

CONFERENCE CALL Q1 2011

12 May 2011

The engine company.



Agenda

- **Overview Q1 2011**

Dr Helmut Leube, Chairman of the Management Board

- **Key performance indicators Q1 2011**

Dr Margarete Haase, CFO

- **Outlook**

Dr Helmut Leube, Chairman of the Management Board

- **Appendix**

Overview of Q1 2011

■ Excellent start to 2011 – market conditions remain very favourable

- Revenue of €336.0 million and sales of 48,416 units increased significantly yoy by 42% and 43%, respectively
- Strong, sustained market recovery in all regions:
Revenue gains in EMEA (+35%), Americas (+78%) and Asia/Pacific (+80%) yoy
- Order intake up by 31% yoy and 25% qoq with a continued strong trend
- High level of orders on hand of €350.9 million

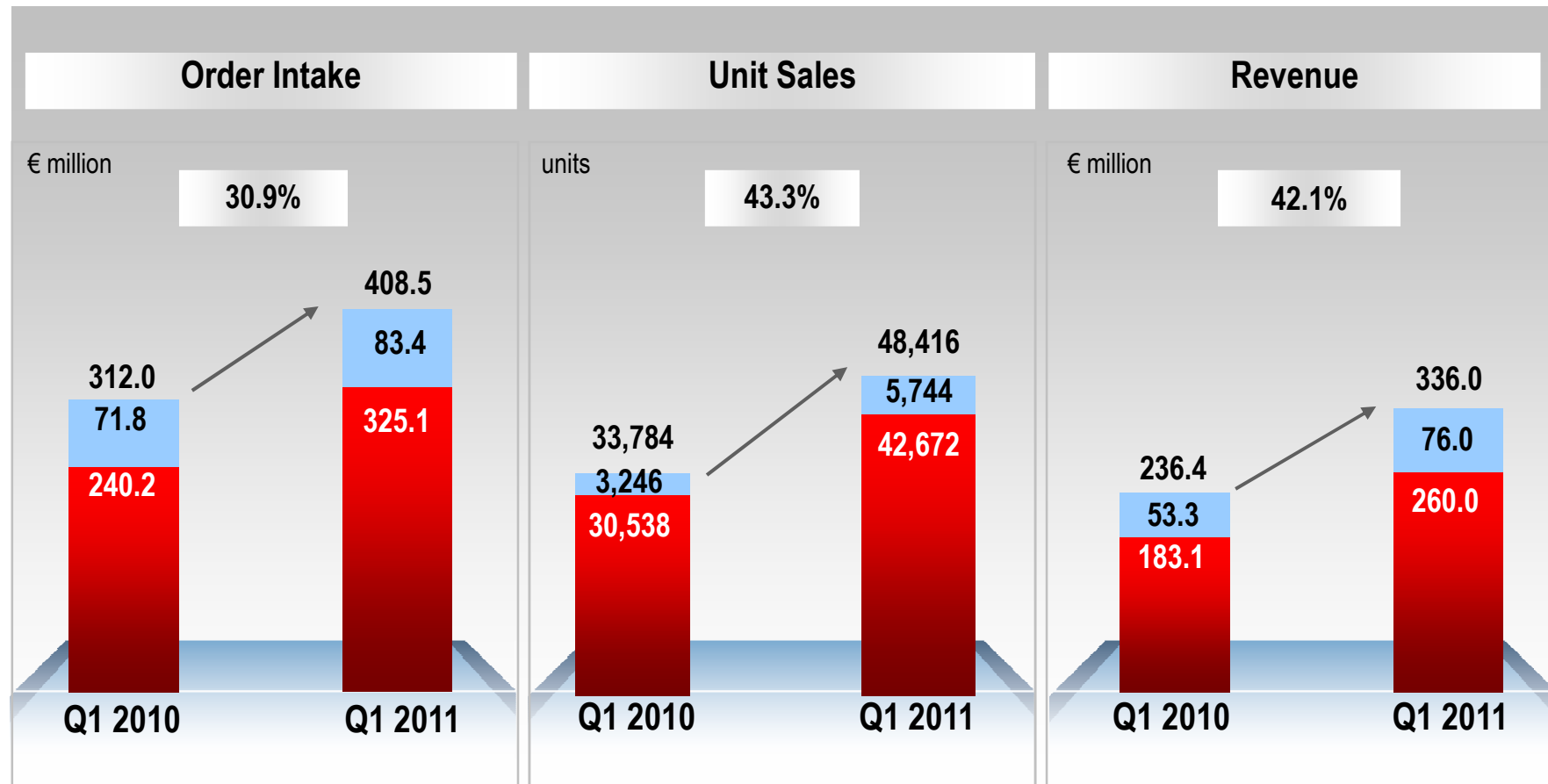
■ Successful return to profitability – trend remains positive

