Gordon Riske

Chairman of the Management Board of DEUTZ AG

Speech

to the Annual General Meeting

on 22 June 2006

Cologne

Only the speech as given has any validity.

Embargo until: 22 June 2006, 11am

Dear shareholders and shareholder representatives,

Dear guests and friends of our company,

Ladies and Gentlemen,

It gives me great pleasure, speaking also on behalf of my colleagues on the Management Board, to welcome you to this year's Annual General Meeting of DEUTZ AG here in Cologne. We are delighted that you are taking this opportunity to find out about the recent business performance and the future prospects of your company. I would also like to welcome all the employees - past and present - of our company, and to extend a particularly warm welcome to Dr Carozza, President of the SAME DEUTZ-FAHR Group, who has travelled from Italy in order to attend our Annual General Meeting. And I would like to take this opportunity to thank the representatives of the press for their ever-objective reporting on our company. I am delighted that you have all joined us here in Cologne today, demonstrating your interest in DEUTZ AG.

At last year's Annual General Meeting in June 2005, I held out the prospect of significant sales growth for 2005 and a bottom-line improvement in earnings. We achieved this and even managed to exceed the commercial targets we had set ourselves. We can therefore look back with great satisfaction on a successful year in 2005. At the same time, we have made great strides towards our objective of being able to resume the payment of dividends by DEUTZ AG.

Our short film will give you a brief impression of our perception of ourselves. We concentrate on the essentials.

There will be three sections to my speech:

Firstly: A review of 2005

Secondly: Current developments and outlook

Thirdly: Realisation of medium-term objectives

2005 was a year in which we focussed strongly on the development of our products and on the consolidation of our market position in specific areas, strengthening the foundations of our company for a successful future. I would first like to summarise the highlights of the past year in our two segments, Compact Engines and DEUTZ Power Systems.

In the Compact Engines segment, we raised unit sales in North America by 40 per cent, substantially strengthening our position in the largest international market. There was particularly strong growth in unit sales of engines for use in construction equipment and in materials handling equipment, enabling us to further strengthen our leading position in these two application segments.

The 4-litre to 7-litre engine range is a particularly important product group for us and our aim is to become one of the world's top three suppliers in this field. Our co-operations with Volvo and SAME DEUTZ-FAHR in this engine range will boost our growth, particularly this year and next, building on the extremely pleasing 10 per cent growth in unit sales of these engines seen in 2005.

Unit sales of smaller engines with a capacity of up to 4 litres increased by an impressive 30 per cent.

And finally, we are expanding our product base substantially with our preparations for the market launch of engines designed to meet the new tighter exhaust emission standards. This will provide a sound basis for our future growth.

We also achieved a great deal in the DEUTZ Power Systems segment in the past year. We have made much more rapid progress than expected with our focus on gas engines for use in decentralised power generation, increasing the proportion of the segment's unit sales attributable to gas engines to almost 57 per cent. These engines now account for around 72 per cent of sales from new engines. The installed power output of the gas engines sold amounted to a total of 490 MW in 2005, of which around 35 per cent was accounted for by engines powered by renewable energy sources.

In terms of new orders, sales and operating profit, we were more than able to compensate for the loss of contributions from the marine service business whose disposal was completed at the end of March 2005. Despite this, the contribution of the service business remained high at 46 per cent.

With the outstanding successes achieved in both segments, we significantly exceeded our commercial targets for the DEUTZ Group as a whole. Allow me to illustrate this using the main performance indicators from the consolidated financial statements, which were prepared in accordance with IFRS for the first time in 2005.

A few words on IFRS: All publicly traded companies are required to prepare their accounts in accordance with IFRS from 2005. The introduction of IFRS is intended to ensure greater transparency and better information and to simplify international comparisons. The transition to IFRS did not result in any major changes overall. The single-entity financial statements of

DEUTZ AG still have to be produced in parallel in accordance with German accounting standards.

