

# DEUTZ AG

ANNUAL GENERAL MEETING

Cologne, 24 May 2007

The engine company.





## Financial year 2006: all goals achieved

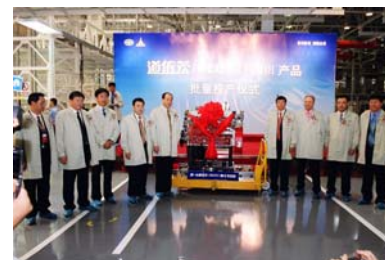
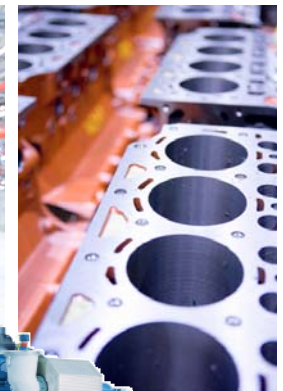
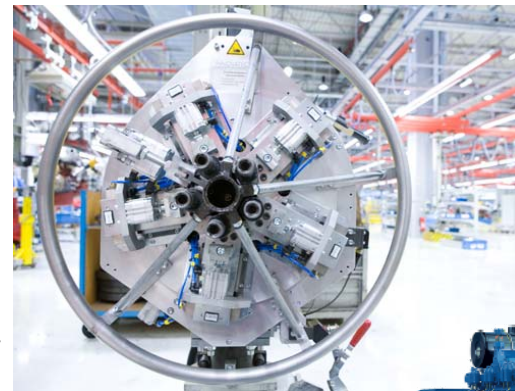
		2006	2005	Change	
Operating profit* raised	✓	€ million	81.5*	62.5*	+30.4 %
Unit sales again increased	✓	Units	237,293	195,843	+21.2 %
Double-digit revenue growth	✓	€ billion	1.5	1.3	+12.6 %
EBIT margin raised	✓	%	5.5	4.7	
ROCE improved	✓	%	9.8	7.7	
Equity ratio increased	✓	%	30.8	23.2	
Further improvement in working capital ratio	✓	%	15.8	18.0	