- 5.4% EBIT margin in Q1 2011
- Q1 net income of €13.7 million, following positive Q4 2010
- Efficiency improvements implemented during prior years now showing full effect
- Continuous focus on high flexibility in a dynamic market environment

■ Very positive response from the market to DEUTZ's new generation of engines

- New product range successfully presented at CONEXPO in Las Vegas, USA
- TCD 2.9 L4 and TCD 3.6 L4 for industrial and agricultural applications with very good market response
- Development and start of series production of the Tier 4 engines remain on schedule

Sales figures, Q1 2011

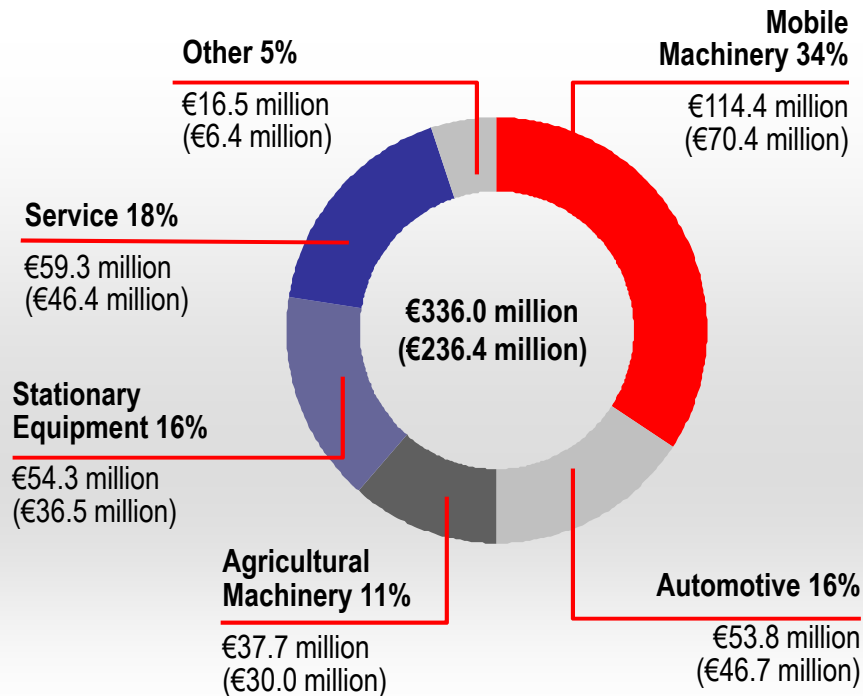


- Reflecting the good market situation, order intake, unit sales and revenue with strong growth rates
- Unit sales increased yoy by 91% in Americas, 37% in EMEA and 36% in Asia-Pacific
- Orders on hand of €350.9 million remain at a high level (+52% yoy)
- Current trend remains positive. DEUTZ is well positioned to capitalise on market growth

Revenue split

Revenue Split by Application, Q1 2011

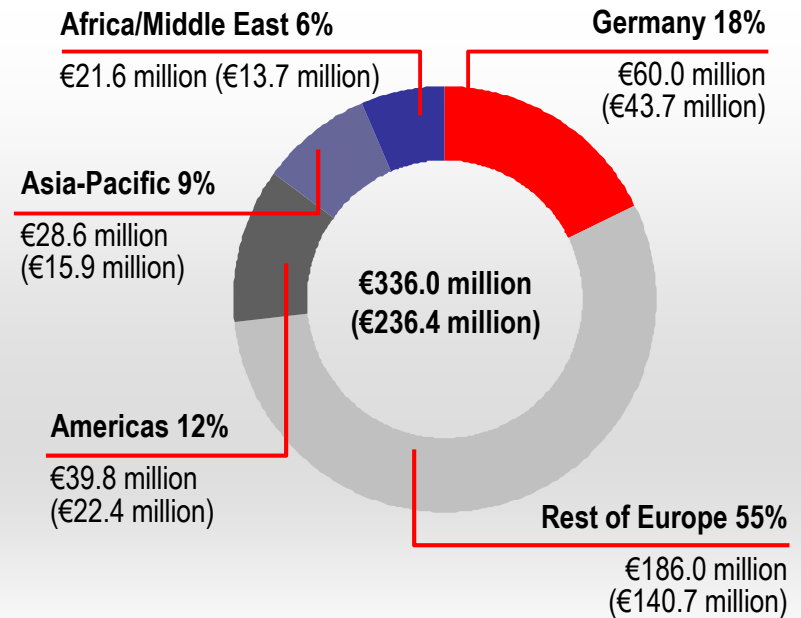
(Q1 2010)



