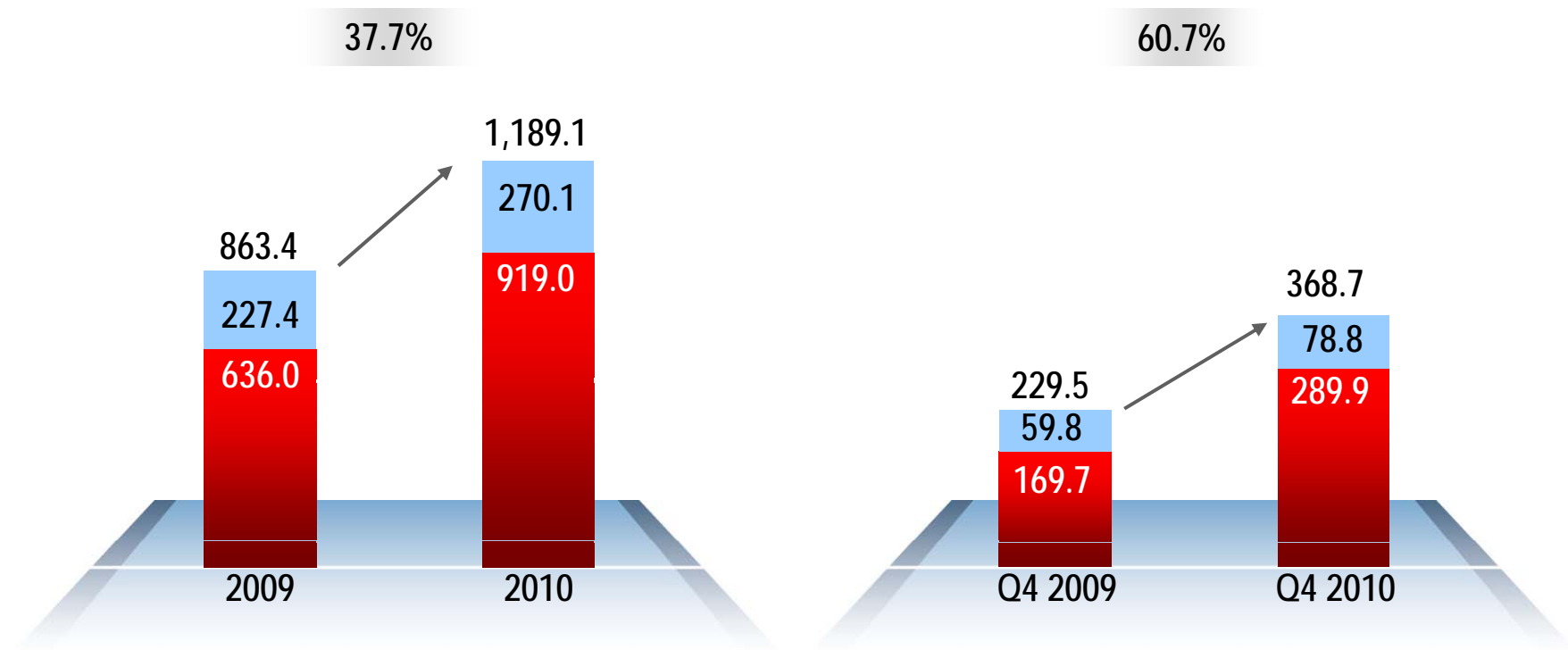
Units



- Unit sales increase in all application segments, above all Mobile Machinery, which gained 106%
- Especially strong growth of 74% in the Americas
- Growth of 42% in the key regions of Europe, the Middle East and Africa
- Asia almost unchanged with fewer than 8,000 units; approx 15% growth for our DDE joint venture in China