In 2005 we sold 12.9 per cent more engines than in the previous year. New orders increased by 6.8 per cent to €1,350.5 million and sales rose by 6.5 per cent to €1,322.8 million. On a like-for-like basis, i.e. disregarding the contribution of the divested marine service business from April to December 2004, the increase in new orders and sales was even higher at around 12 per cent for both. Our growth was greater than that of the market as a whole.

On the back of this growth we raised our operating profit, by which we mean EBIT before one-off items, by 16.8 per cent to €62.5 million despite rising material costs and although the marine service business only contributed for the first three months of the year. The actions we initiated at the beginning of last year to improve our earnings bore fruit in the second half of the year and our endeavours to further improve our operating performance proved to be extremely successful. The EBIT margin before one-off items rose from 4.3 per cent in 2004 to 4.7 per cent in 2005.

After one-off items, EBIT in the year under review amounted to €114.7 million compared with €18.5 million in 2004. The results for 2005 include a one-off amount of €67.0 million from the sale of the marine service business, reduced by expenses of €14.8 million for additional adjustments to achieve further optimisation of the organisational structure. These adjustments were necessary as a result of the sale of the marine service business. Net income in 2005 rose to €71.4 million as a result of the strong operating performance and the one-off items already mentioned.

The return on capital employed (ROCE) rose to 7.7 per cent, and our equity ratio reached 23.2 per cent in 2005. Another extremely encouraging development was the reduction of working capital to a ratio of 18 per cent of sales, clearly exceeding our target of 20 per cent. Net financial debt fell by more than €100 million to just €15.7 million.

In the annual financial statements for DEUTZ AG, prepared in accordance with German accounting standards, the company reported net income of €55.3 million for 2005, following a net loss of €8.8 million in 2004. The accumulated loss was thus reduced to €21.6 million, taking us a substantial step closer towards DEUTZ AG being able to resume the payment of dividends in future.

In summary: We are very pleased with what we have achieved!

This assessment was also shared by the equity market last year and during the current year, with DEUTZ shares putting on 41 per cent over the course of 2005, outperforming the SDAX which gained 35 per cent and the Prime Industrial sector index which rose by 24 per cent. At the end of 2005, DEUTZ's market capitalisation was €393 million, representing an increase of 47 per cent on the prior year. We view this as a clear affirmation of our strategy.

Ladies and Gentlemen,

I would now like to describe developments within the segments in more detail:

In the Compact Engines segment new orders rose by 11.7 per cent to €1,025.4 million. This was driven primarily by a significant upturn in North American business and stronger demand in Germany and the rest of Europe. I would also like to highlight the particularly strong growth in new engines business. More than 195,000 engines were produced and sold by the Compact Engines segment last year.

Sales in the Compact Engines segment rose by 9.9 per cent to almost €1 billion. This increase is largely attributable to new business in the Mobile Machinery application segment, which benefited from the strong performance of construction equipment in Germany and material handling equipment in North America.

In the Agricultural Machinery application segment, DEUTZ expanded on its already strong market position. High growth rates in the business with leading agricultural equipment manufacturers such as SAME DEUTZ-FAHR and AGCO's Fendt brand also made a significant contribution.

We also made the first deliveries of pre-series engines for the new TCD 2013 commercial vehicle engine.

The service business for compact engines contributed €168.6 to the segment's sales, with improvements in both the spare parts business and the Xchange® business for exchange parts.

In the Compact Engines segment, the clear expansion of sales and cost-reduction measures in all areas more than compensated for the negative impact of rising material costs and currency fluctuations. Consequently, the segment's operating profit rose by 4.1 per cent to €56.4 million.

In the year under review, DEUTZ Power Systems generated new orders with a value of €325.1 million, representing an increase of almost 15 per cent on a like-for-like basis. A substantial part of this growth derived from the gas engines business, vindicating our strategy of focussing the activities of DEUTZ Power Systems on this highly promising market. Large-scale projects such as the power supply plant for the US silicon chip manufacturer AMD, which came on stream in Dresden in April 2005, demonstrate that we are a leading supplier in the global market for highly technologically advanced gas engines.

Total unit sales of DEUTZ Power Systems rose slightly to 761 engines.