- Strong growth rates in all application segments, above all in Mobile Machinery (+63% yoy)
- Service business remains strong (+28% yoy)
- Also Agricultural Machinery, now on a recovery path, up by 26% yoy

Revenue Split by Region, Q1 2011

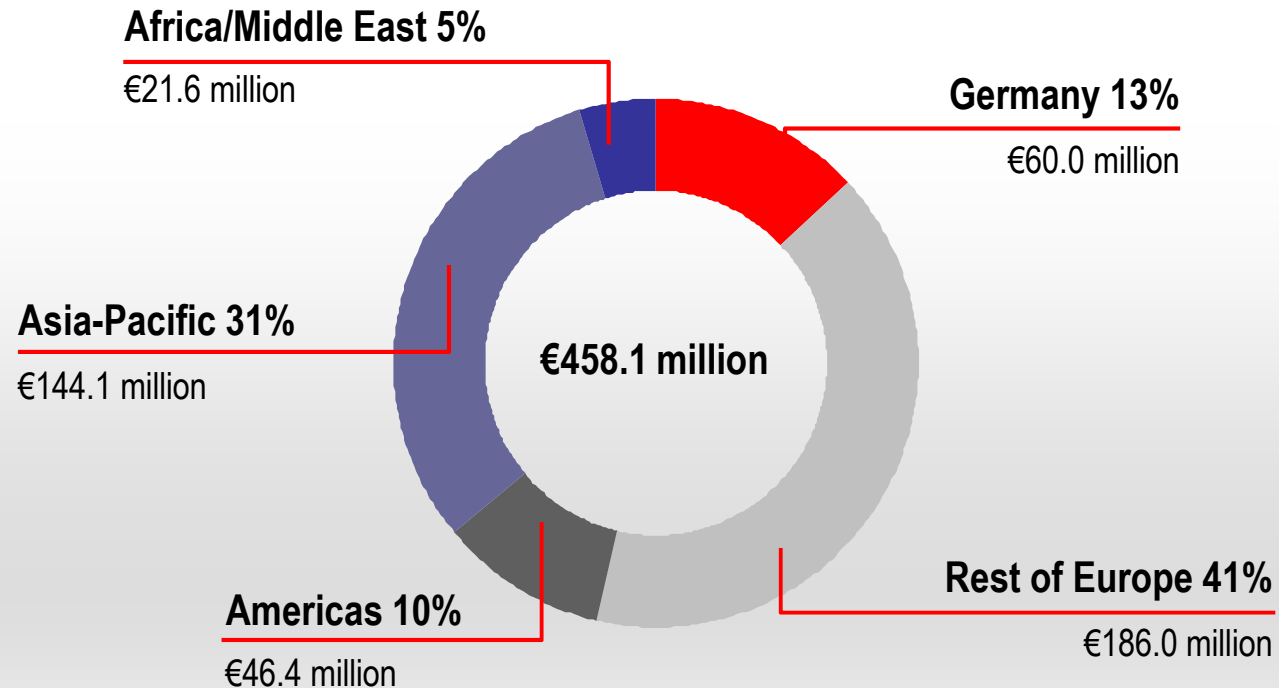
(Q1 2010)



- Revenues in Americas und Asia-Pacific with very strong increase of 78% and 80% yoy, respectively
- EMEA, also experiencing a strong recovery, increased by 35% yoy
- Our Major OEMs in Europe export their goods into markets in different regions

Proforma revenue incl. Engine Joint Ventures

Q1 2011



- Proforma Revenue including the engine joint ventures shows strong position of DEUTZ in the fast-growing Asian market
- Revenue of engine joint ventures amounted to €122.1 million in Q1 2011

Segment overview: Compact Engines

€ million	Q1 2011	Q1 2010	Change in %
New orders	325.1	240.2	35.3
Unit sales (units)	42.672	30,538	39.7
Revenue	260.0	183.1	42.0
EBIT (before one-off items)	6.7	-4.1	--

- Unit sales and revenue with strong growth rates of 40% and 42% yoy due to significant upward trend in the major application segments
- Asia-Pacific with highest revenue growth rate of +109%, followed by Americas 70% yoy
- DCE with a Book-to-Bill Ratio of 125% as of 31 March 2011
- EBIT of €6.7 million increased by €10.8 million yoy
- DEUTZ Dalian joint venture contributed positively to the development of EBIT in Q1 2011