\* Operating profit = EBIT before one-off items

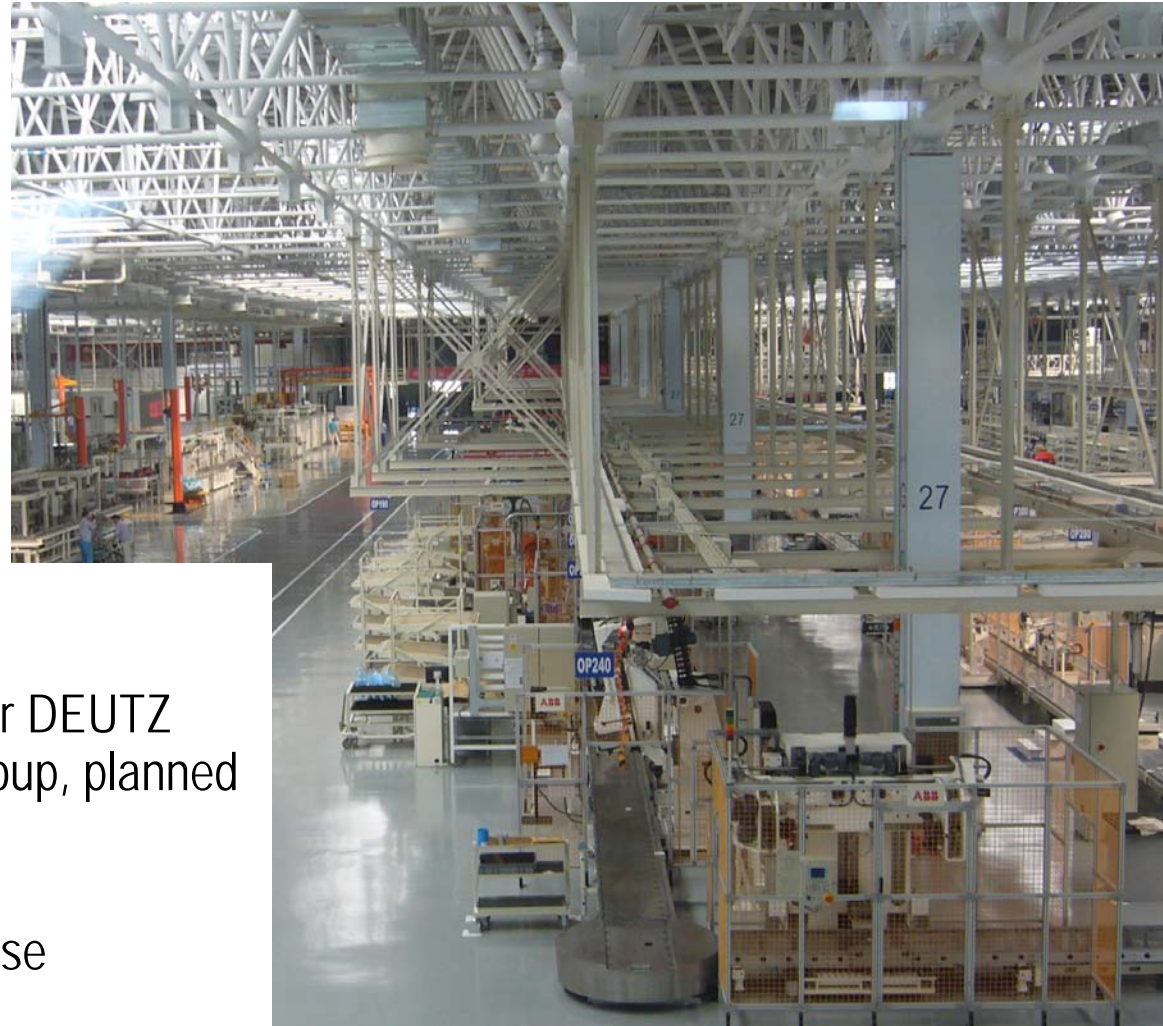


## Group highlights 2006

- Start of series production of 130 – 560 kW engines compliant with Stage 3 emission standards
- Start of series production of the new commercial vehicle engine TCD 2013 4V, compliant with Euro IV
- Consolidation of production of air-cooled engines in Ulm
- Significant expansion of gas engines business, market position strengthened
- Joint venture agreement signed in China



## Joint Venture in China



### Capacity:

- 50,000 engines p.a. (Euro III) for DEUTZ customers in Asia and FAW Group, planned ramp-up to 100,000 engines
- 100,000 engines for local Chinese market and FAW Group



## Key financials in 2006

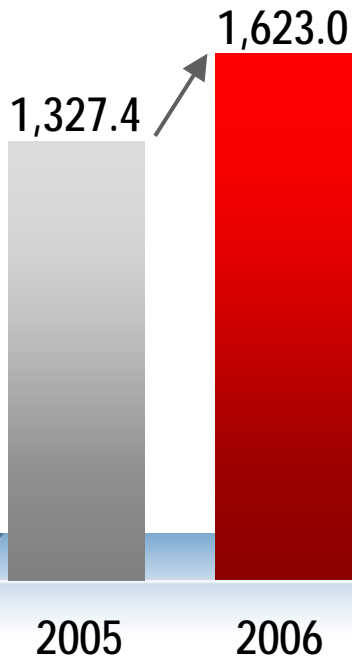
€ million	2006	2005	Delta (%)
New orders	1,623.0	1,350.5	20.2
Unit sales	237,293	195,843	21.2
Revenue	1,490.0	1,322.8	12.6
EBIT	93.5	114.7	-18.5
thereof one-off items	12.0	52.2	-
thereof operating profit (EBIT before one-off items)	81.5	62.5	30.4
Net income	61.5	71.4	-13.9



# Even stronger growth on like-for like basis (excluding marine service business)

New orders\* (€ million)

+22.3%



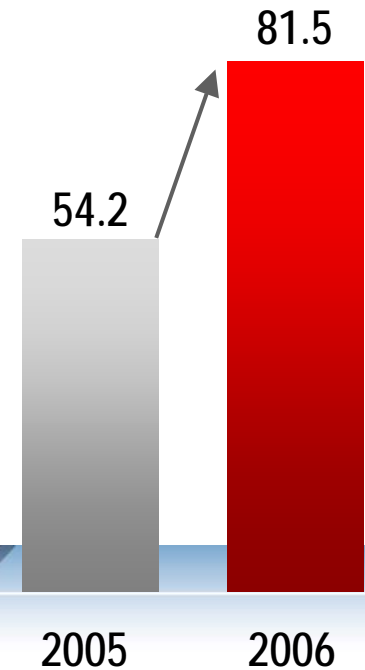
Revenue\* (€ million)

+14.6%



Operating profit\* (€ million)

+50.4%



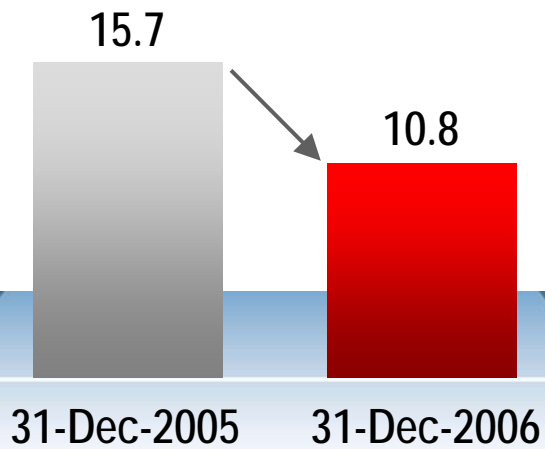
\* Like-for-like comparison: 2005 restated without marine service business for Q1