DEUTZ Power Systems generated sales revenue of €323.1 million in 2005, representing an increase of around 20 per cent on a like-for-like basis. The gas engines business benefited from strong demand in the domestic German market and also from strong demand in eastern Europe and Asia, resulting in a leap of 48 per cent in gas engine sales. As already mentioned, we succeeded in significantly increasing the proportion of segment sales accounted for by gas engines even faster than expected.

In the service business, sales were up 33 per cent on the comparable prior-year figure, with sales of reconditioned Xchange® products making a particularly significant contribution.

DEUTZ Power Systems benefited from the successful sales and marketing of gas engines and from the optimisation of organisational and cost structures. Excluding the marine service business, operating profit in this segment rose by €25 million year on year to plus €12.0 million in 2005.

In summary, ladies and gentlemen, one thing is quite clear: the successes of DEUTZ in 2005 have created solid and sustainable foundations for the company's future growth!

And what has this success been built upon? First and foremost it is our employees both in Germany and abroad whose dedication and commitment have provided the foundation for our success. Our special thanks go to them. I would also like to take this opportunity to thank our Supervisory Board, in particular the employee representatives at this time of rapid change, who have been at our side with support and advice at all times, and also our co-operation partners and other business partners for their cooperation.

Ladies and Gentlemen,

The strong culture of innovation within our company has been one of the key elements in our success, and we have invested a great deal of money once again in 2005 in order to strengthen it even further. Capital expenditure, including capitalised development expenses, amounted to €85.9 million in 2005, a good €27 million up on the prior year. Much of this investment was concentrated in the new assembly hall for the TCD 2013 series at the Cologne-Porz plant; the hall became operational during the year under review.

Spending on research and development, at €66.9 million, was maintained at roughly the same high level as the previous year. The ratio of research and development expenditure to sales in the new engine business was 6.6 per cent. The result of this intensive commitment to research and development are the numerous new products that we have now been able to bring to market.

In 2005, for example, we added engines to the 2011 series in the 12 to 74.9kW power output range that meet the requirements of the new emissions legislation with a mechanical injection system. They are available as 2-, 3- or 4-cylinder induction engines or as a 4-cylinder engine with exhaust-gas turbocharging.

One outstanding result of the collaborative research work we have undertaken with both customers and suppliers is the DEUTZ Common Rail injection system DCR®, which draws on all the advantages of the common-rail system with no changes to the engine's contours or configuration. It is fully compatible with the mechanical variants for Stage II exhaust emission standards.

I would also like to highlight our new commercial vehicle engine, the TCD 2013, a 6-cylinder, in-line engine with 4-valve technology. With its 235kW power output, the engine fully complies with the thresholds set down in the EURO 4 vehicle exhaust standard. It is also EURO 5/EURO 6 compliant, which means we have already equipped it to meet the demands of the coming years. The TCD 2013 series can also be adapted for off-road variants. The AgriPower engine, for example, is used in the new Fendt Vario 936 premium tractor.

The scheduled production ramp-up of the new TCD 2013 engine, which we developed in co-operation with Volvo, also marks our re-entry into the growth market of commercial vehicles. This new generation of engines is used in medium-heavy commercial vehicles and in buses and will help to raise the proportion of our overall business volume in the Automotive segment. The corresponding growth in the number of units produced will become apparent from the second half of 2006.

Ladies and Gentlemen,

Before I move on to the current financial year and our further objectives and expectations, I would like to mention one topical issue that I am sure is of interest to all of you. On 9 and 10 May 2006, Same Deutz-Fahr Holding & Finance BV, a subsidiary of the Italian SAME DEUTZ-FAHR Group - SDF for short - announced that it had raised its stake in DEUTZ AG to over 30 per cent after converting its profit-sharing rights and bonds.

Under the provisions of the German Securities Acquisition and Takeover Act (WpÜG), SDF was required to submit a mandatory offer for the acquisition of all DEUTZ AG shares. This offer was made at a share price of €6.12 per DEUTZ share and is valid until midnight on 3 July 2006.