Segment overview: DEUTZ Customised Solutions

€ million	Q1 2011	Q1 2010	Change in %
New orders	83.4	71.8	16.2
Unit sales (units)	5,744	3,246	77.0
Revenue	76.0	53.3	42.6
EBIT (before one-off items)	11.9	6.2	91.9

- Due to its slower response to market fluctuations, units sales of DCS now reflect the good market conditions with a steep growth of 77% yoy, revenue accordingly up by 43% yoy
- Unit sales increase was mainly driven by the application segments Stationary Equipment (+85%) and Mobile Machinery (99%) and by the market region Americas (+176%)
- Order intake remains higher than revenue, indicating ongoing good market development
- EBIT increased by €5.7 million to €11.9 million due to positive development of unit sales and profitable service business

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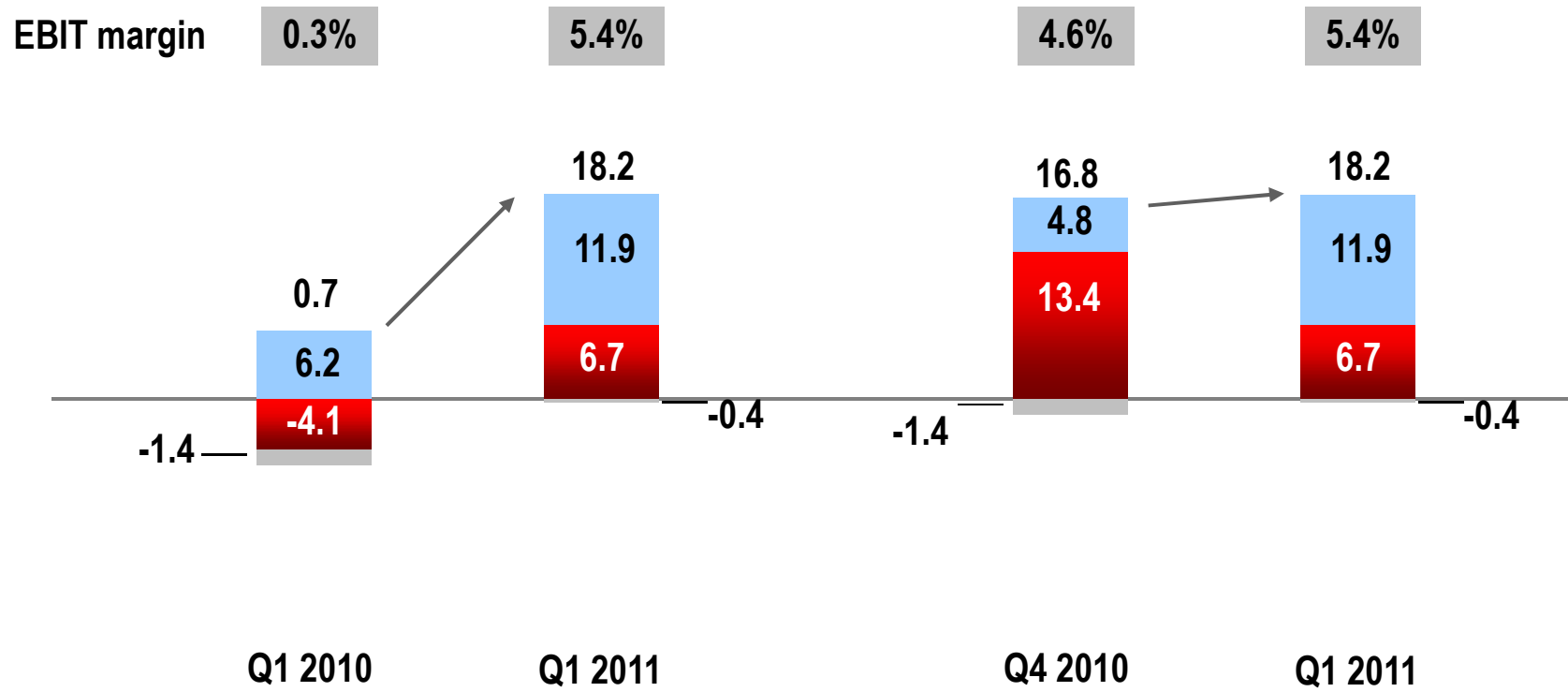
Overview of key financials Q1 2011