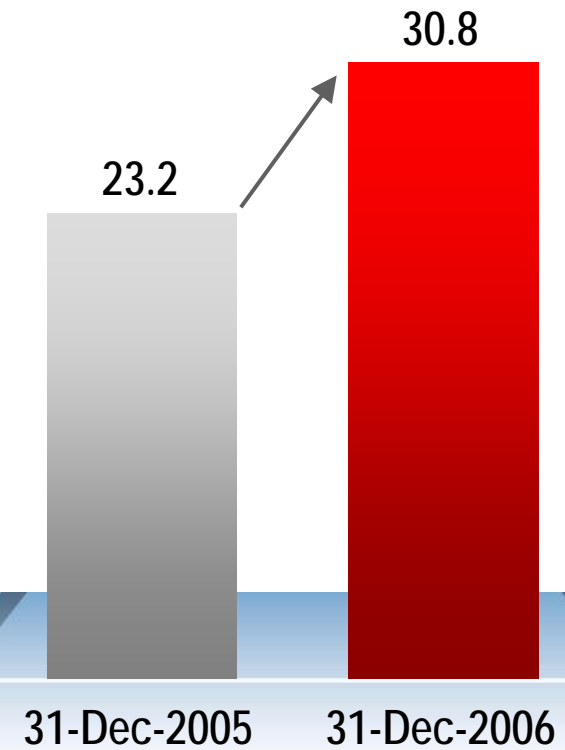
# Further reduction in net financial debt, significant increase in equity ratio

Net financial debt (€ million)

-31.2%



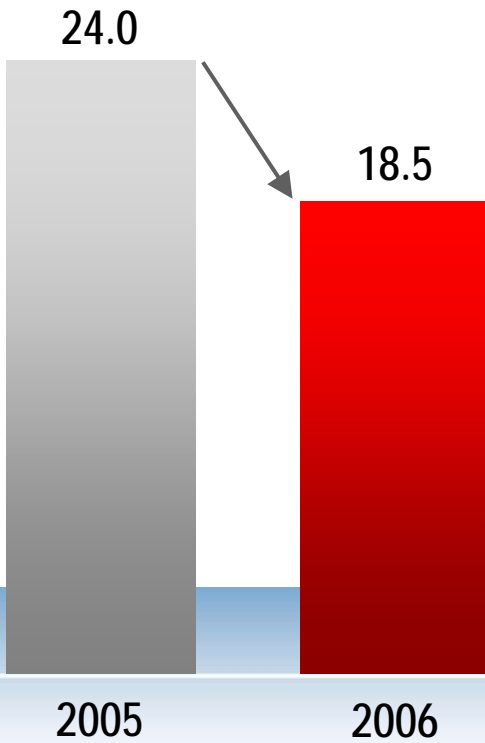
Equity ratio (%)



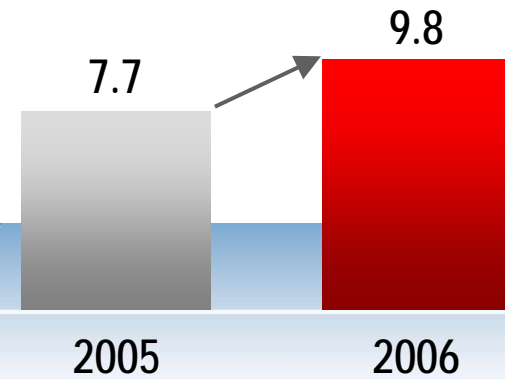


# Working capital target exceeded, significant improvement in ROCE

Working Capital\* (%)



ROCE (%)