The Management Board and Supervisory Board of DEUTZ AG advise that you, the shareholders of DEUTZ AG, do not accept this offer. We do not consider the price offered to be attractive. The decisive factor for us is that we believe the value of the company per share to be well above the €6.12 on offer. The Management Board and Supervisory Board have applied various methods to ascertain a fair valuation of DEUTZ from a current perspective. You can find further details on this in our official statement, which is available on the internet, and which is also available here today.

But quite apart from the question of valuation, another critically important factor is that the long-term survival potential of DEUTZ AG relies on the autonomy of its market presence and on the independence of its management. Given these two aspects, a significant increase in the number of shares held by SDF might adversely affect DEUTZ AG.

The joint decision by the Management Board and the Supervisory Board not to accept the mandatory offer was not taken lightly. We discussed and examined all aspects of the offer with the critical support of external consultants.

We, the Management Board and Supervisory Board, believe that the current arrangements provide a sound basis from which to move forward the close and successful partnership that has existed for more than ten years between our companies to the benefit of both DEUTZ and SDF.

At this point, I would like to talk briefly about the reasons behind SDF raising the level of its investment, which I believe will clarify the context in which it was carried out. I refer to the offer document that accompanied the mandatory offer in which SDF puts forward the view that raising its stake in DEUTZ to above 30 per cent represented a further step in its strategy of strengthening the strategic co-operation between the two companies. This applied, it was emphasised, in particular in view of the permanent outsourcing of engine production from SDF to DEUTZ.

In 2005, 25.7 per cent of tractors sold by SDF and 80.3 per cent of their combines harvesters were fitted with DEUTZ engines. By the end of 2007, SDF will discontinue its own engine production in Italy and completely replace it with engines from DEUTZ.

SDF also stresses that it has no interest in increasing its stake above the current level. SDF would like the operation of DEUTZ to remain under the independent leadership of the Management Board of DEUTZ and for the Management Board to continue to develop the company's business strategy, regardless of the increased number of shares now held by SDF in DEUTZ.

We view this statement as an unambiguous commitment to the successful partnership between our companies. We view the independence of DEUTZ AG as a listed German company as an indispensable condition for achieving our commercial objectives and as the keystone of our current and future success. The confidence of our customers in a DEUTZ AG that is not under the influence of competitors is of critical importance to the maintenance and development of our strategic supplier relations and thus for our market success.

Ladies and Gentlemen,

Moving on now to agenda item 5. As you will have seen from your invitation to the Annual General Meeting, Dr Michael Endres and Mr Peter Zühlsdorff have resigned from their positions as members of the Supervisory Board with effect from the close of this Annual General Meeting. Dr Endres has been chairman of the Supervisory Board since 1995. He made a great and lasting contribution to the company when he helped it to overcome a serious crisis in 1996. His dedication and support for the Management Board during the strategic refocussing and restructuring process has been invaluable.

Mr Zühlsdorff has also been a member of the Supervisory Board for more than 10 years. His advice and close collaboration with the Management Board is greatly appreciated.

I would like to express our deep gratitude to both gentlemen on behalf of the company and of the Management and Supervisory Boards for their many years of hard work in the interests of the company.

As Dr Endres has already mentioned, the Supervisory Board proposes the election of Mr Gino Biondi and Dr Giuseppe Vita to the Supervisory Board as shareholder representatives. We are very pleased that Dr Vita, an eminent personality within German industry, has agreed to join our company. We are quite certain that DEUTZ AG will benefit immeasurably from the experience of his long and varied career in various sectors of the economy.

In agenda item 6 we ask for your consent to the creation of authorised capital that is currently no longer available to us. This authorises the Management Board, with the consent of the Supervisory Board, to increase the issued capital until 21 June 2011 through the issue of new no-par-value shares against cash or non-cash contributions on one or more occasions up to a total amount of €120 million. Capital increases against non-cash contributions may not exceed a total of €80 million.

It is our fundamental intention to grant shareholders pre-emptive rights when using the authorised capital and only to exclude such rights in certain specific circumstances. Allow me to explain this briefly: it may be necessary to eliminate fractional amounts in order to facilitate the technical implementation of a capital increase. We also have to take into account the pre-emptive rights of holders of bonds that we have issued. A further aspect is that we want to be able to ensure the greatest possible flexibility in the event that we are able to increase capital through the issue of shares very close to the market price.