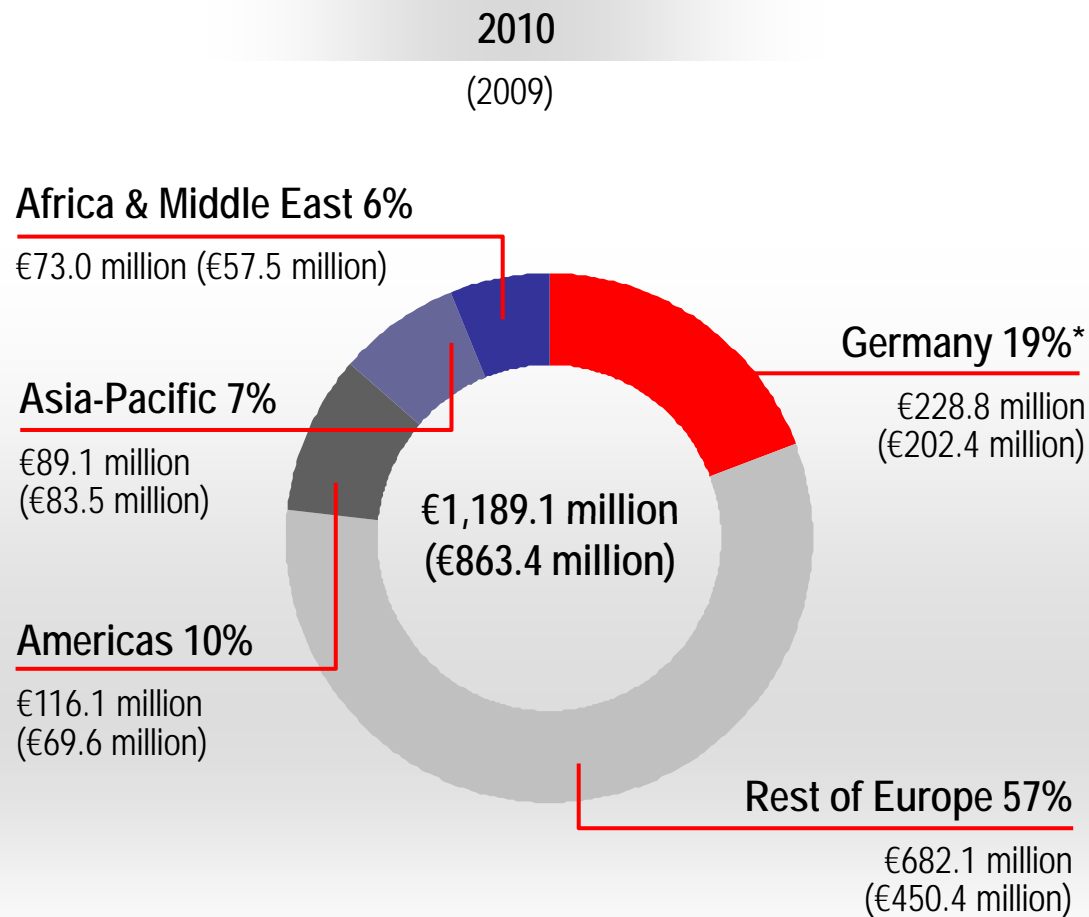
Summary of revenue

€ million



- Growth in revenue somewhat less than that of unit sales due to the slight shift in the product mix towards smaller engines
- Revenue from mobile machinery engines more than doubled (+108%)
- Increase in service business of 23%, highest ever service revenue (from continuing operations)

Revenue by region



- Europe (incl. Germany) accounted for three-quarters of revenue because this is where we supply the major OEMs (SAME, Fendt, Volvo and engineering companies such as Wirtgen, Atlas-Copco and Terex)
- Total revenue growth of 38% generated above all in Europe (incl. Germany) and the USA

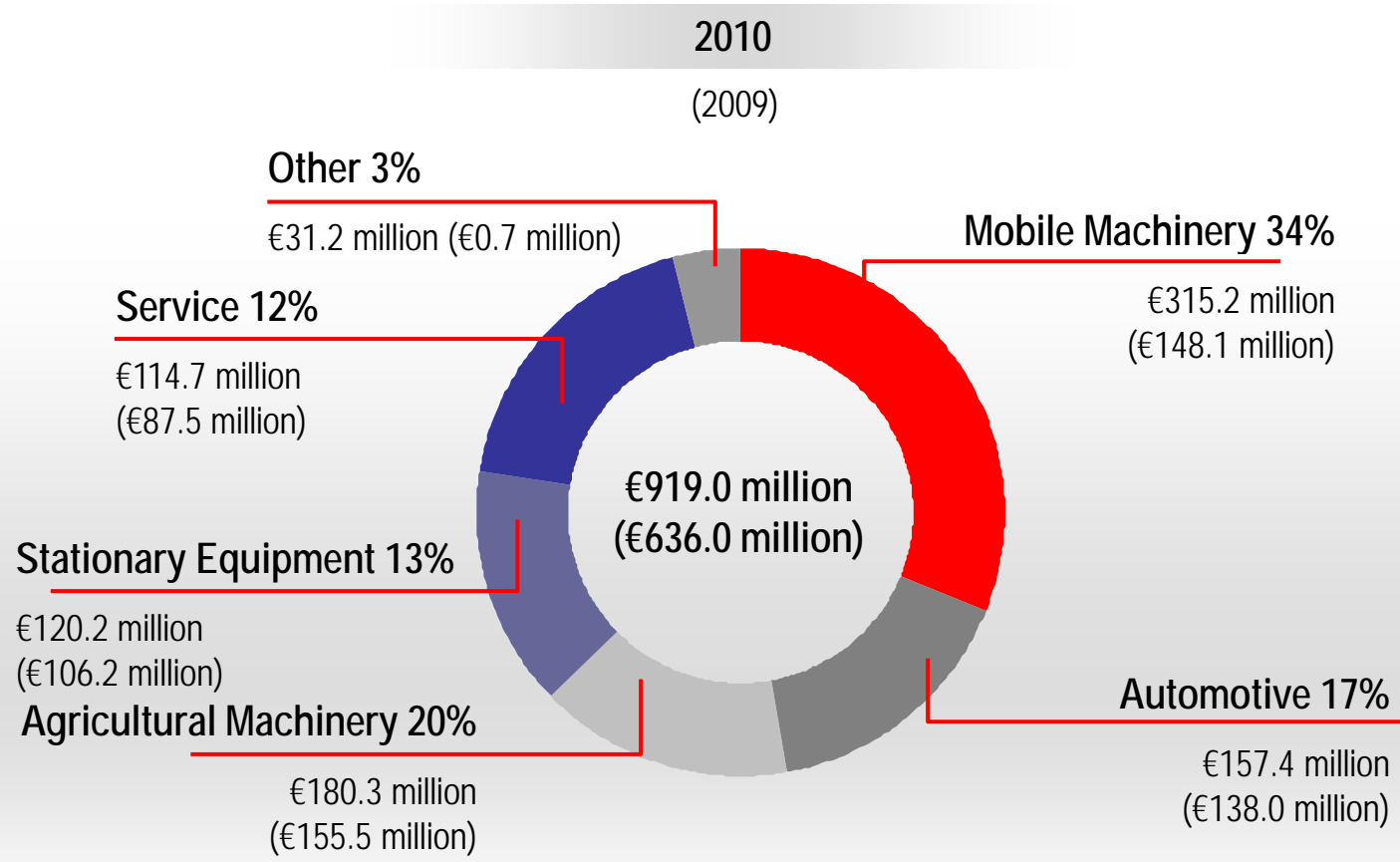
Overview of segments: Compact Engines

€ million	2010	2009	Change (%)
New orders	990.7	632.4	56.7
Unit sales	150,179	102,420	46.6
Revenue	919.0	636.0	44.5
EBIT (before one-off items)	17.3	-55.6	--

€ million	Q4 2010	Q4 2009	Change (%)
New orders	237.4	171.4	38.5
Unit sales	46,178	27,163	70.0
Revenue	289.9	169.7	70.8
EBIT (before one-off items)	13.4	-5.7	--

- Unit sales up almost 50% on 2009, revenue growth slightly lower due to shift in product mix
- Acceleration in unit sales growth – 70% year-on-year increase in the fourth quarter
- The return to a significant operating profit (EBIT before one-off items) in the Compact Engines segment shows the success of our programmes to boost efficiency: in 2008, we sold around 220,000 engines and made an operating loss of €21.5 million.
- DEUTZ Dalian: the joint venture achieved an operating profit earlier than planned with EBIT of €1.25 million.
- Growth in new orders in the first few months of 2011 confirms the positive trend seen in 2010