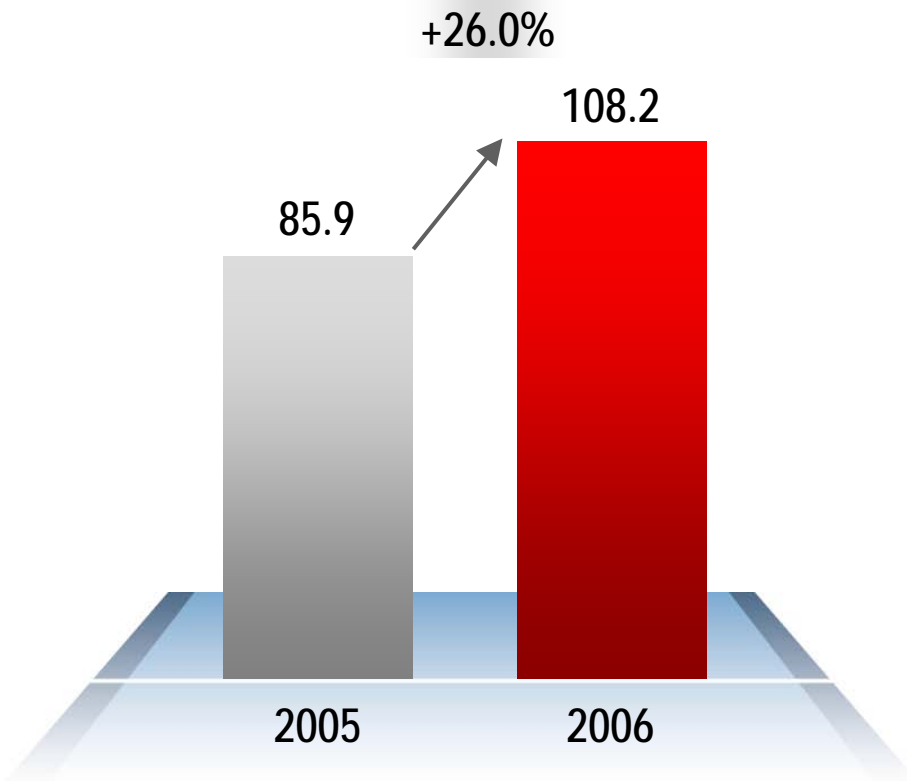


\* Average

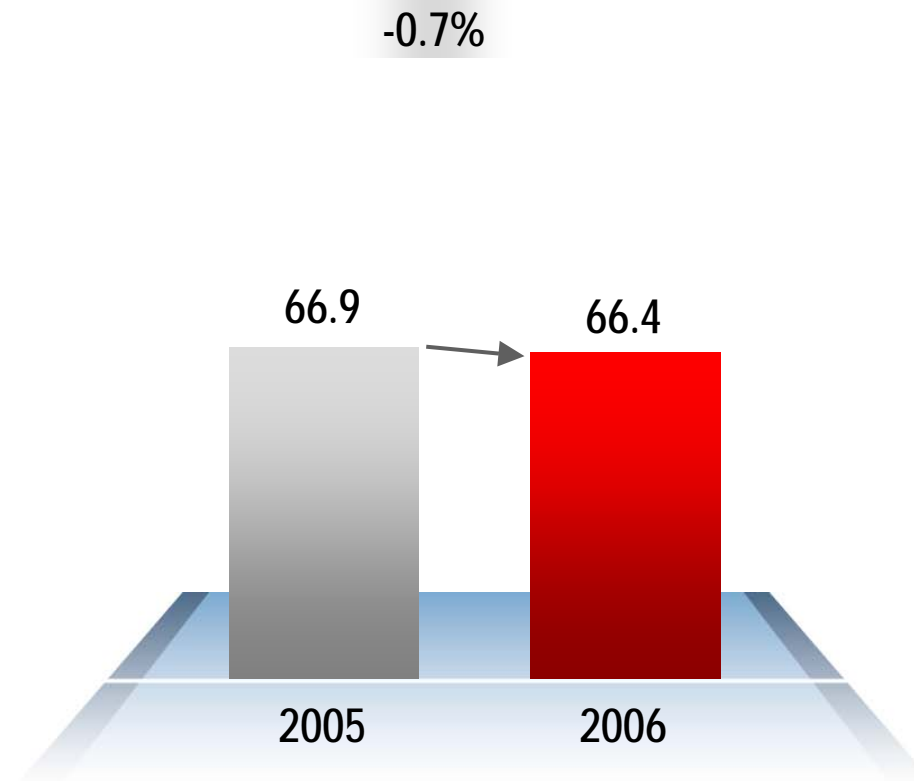


# Compact engines capacity expanded, High level of R&D expenditure maintained

Capital expenditure (€ million)



R & D (€ million)