The authorised capital should put us in a position to act quickly and flexibly in the capital markets, We do not have any specific plans at present. But a company with plans for the implementation of a global growth strategy must be in a position to pay with its own shares. It goes without saying that we will proceed with the greatest caution and only act with the consent of the Supervisory Board. There is a detailed report from the Management Board on agenda item 6 in your invitation to the Annual General Meeting.

Ladies and Gentlemen,

We regard the continual improvement of our internal structures and processes as one of the key factors in our corporate success, and it is in this context that we launched the "7up" efficiency and growth programme at the beginning of 2006. The core projects in "7up" are as follows:

- the improvement of operational business processes,

- the reorganisation of procurement structures in order to reduce material costs,

- the reduction of parts complexity, and

- the further optimisation of fixed costs. For example, we will give up the administrative building in Cologne-Deutz and move the administration and sales functions to a new, smaller building at the company site in Cologne-Porz during the course of this year. There will also be a technology centre at the site with an exhibition of engines.

Other items worthy of note include:

- the optimisation of our in-house manufacturing and

- the expansion of strategic activities to increase the volume of service business to 25 per cent of the total.

I will talk about the build-up of DEUTZ Customized Solutions (DCS), which also forms part of the "7up" initiative, in more detail shortly.

With the aid of these specific projects, our intention is to significantly accelerate the earnings of the DEUTZ Group through 2006 and in 2007.

Ladies and Gentlemen,

DEUTZ Customized Solutions, which I just mentioned in connection with our activities for greater market penetration, is one building block which I would like to talk about in more detail. Currently, DEUTZ focusses on engines in the 4 to 7-litre range and on partnerships with equipment manufacturers (OEMs). However, the air-cooled engine series and water-cooled engine series over 7 litres also require particular attention in order to address a situation of capacity under-utilisation at two production facilities and a market position in need of consolidation.

To achieve this, we have bundled these activities together in a single, new business area with very flexible structures, which will enable us to manage the business in a considerably more customer-responsive manner. Our objectives with the creation of this independent business area with sales and profit responsibility, are to generate closer customer relationships, to improve service and to achieve a greater level of overall product differentiation. And in doing so we will be able to strengthen our market position.

One key activity for DCS in connection with the objectives of raising capacity utilisation and reducing costs is the relocation of the assembly of air-cooled engine series from Cologne to Ulm, which we are already in the process of implementing. While optimising capacity utilisation at the Ulm site, we have simultaneously been able to retain 130 jobs at the Cologne site as the new assembly has moved into production.

Ladies and Gentlemen,

Let us now take a look at the figures for the current financial year. DEUTZ achieved double-digit growth in the first quarter of 2006, significantly outperforming the market once again.

New orders increased by 14 per cent. Unit sales of engines rose by 15 per cent and sales by 8.5 per cent. The operating profit rose by a massive 53 per cent and we generated net income of €3.9 million.

In the Compact Engines segment, business in North America remained robust and there was substantially higher demand, in particular, from other countries in Europe. Consequently, new orders rose by 23.5 per cent, unit sales by 15.6 per cent and sales by 17.8 per cent. Higher sales volumes combined with the greater capacity utilisation resulted in a rise of over 80 per cent in operating profit.

On a like-for-like basis, i.e. excluding the marine service business, the DEUTZ Power Systems segment recorded an increase of around 19 per cent in both new orders and sales, whilst operating profit rose by €3.1 million. New gas engine business was exceptionally good. As a result of strong demand from other European countries, sales rose by 88 per cent, as a result of which gas engines accounted for 77 per cent of all new engine business. Our focus on decentralised power generation has therefore set us in good stead for the future.

Following this promising start to 2006, we are looking to achieve very conservative sales growth of between 3 and 6 per cent for the year as a whole. This is based on an assumption of continuity in the general economic conditions and commodity prices remaining unchanged on the levels prevailing at the end of 2005. One very positive point that I would particularly like to emphasise is the very strong demand we are registering.