Compact Engines: revenue by application segment

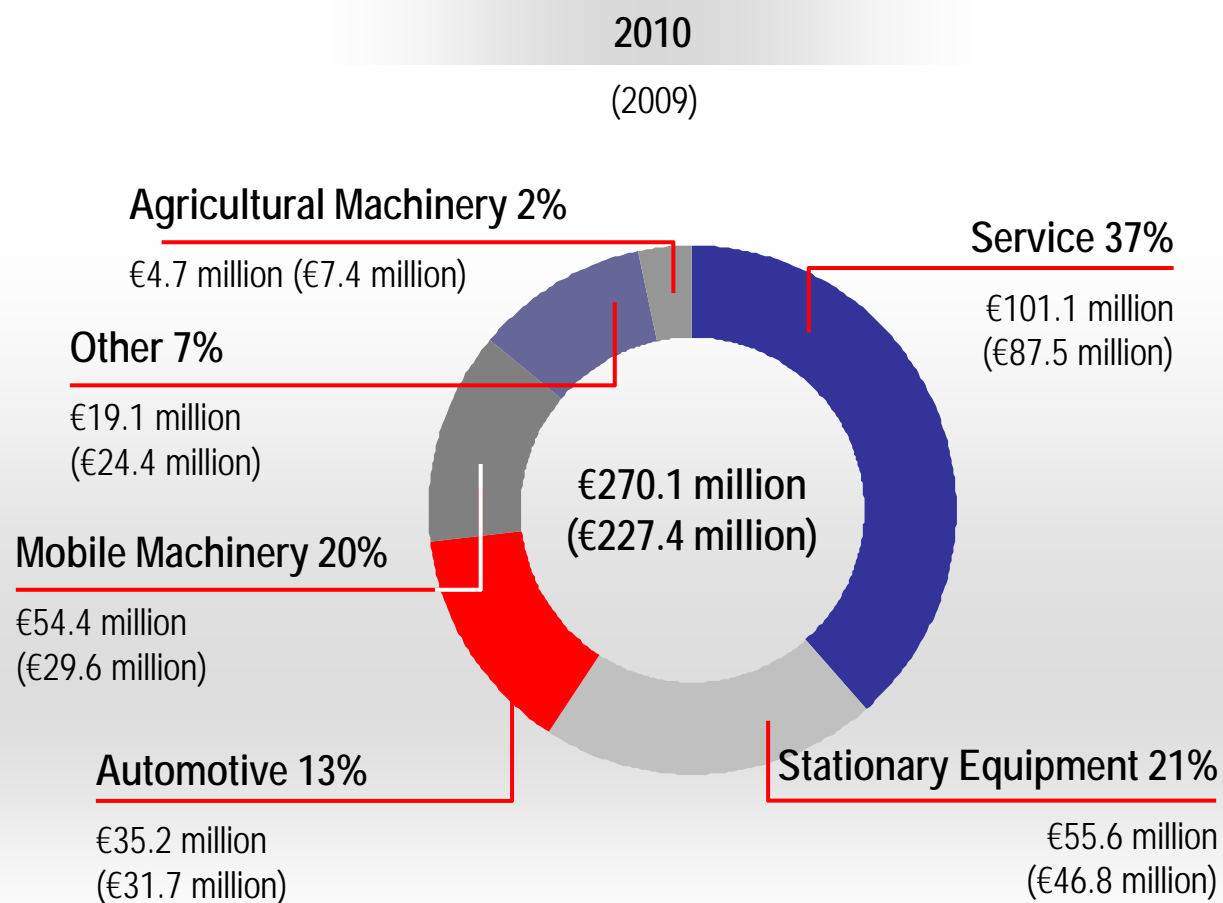


Overview of segments: DEUTZ Customised Solutions

€ million	2010	2009	Change (%)	€ million	Q4 2010	Q4 2009	Change (%)
New orders	324.3	209.9	54.5	New orders	90.8	59.1	53.6
Unit sales	17,501	15,541	12.6	Unit sales	5,444	3,994	36.3
Revenue	270.1	227.4	18.8	Revenue	78.8	59.8	31.8
EBIT (before one-off items)	33.5	10.7	--	EBIT (before one-off items)	4.8	1.1	--

- The DCS segment, which reacts slightly later in the cycle, is gathering momentum: the increase in new orders from mid-2010 onwards is now reflected in revenue growth.
- This was highlighted by the trend in the fourth quarter: 54% more orders and approx. one-third more unit sales and revenue compared to the fourth quarter of 2009.
- MOVE has had a positive impact on EBIT: we achieved an increase in EBIT of almost €23 million although we sold only around 2,000 more engines than in 2009.