- EBIT before one-off items amounted to €18.2 million versus €0.7 million in Q1 2010, which marks the highest quarterly operating profit since Q3 2008 – key factors for this improvement are lower fixed costs and revenue growth
- Working capital ratio of 13.1% improved by 4%-points. Despite strong revenue growth, working capital increased yoy by €18.3 million only
- Cash flow from operating activities improved significantly yoy, but remained slightly negative, totalling minus €9.6 million (minus €28.6 million) due to higher working capital
- Cash flow from investing activities of minus €25.6 mainly caused by investments for upcoming new emission standards. Free cash flow from continuing operations therefore amounted to minus €37.5 million
- Net income of €13.7 million compared to a net loss of €8.7 million in Q1 2010
- DEUTZ Dalian joint venture is setting the stage for expansion in the fast-growing Asian market; the joint venture contributed positively to DEUTZ earnings

() = Q1 2010

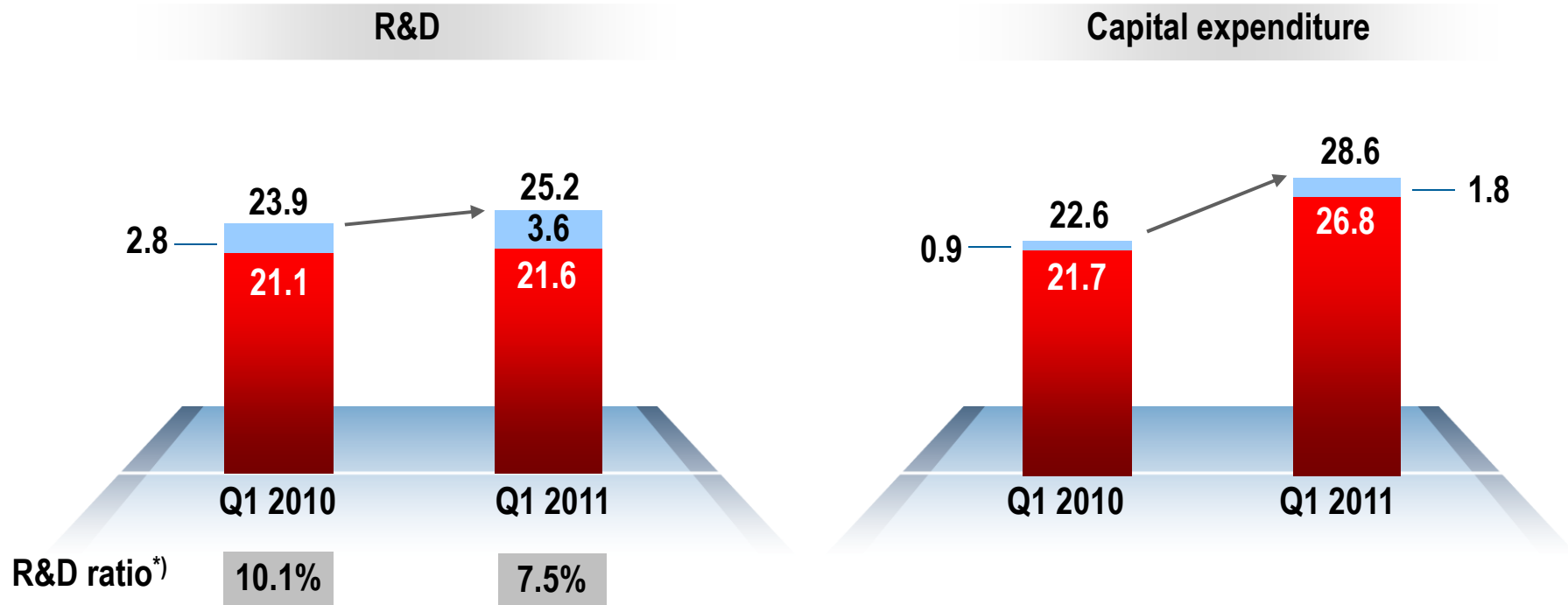
Key financials: EBIT before one-off items