The growth in operating profit and EBIT margin is expected to continue in 2006. The largest contribution to earnings will once again come from the Compact Engines segment. We also anticipate further improvements in operating profit for 2006 in the DEUTZ Power Systems segment.

All in all, the prospects for 2006 are very bright, making DEUTZ undervalued at its current share price.

Ladies and Gentlemen,

In conclusion, allow me to look forward beyond the current year. I have already described to you our "7up" and DCS growth initiatives. Specifically, we intend to achieve the following objectives by the year 2008:

Operationally we intend to develop our market position in the less-than-4-litre engine capacity market segment. In the 4 to 7-litre range, we want to become one of the top 3 suppliers in the world. The ramp-up of our new assembly hall in Cologne-Porz will play a key part in achieving this objective. We want to use the DCS initiative to secure our position as the global market leader for air-cooled engines. In view of the tremendous customer response to our gas engines for decentralised power generation last year, we are confident of being able to achieve a leading international position in this market segment by the year 2008.

These operational objectives are reflected in ambitious targets for commercial performance indicators. Starting from a base of around 196,000 engines sold in 2005, our aim for the year 2008 is to achieve unit sales significantly in excess of 250,000 engines. Sales should rise correspondingly from €1.3 billion to €1.7 billion. We intend to raise the proportion of total sales accounted for by the service business to 25 per cent. Judging by the year-to-date performance in 2006, we are already rapidly on our way to reaching this target.

We also intend to achieve further improvements in operating profit. The 4.7 per cent EBIT margin achieved in 2005 should rise significantly. The planned EBIT margin for 2008 has been 7 per cent to date. As a result of the "7up" efficiency and growth initiative, we should be in a position to achieve this a full year earlier. In terms of ROCE, we are making steady progress towards our objective of raising the figure from 7.7 per cent in 2005 to 12.0 per cent in 2008.

We have set ourselves these clear objectives to achieve accelerated growth over the next two years. The main drivers of this growth will be the expansion of product innovation and the ongoing strengthening of our co-operation strategy backed up by the ongoing optimisation of our sites and implementation of the "7up" initiative. DEUTZ has already taken great strides on this path towards accelerated growth.

Ladies and Gentlemen,

DEUTZ is now a very exciting company. We manufacture state-of-the-art compact engines and power generation plants and our pioneering technology to meet the latest emissions standards has made us the preferred partner of prestigious customers such as Volvo, Renault, SAME DEUTZ-FAHR, AGCO, Atlas Copco and many other manufacturers as well as highly regarded suppliers including Bosch.

Our power generation plants provide a reliable and affordable supply of decentralised heat and electricity using renewable energy sources. We are set to become one of the leading players in this business.

Our primary focus in all our endeavours and plans is ultimately to raise the enterprise value of DEUTZ AG, in order to give you, our shareholders, an appropriate return on your investment. In addition to a rising share price that reflects the success of our company, we also continue to aim for a resumption of dividend payments for the 2007 financial year.

Thank you very much for your attention!

DEUTZ AG

ANNUAL GENERAL MEETING

Cologne, 22 June 2006

DEUTZ AG Annual General Meeting 2006

- 2005 in review
- Current developments and outlook
- Realisation of medium-term objectives

Our vision

The engine company.

We set standards and shape the future.

Highlights Compact Engines

- Strong growth in unit sales in North America (up 40 %)
- Higher unit sales of engines for construction equipment and materials handling equipment
- 4–7 litre engines up 10 %
- < 4 litre engines up 30 %
- Launch of new products (Stage 3, EURO 4)

Highlights DEUTZ Power Systems

- Faster strategy implementation: focus on decentralised power generation
- Gas engines accounted for 57 % of unit sales and 72 % of new engine sales
- Installed power output of 490 MW, thereof 35 % with renewable energy sources
- Levels of new orders, sales and operating profit more than compensated for loss of marine service business (sold with effect from 31 March 2005)
- Proportion of service remained high at 46 % despite disposal of marine service business

Key financials in 2005 (IFRS)