DEUTZ Customised Solutions: revenue by application segment



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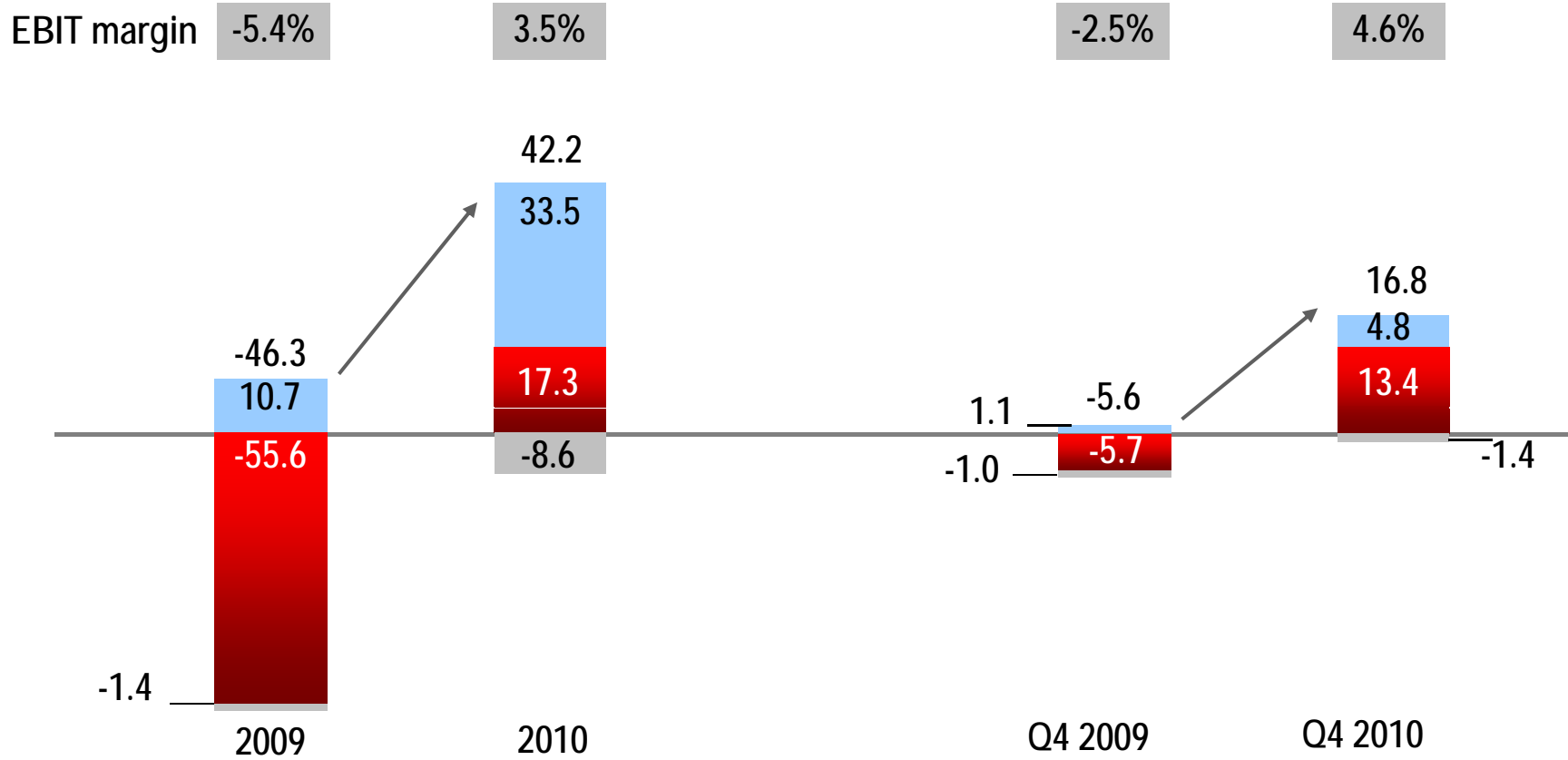
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Review of key financials for 2010

- Lower fixed costs and an improved gross margin enabled DEUTZ to earn a comfortable operating profit (EBIT before one-off items) of €42.2 million despite an operating loss of €46.3 million in 2009.
- Working capital at €112.6 million was higher than in 2009 (€98.3 million) in absolute terms. However, the working capital ratio as a percentage of revenue was 9.5%, the first time it has fallen below 10%.
- Although cash flow from operating activities was a positive €78.2 million, it was not yet enough to cover capital expenditure (above all on R&D projects) of €99.6 million. Free cash flow from continuing operations therefore amounted to minus €55.9 million.
- Net financial position of minus €73.6 million; nevertheless, a cash credit line of €265 million give us sufficient financial flexibility.
- The one-off items of €19.9 million were predominantly incurred in relation to the funding negotiations with the US creditors and the replacement of the US private placement.
- The US private placement was completely refinanced with a secured syndicated bank loan. This loan affords us far more flexibility and will significantly lower finance costs in the years to come.

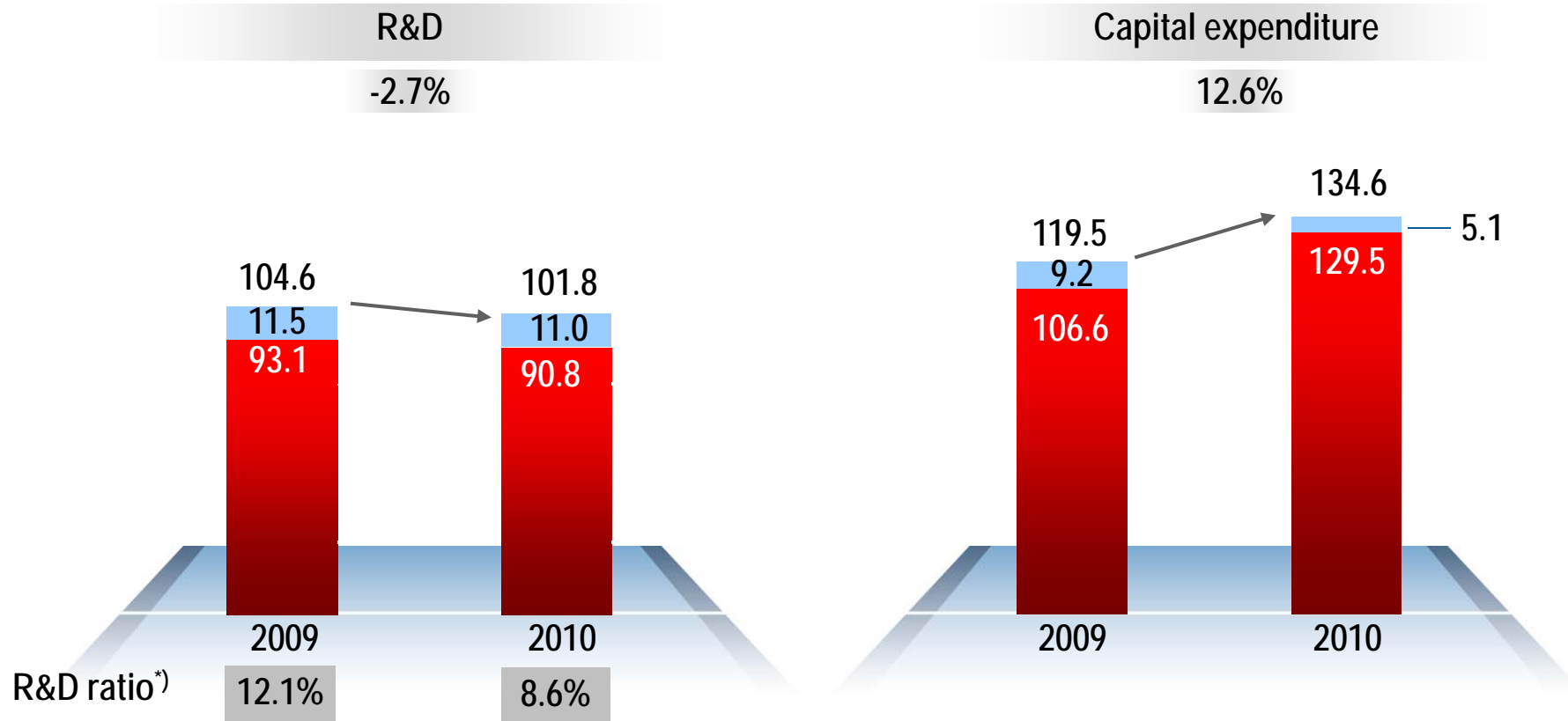
Key financials: EBIT before one-off items