€ million



Key financials: R&D and capital expenditure

€ million



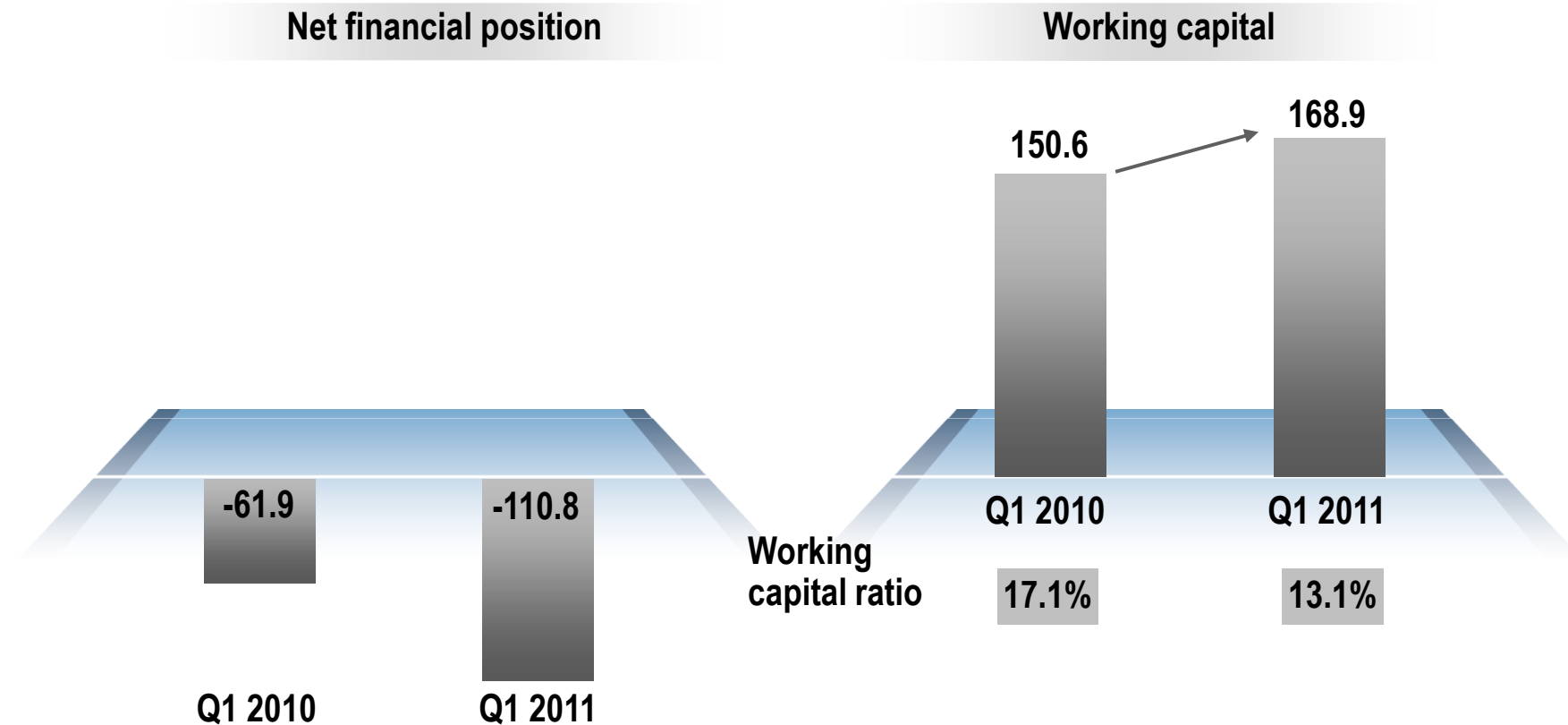
- Slightly increased expenditures for R&D mainly due to upcoming new emission levels
- R&D ratio reduced thanks to increased revenue
- R&D expenditure to decline in absolute terms by end of 2011

- Strict management of capital expenditure and R&D projects
- Capitalised development costs account for €18.6 million (Q1 2010: €14.6 million)

^{*)} Ratio of R&D spending to consolidated revenue

Key financials: net financial position and working capital

€ million



- Cash and cash equivalents as of 31 March 2011: approx. €24.5 million
- Cash credit line of €265 million provides us with sufficient financial flexibility
- Equity ratio still at a high level (+36.7%)

- Only slight increase in working capital, despite the strong revenue growth of 42% in Q1 2011
- Working capital ratio as of 31 March 2011: 13.1%