R&D-ratio 6.6% 5.6%

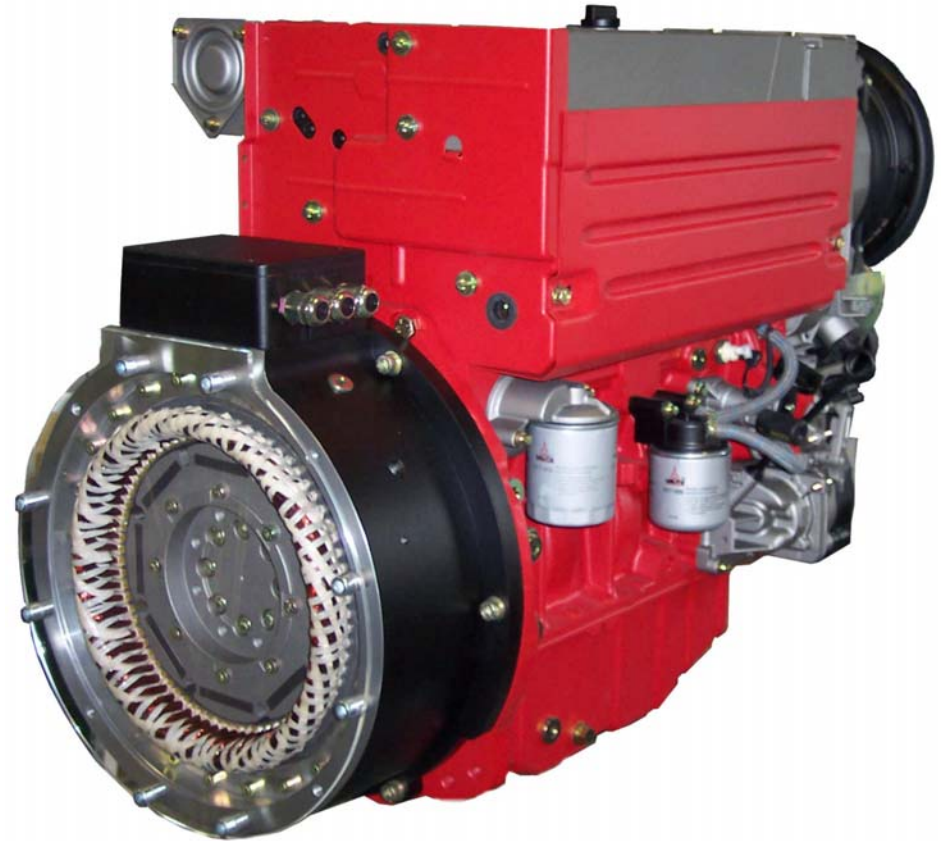
## Hybrid Drive

Mild-Hybrid drivetrain solution for applications with

- low to medium load but with high load peaks
- high engine dynamics

Obvious applications include

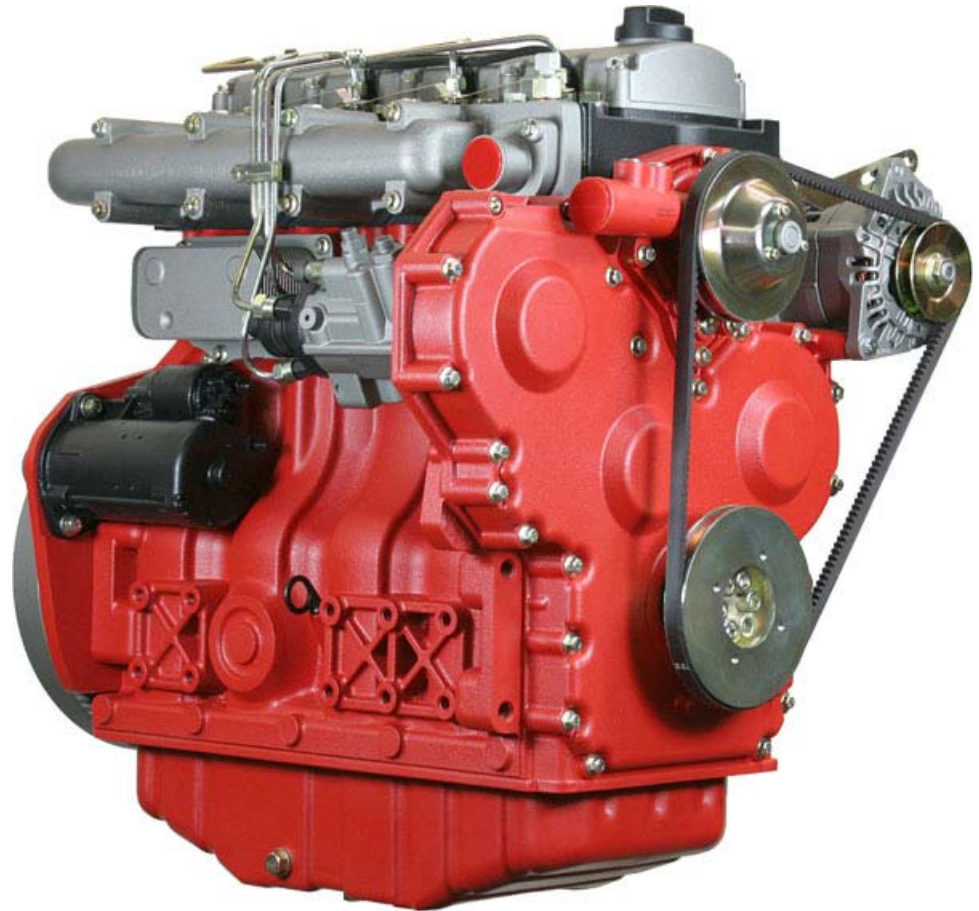
- Wheel loader
- Forklifts
- Telehandlers





## Engine for construction equipment < 4 litre capacity: TCD 2010

- 4 cylinder in-line engine (50–74.9 kW)
- Advanced fuel injection and combustion system
- Full line customised options