€ million



Key financials: R&D spending and capital expenditure

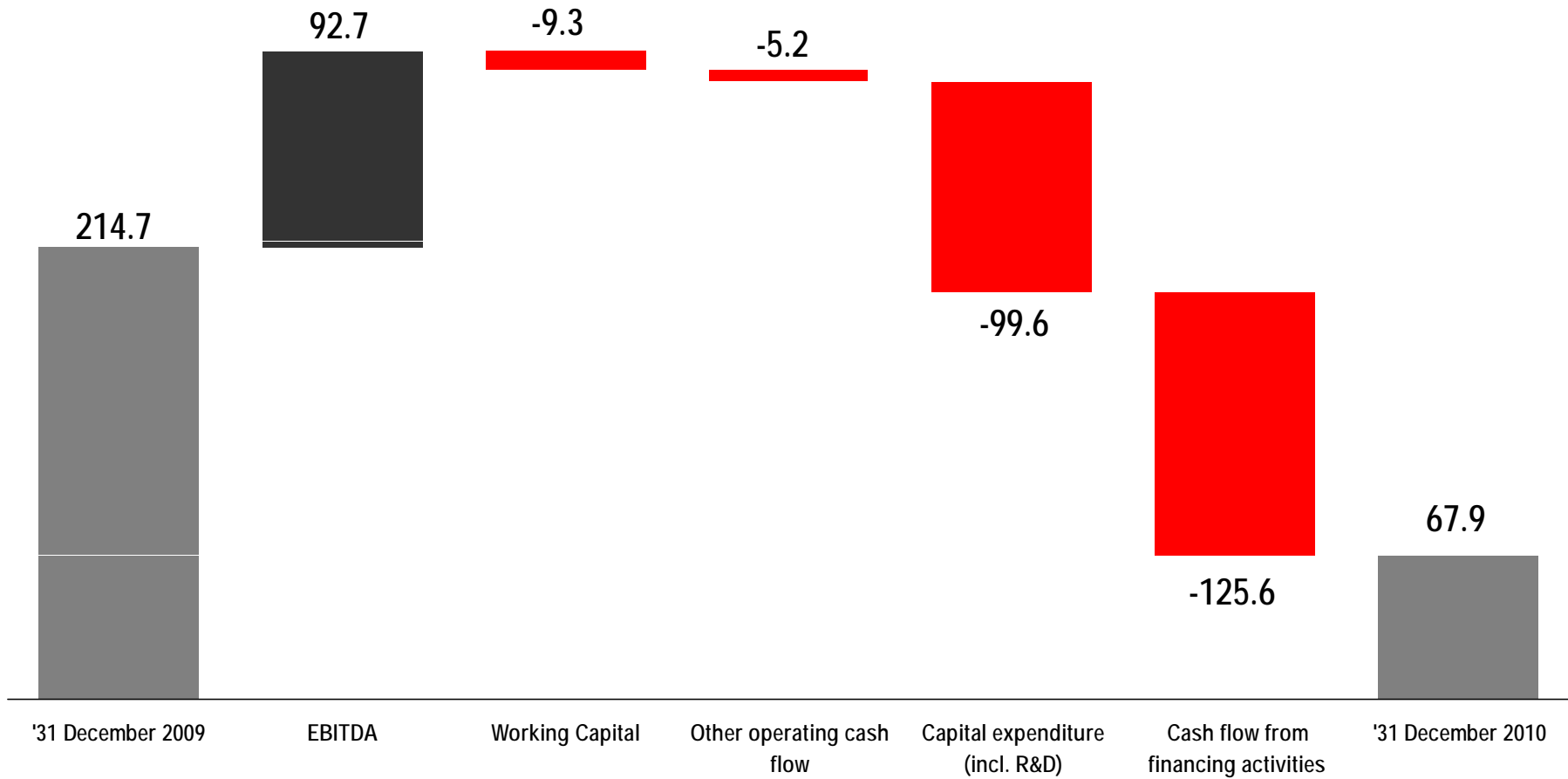
€ million



- Continued focus on forthcoming Tier 4 exhaust emissions standards from 2011 and the development to production standard of our two new engines
- R&D ratio reduced due to increased revenue
- R&D expenditure to decline again in absolute terms in 2011