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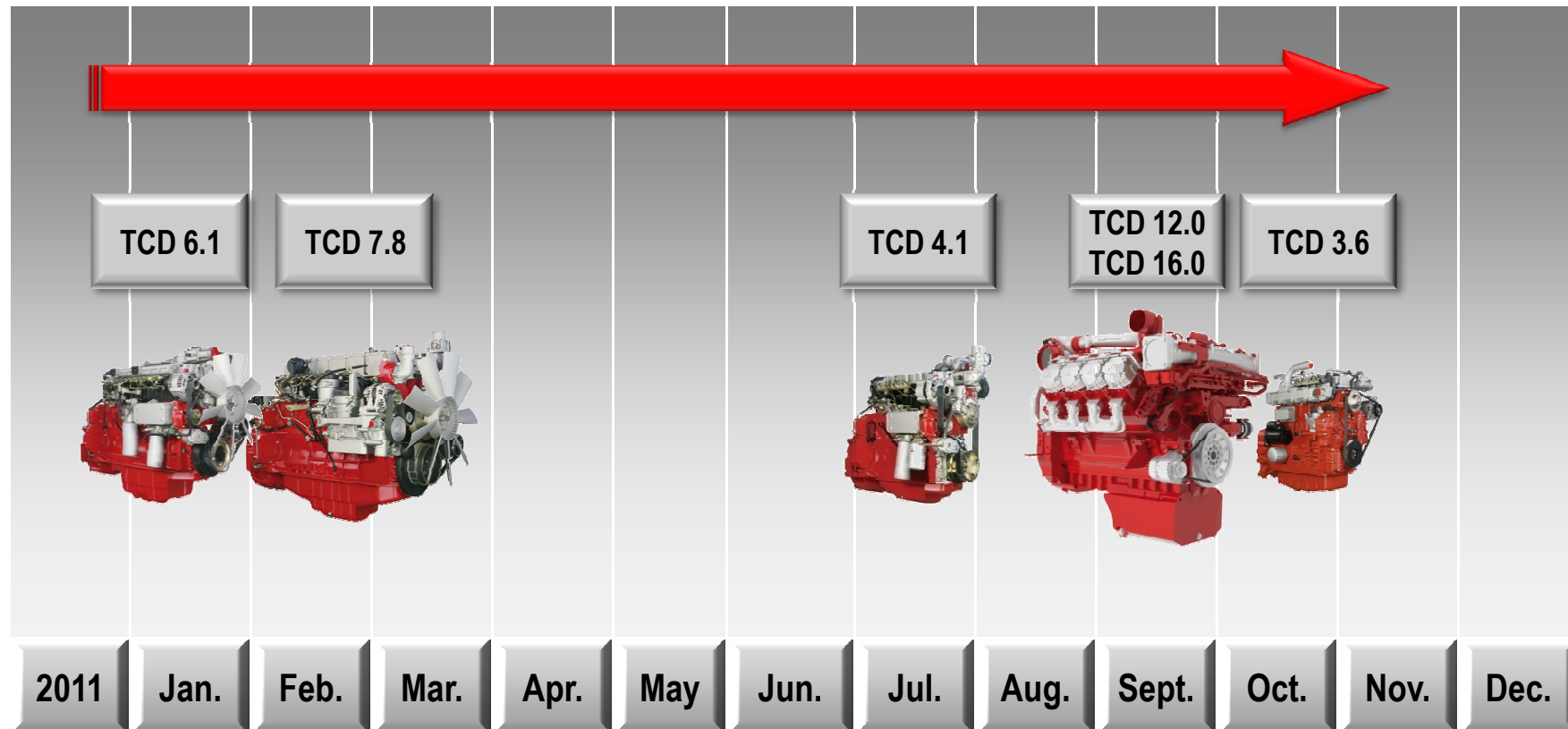
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Confirmation of positive outlook for 2011 and 2012

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

New engine development and engine refinement on track



- Ongoing investments and intensive work to refine existing engines and develop new ones
- The first engines approved for production in Q1 2011 marked our successful start in launching our new engine generation; market response has been very promising so far
- We are on track with the roadmap

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Overview of key performance indicators (I)

€ million	Q1 2011	Q1 2010	Change in %
Revenue	336.0	236.4	42.1
EBITDA	34.3	14.6	134.9
EBITDA before one-off items	34.3	16.3	110.4
EBIT	18.2	-1.0	--
EBIT before one-off items	18.2	0.7	--
EBIT margin	5.4	0.3	--
Net income/loss	13.7	-8.7	--
Basic earnings per share (€)	0.11	-0.07	--
Number of employees as at 31 March	4,081	3,850	6.0

Overview of key performance indicators (II)

€ million	Q1 2011	Q1 2010	Change in %
Total equity and liabilities	1,048.4	1,080.9	-3.0
Equity	384.5	374.1	2.8
Equity ratio (%)	36.7	34.6	--
Cash flow from operating activities	-9.6	-28.6	66.4
Free cash flow	-37.5	-53.6	30,0
Net financial position	-110.8	-61.9	-79,0
Working capital at balance sheet date of 31 March	168.9	150.6	12.2