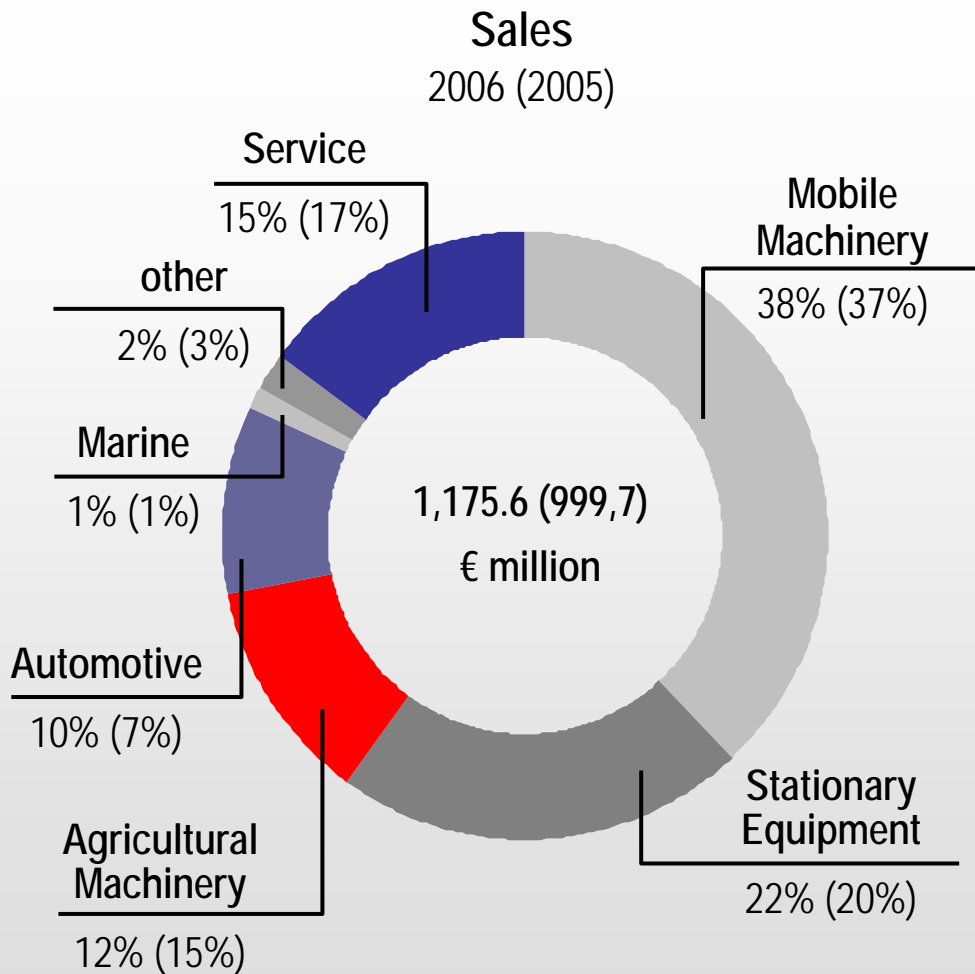
## Engine for construction equipment < 4 litre capacity: TCD 2011

- 2-, 3-, 4-cylinder in-line engine (23–74,9 kW)
- Oil or water-cooled
- Compact engine design





# Compact engines 2006

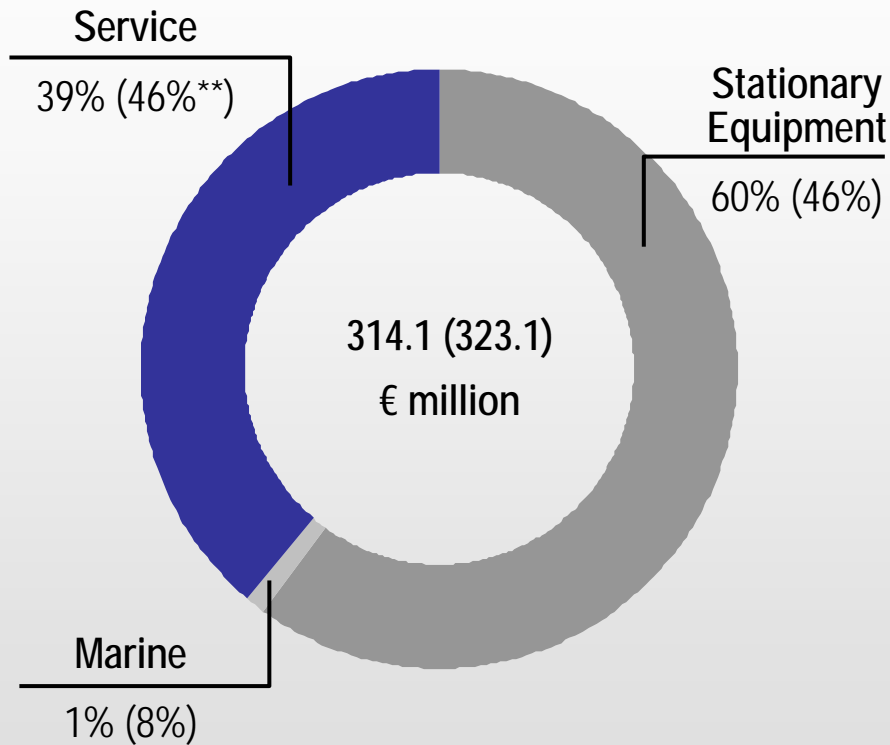


€ million	2006	2005
New orders	1,289.1	1,025.4
Unit sales (units)	236,588	195,082
Sales	1,175.9	999.7
Operating profit (EBIT before one-off items)	68.3	56.4



# DEUTZ Power Systems 2006

Sales  
2006 (2005)