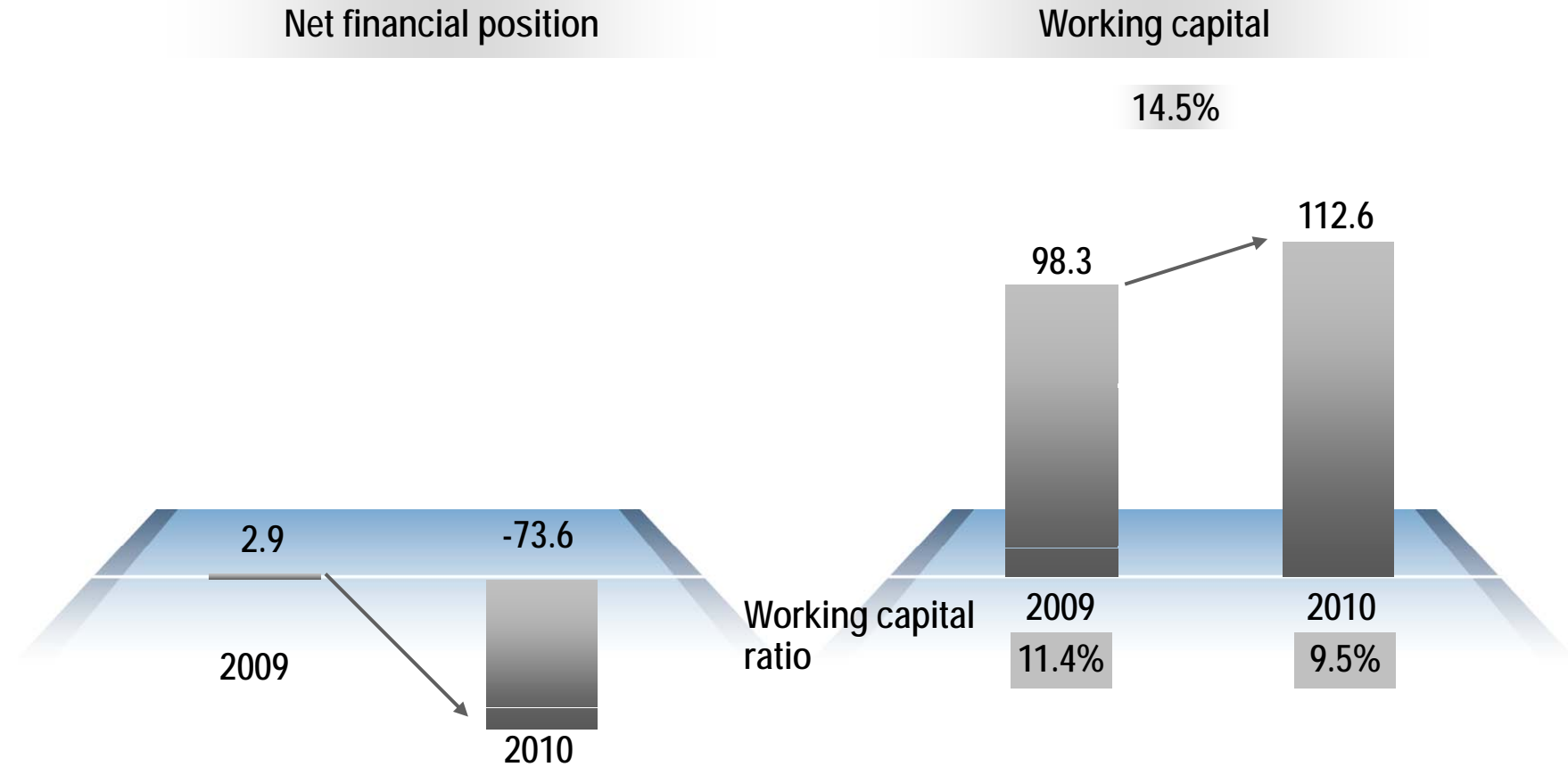
- Proportion of capitalised development expenditure: €73.5 million (2009: €66.6 million)
- It also includes capital expenditure of €19.3 million on the BESG joint venture, of which only €6.7 million has been paid so far.

Key financials: cash position in 2010



Key financials: net financial position and working capital

€ million



- Cash and cash equivalents as at 31 Dec 2010: €68 million
- Equity ratio still at a high level (35.9%)

- Despite the strong revenue growth, working capital rose only slightly thanks to excellent management of working capital.
- Working capital ratio as at 31 Dec 2010: 9.5%

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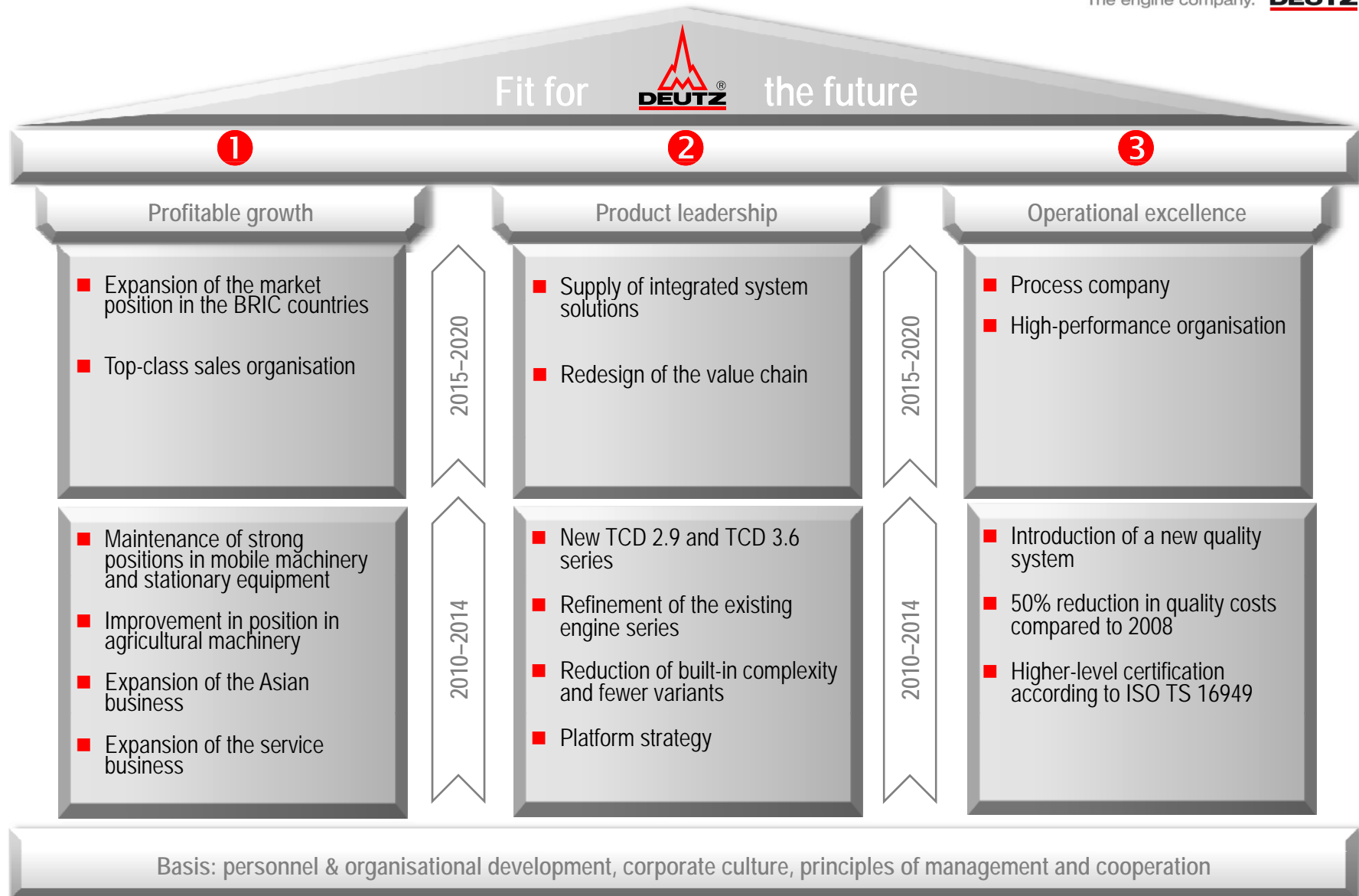
Stable and very encouraging demand for our engines makes us highly optimistic for the long term and enables us to make a positive forecast.