Income statement

€ million	Q1 2011	Q1 2010	Change in %
Revenue	336.0	236.4	42.1
Changes in inventories and other own work capitalised	31.7	16.0	98.1
Other operating income	10.3	11.2	-8.0
Cost of materials	-233.5	-158.0	47.8
Staff costs	-70.7	-62.3	13.5
Depreciation and amortisation	-16.1	-15.6	3.2
Other operating expenses	-40.3	-28.1	43.4
Loss on equity-accounted investments	0.8	-0.6	--
EBIT	18.2	-1.0	--
of which one-off items	-	-1.7	--
of which operating profit/loss (EBIT before one-off items)	18.2	0.7	--
Net interest expense	-3.3	-3.5	-5.7
Other taxes	-0.3	-0.3	0.0
Net income/loss before taxes on continuing operations	14.6	-4.8	--
Income taxes	-0.9	-3.9	-76.9
Net income/loss on continuing operations	13.7	-8.7	--
Net income/loss on discontinued operations	--	--	--
Net income/loss	13.7	-8.7	--

Balance sheet: assets

€ million	31 Mar 2011	31 Dec 2010	Change in %
Non-current assets (before deferred tax assets)	598.3	591.5	1.1
Deferred tax assets	15.5	16.4	-5.5
Inventories	195.4	157.6	24.0
Trade receivables	166.7	160.1	4.1
Other receivables and assets	47.6	47.7	-0.2
Cash and cash equivalents	24.5	67.9	-63.9
Non-current assets and disposal groups held for sale	0.4	0.5	-20.0
Total assets	1,048.4	1,041.7	0.6

Balance sheet: equity and liabilities

€ million	31 Mar 2011	31 Dec 2010	Change in %
Equity	384.5	374.3	2.7
Provisions for pensions and other post-retirement benefits	152.5	154.7	-1.4
Deferred tax provisions	0.0	0.0	--
Other provisions	29.8	29.8	0.0
Financial liabilities	132.6	138.5	-4.3
Other liabilities	7.3	7.4	-1.4
Non-current liabilities	322.2	330.4	-2.5
Provisions for pensions and other post-retirement benefits	15.9	15.9	0.0
Other provisions/provisions for current taxes	62.3	46.7	33.4
Financial liabilities	2.7	3.0	-10.0
Trade payables	193.2	205.1	-5.8
Other liabilities	67.6	66.3	2.0
Current liabilities	341.7	337.0	1.4
Total equity and liabilities	1,048.4	1,041.7	0.6

Cash flow statement (summary)

€ million	Q1 2011	Q1 2010
EBIT	18.2	-1.0
Cash flow from operating activities (total)	-9.6	-28.6
Cash flow from investing activities (continuing operations)	-25.6	-17.0
Cash flow from investing activities (discontinued operations)	-	-1.0
Cash flow from investing activities (total)	-25.6	-18.0
Cash flow from financing activities	-8.0	-8.6
Change in cash and cash equivalents	-43.2	-55.2

Segment overview Q1 2011 vs. Q1 2010

	Q1 2011	Q1 2010	Change in %
New orders (€ million)			
Compact Engines	325.1	240.2	35.3
DEUTZ Customised Solutions	83.4	71.8	16.2
Total activities	408.5	312.0	30.9

	Q1 2011	Q1 2010	Change in %
Revenue (€ million)			
Compact Engines	260.0	183.1	42.0
DEUTZ Customised Solutions	76.0	53.3	42.6
Total activities	336.0	236.4	42.1
Germany	17.9%	18.5%	--
Exports	82.1%	81.5%	--

	Q1 2011	Q1 2010	Change in %
Unit sales (units)			
Compact Engines	42,672	30,538	39.7
DEUTZ Customised Solutions	5,744	3,246	77.0
Total activities	48,416	33,784	43.3

	Q1 2011	Q1 2010	Change in %
EBIT before one-off items (€ million)			
Compact Engines incl. DDE	6.7	-4.1	--
DEUTZ Customised Solutions	11.9	6.2	91.9
Other	-0.4	-1.4	--
Total activities	18.2	0.7	--
<i>thereof Engine Joint Ventures</i>	<i>0.5</i>	<i>-1.3</i>	<i>--</i>

Financial calendar 2011



- Interim report on first half of 2011
Conference call with analysts and investors

- Interim report on first three quarters of 2011
Conference call with analysts and investors

4 August 2011

10 November 2011

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