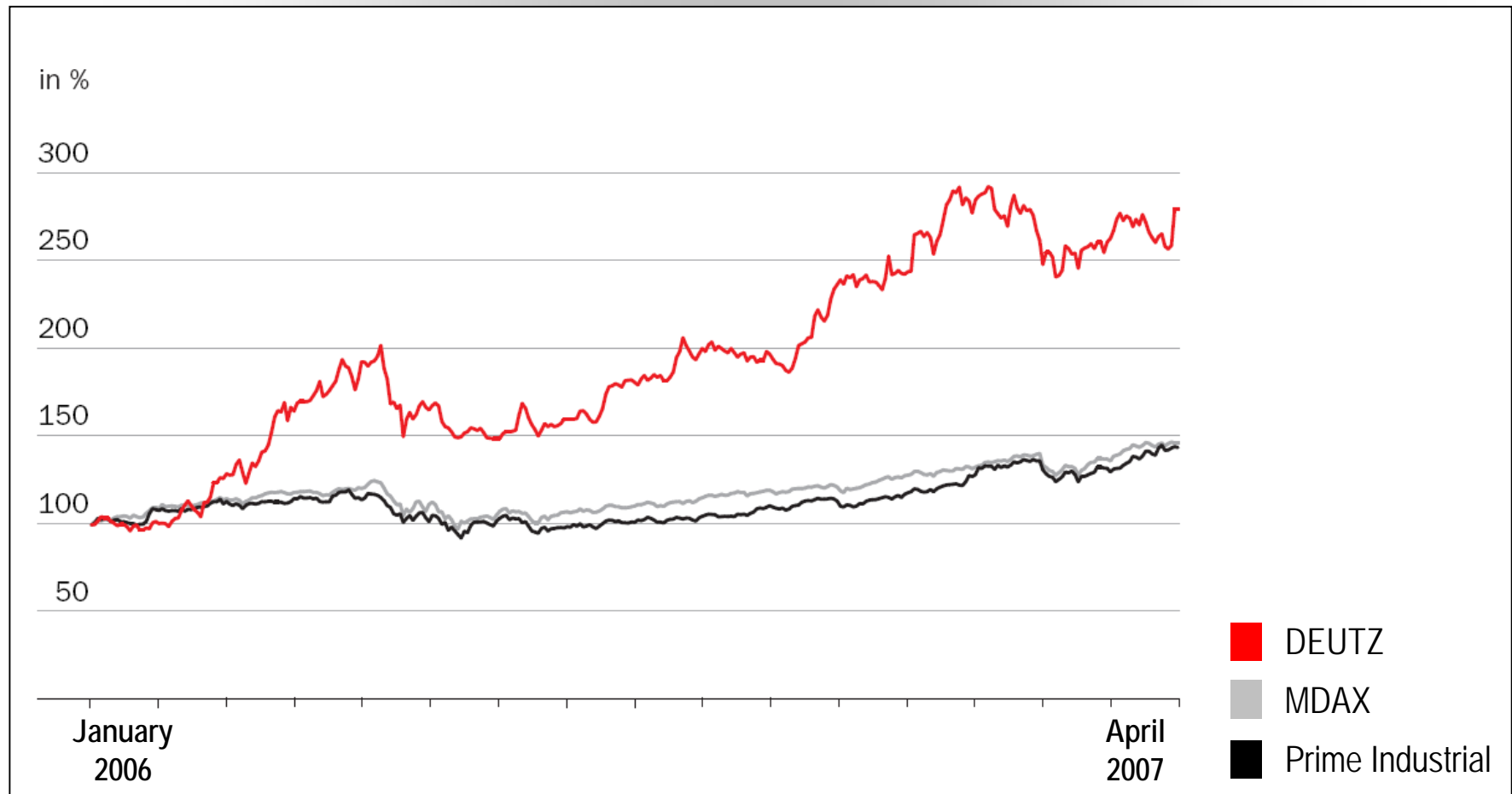
\*\* comparable 41%

€ million	2006	2005*
New orders	333,9	325,1
Unit sales (units)	705	761
Sales	314,1	323,1
Operating profit (EBIT before one-off items)	14,9	12,0

\* Including marine service business Q1 2005



# DEUTZ shares: 2006 top MDAX performer





## Q1 2007: A good start to 2007

- New orders up 30%
- Unit sales up 23%
- Revenue boosted by commercial vehicle production, rising by 26%
- Operating profit €13,1 million
- Net income up almost 50% to €5.8 million



## Outlook and objectives for 2007

- Unit sales of 260,000 engines (excl. Chinese JV)
- Revenue growth of between 6 and 10%
- Further growth in operating profit, EBIT margin of around 7%
- Raise net income by a double-digit million euro amount
- Maintenance of high level of R&D expenditure
- Capital expenditure > €100 million, plus €60 million for joint venture
- Consolidation of joint venture using the equity method



## Outlook and objectives for 2008

- ROCE 12%
- First full financial year for the joint venture, an important step towards internationalisation of the business
- Intensive preparations for the next emission standards
- Expansion of production capacity
- Payment of a dividend for fiscal 2007



# Market opportunities and growth prospects (I)

## Market opportunities

Booming Asian market, primarily China

- Additional production capacity
- Sourcing of components
- cost benefit from network of production sites