Outlook for 2011	
Unit sales	Considerably more than 200,000 engines
Revenue	+25%
EBIT (before one-off items)	At least €80 million
Equity ratio	Above 30%
Capital expenditure (excluding R&D)	Slightly higher than 2010 ^{*)}
Research and Development	Less than in 2010 ^{*)}
Employees	If hiring is necessary, then only in the operating units, preferably on a flexible basis
Outlook for 2012	
EBIT margin	Approx. 7%

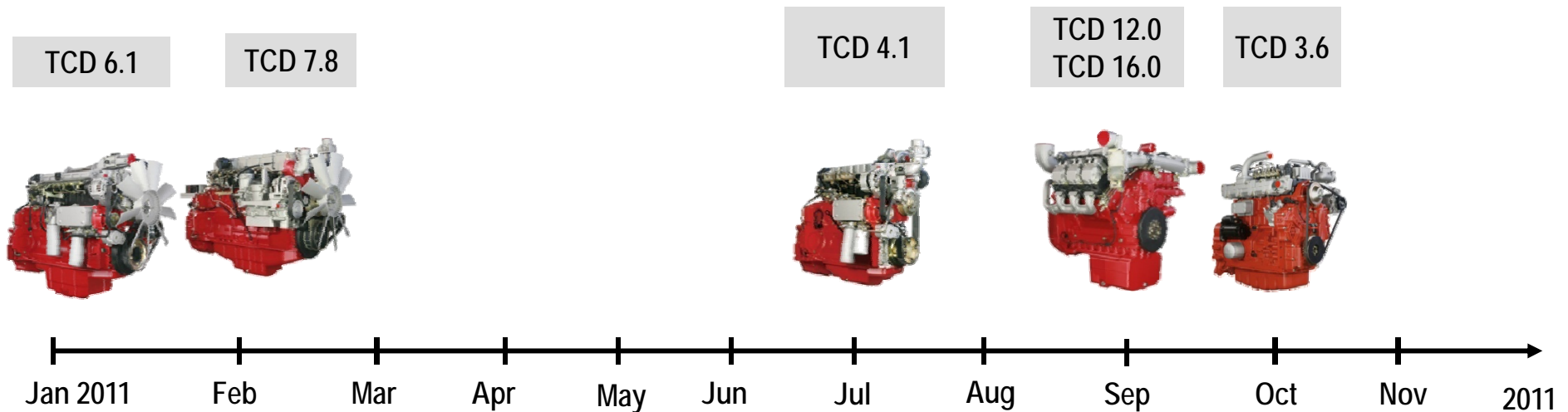
→ Business conditions will remain positive in 2011; slightly more cautious optimism for 2012; further EBIT improvements from MOVE

Strategic programme for 2010–2020



New engine development and engine refinement on track

Ready for production



- Over the last few years, we have worked very hard and successfully on refining our existing engines and developing new ones.
- The first engines have been approved for series production, with more to follow later this year.
- The forthcoming market launches will also be a success.
- Our products are a byword for the highest quality in design and technology, not forgetting cost-effective customer-specific solutions.

"DEUTZ emerged from the crisis with renewed strength and, with its developments for the future, is already one step ahead."

Dr Helmut Leube

Chairman of the Board of Management of
DEUTZ AG

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Summary of key financials (I)

€ million	2010	2009	Change (%)
Revenue	1,189.1	863.4	37.7
EBITDA	92.7	-8.8	--
EBITDA (before one-off items)	112.6	20.8	441.3
EBIT	22.3	-89.2	--
EBIT before one-off items	42.2	-46.3	--
EBIT margin	1.9	-10.3	--
EBIT margin before one-off items (%)	3.5	-5.4	--
Net income	-15.9	-124.0	--
<i>of which continuing operations</i>	-15.9	-119.8	--
<i>of which discontinued operations</i>	0.0	-4.2	--
Basic earnings per share (€)	-0.13	-1.03	--
<i>of which continuing operations</i>	-0.13	-0.99	--
<i>of which discontinued operations</i>	0.0	-0.04	--
Number of employees (31 December)	3,839	4,012	-4.3

Summary of key financials (II)

€ million	2010	2009	Change (%)
Total assets	1,041.7	1,071.1	-2.7
Equity	374.3	379.2	-1.3
Equity ratio (%)	35.9	35.4	--
Cash flow from operating activities	78.2	117.4	-33.4
Free cash flow	-55.9	12.6	--
Net financial position	-73.6	2.9	--
Working capital (as at 31 December)	112.6	98.3	14.5