Increasing trend in outsourcing

- Ability to expand in commercial vehicle business
- Further expansion of alliances

Growing demand for customer-specific solutions with air-cooled engines

- Further intensive development of the Ulm centre of competence



## Market opportunities and growth prospects (II)

### Market opportunities

Growing demand for compact equipment (EU, USA)

Global market for decentralised power generation growing up to 10%; biogas applications in Europe over 15%

### Prospects

- Further strategic partnerships sought
- Rising unit sales volumes

- Expansion of service business (medium to long-term)
- Accelerated development of market positions



## Foundation laid for expansion

2006-2008

### Acceleration

2009-2012

### Expansion

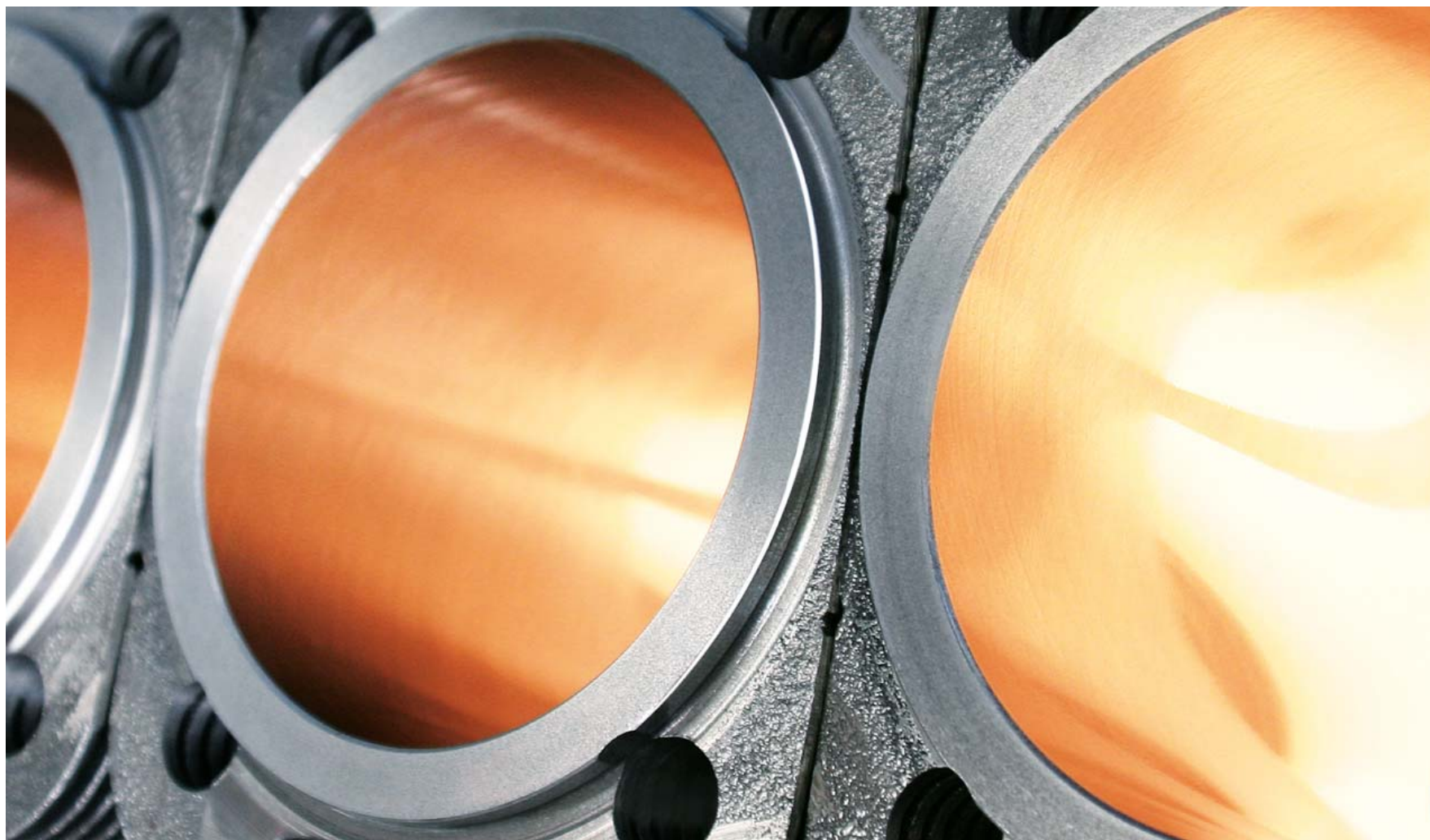


- Optimisation of locations
- Development of DEUTZ Customized Solutions
- Internationalisation – establishment of DEUTZ Dalian
- Expansion of existing business
- Further strengthening of cooperation strategy
- Broadening of product range
- "7 up", efficiency and growth programme

- Continuation of internationalisation and growth strategy
- Development of two new business areas
- Engines for alternative fuels
- Added-value services for customers



## Excellent Prospects





**The engine company.**