Income statement

€ million	2010	2009	Change (%)
Revenue	1,189.1	863.4	37.7
Changes in inventories and other own work capitalised	46.4	-9.8	--
Other operating income	55.3	72.8	-24.0
Cost of materials	-781.1	-567.9	37.5
Staff costs	-253.0	-265.3	-4.6
Depreciation and amortisation	-63.3	-66.3	-4.5
Impairment	-7.1	-14.1	-49.6
Other operating expenses	-163.1	-99.3	64.2
Profit/loss on equity-accounted investments	-2.8	-4.3	--
Other investment income	1.9	1.6	18.8
EBIT	22.3	-89.2	--
of which one-off items	-19.9	-42.9	-53.6
of which operating profit (EBIT before one-off items)	42.2	-46.3	--
Net interest expense	-26.2	-10.0	--
Other taxes	-1.4	-1.9	-26.3
Net income before taxes on continuing operations	-5.3	-101.1	--
Income taxes	-10.6	-18.7	-43.3
Net income on continuing operations	-15.9	-119.8	--
Net income on discontinued operations	0.0	-4.2	--
Net income	-15.9	-124.0	--

Balance sheet: assets

Assets (€ million)	31 Dec 2010	31 Dec 2009	Change (%)
Non-current assets (excluding deferred tax assets)	591.5	539.4	9.7
Deferred tax assets	16.4	22.4	-26.8
Inventories	157.6	127.5	23.6
Trade receivables	160.1	112.3	42.6
Other receivables and assets	47.7	54.3	-12.2
Cash and cash equivalents	67.9	214.7	-68.4
Non-current assets classified as held for sale	0.5	0.5	0.0
Total assets	1,041.7	1,071.1	-4.3

Balance sheet: equity and liabilities

Equity and liabilities (€ million)	31 Dec 2010	31 Dec 2009	Change (%)
Equity	374.3	379.2	-1.3
Provisions for pensions and other post-retirement benefits	154.7	163.9	-5.6
Deferred tax provisions	0.0	0.1	-100.0
Other provisions	29.8	26.9	10.8
Financial liabilities	138.5	206.2	-32.8
Other liabilities	7.4	13.4	-44.8
Non-current liabilities	330.4	410.5	-19.5
Provisions for pensions and other post-retirement benefits	15.9	16.1	-1.2
Other provisions / Provisions for income taxes	46.7	55.8	-16.3
Financial liabilities	3.0	5.6	-46.4
Trade payables	205.1	141.5	44.9
Other liabilities	66.3	62.4	6.3
Current liabilities	337.0	281.4	14.9
Total equity and liabilities	1,041.7	1,071.1	-4.3

Cash flow statement (condensed)

€ million	31 Dec 2010	31 Dec 2009
EBIT	22.3	-89.2
Cash flow from operating activities (continuing operations)	78.2	117.4
Cash flow from operating activities (discontinued operations)	0.0	0.0
Cash flow from operating activities (total)	78.2	117.4
Capital expenditure on intangible assets, property, plant and equipment and investments	-89.8	-95.8
Proceeds from the sale of non-current assets	0.1	5.0
Cash flow from investing activities (continuing operations)	-96.3	-90.8
Cash flow from investing activities (discontinued operations)	-3.3	-1.3
Cash flow from investing activities (total)	-99.6	-92.1
Cash flow from financing activities	-125.6	-18.2
Change in cash and cash equivalents	-147.0	7.1

Overview of segments, 2010

New orders (€ million)	2010	2009	Change (%)
Compact Engines	990.7	632.4	56.7
DEUTZ Customised Solutions	324.3	209.9	54.5
Total for operating activities	1,315.0	842.3	56.1

Revenue (€ million)	2010	2009	Change (%)
Compact Engines	919.0	636.0	44.5
DEUTZ Customised Solutions	270.1	227.4	18.8
Total for operating activities	1,189.1	863.4	37.7
Germany	19.2%	23.4%	--
Export	80.8%	76.6%	--

Unit sales	2010	2009	Change (%)
Compact Engines	150,179	102,420	46.6
DEUTZ Customised Solutions	17,501	15,541	12.6
Total for operating activities	167,680	117,961	42.1

EBIT before one-off items (€ million)	2010	2009	Change (%)
Compact Engines incl. DDE	17.3	-55.6	--
<i>DEUTZ Dalian (DDE)</i>	-4.3	-8.1	--
<i>Compact Engines excl. DDE</i>	21.6	-47.5	--
DEUTZ Customised Solutions	33.5	10.7	--
Other	-8.6	-1.4	--
Total for operating activities	42.2	-46.3	--

Overview of segments, Q4 2010

	Q4 2010	Q4 2009	Change (%)
New orders (€ million)			
Compact Engines	237.4	171.4	38.5
DEUTZ Customised Solutions	90.8	59.1	53.6
Total for operating activities	328.2	230.5	42.4

	Q4 2010	Q4 2009	Change (%)
Revenue (€ million)			
Compact Engines	289.9	169.7	70.8
DEUTZ Customised Solutions	78.8	59.8	31.8
Total for operating activities	368.7	229.5	60.7
Germany	20.3%	12.0%	--
Export	79.7%	88.0%	--

	Q4 2010	Q4 2009	Change (%)
Unit sales			
Compact Engines	46,178	27,163	70.0
DEUTZ Customised Solutions	5,444	3,994	36.3
Total for operating activities	51,622	31,157	65.7

	Q4 2010	Q4 2009	Change (%)
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	13.4	-5.7	--
<i>DEUTZ Dalian (DDE)</i>	-2.2	-0.1	--
<i>Compact Engines excl. DDE</i>	15.6	-5.6	--
DEUTZ Customised Solutions	4.8	1.1	--
Other	-1.4	-1.0	--
Total for operating activities	16.8	-5.6	--

Financial calendar for 2011

- | | | |
|---|-------------------|------------------|
| ■ Annual Results Press Conference
Publication of annual report for 2010 | Cologne | 17 March 2011 |
| ■ Analysts' meeting | Frankfurt am Main | 18 March 2011 |
| ■ Annual General Meeting | Cologne | 5 May 2011 |
| ■ Interim report on first quarter of 2011
Conference call with analysts and investors | | 12 May 2011 |
| ■ Interim report on first half of 2011
Conference call with analysts and investors | | 4 August 2011 |
| ■ Interim report on first three quarters of 2011
Conference call with analysts and investors | | 10 November 2011 |

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