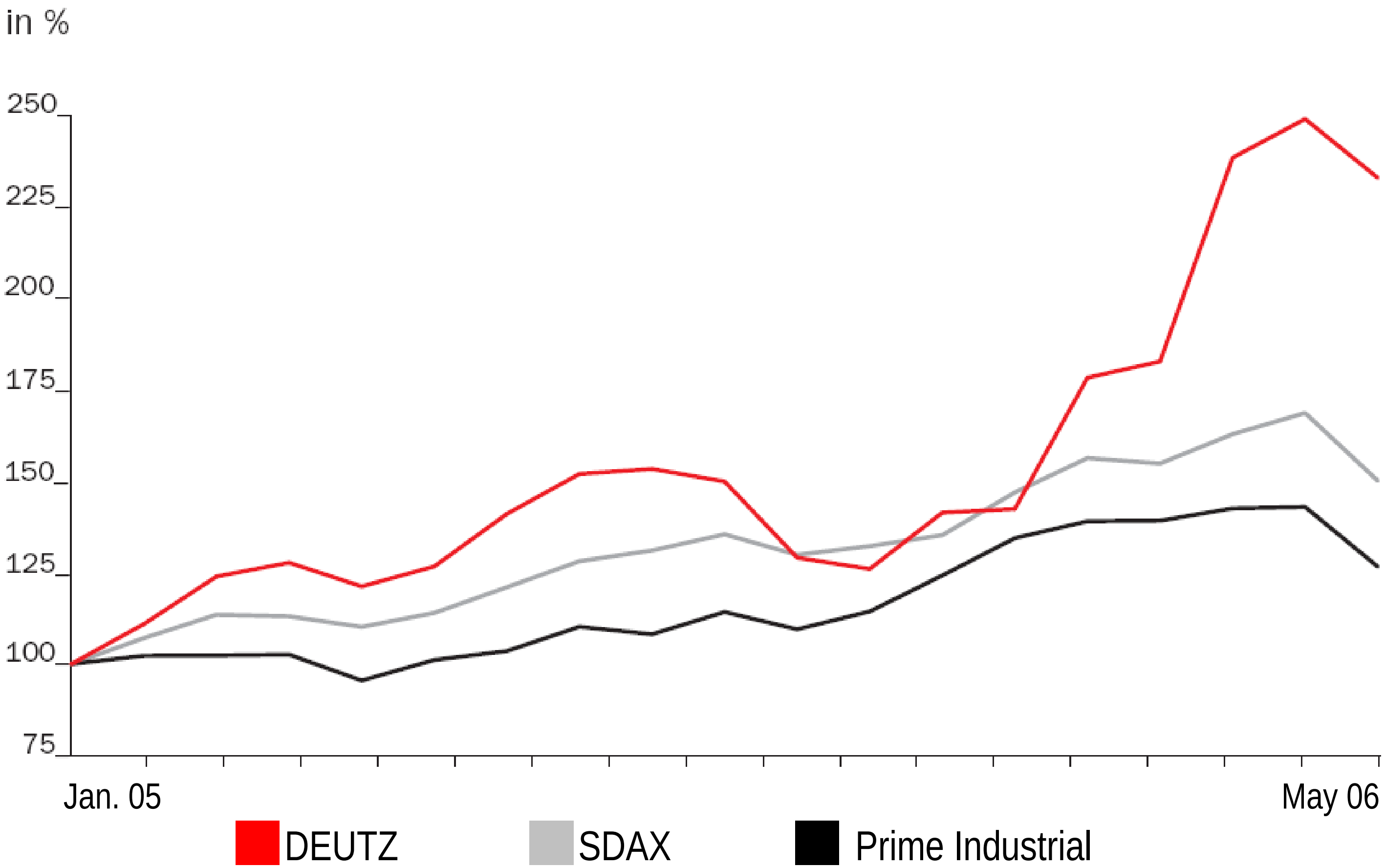
€ million	2005	2004	Delta (%)
New orders	1,350.5	1,265.1	6.8
Unit sales (units)	195,843	173,440	12.9
Sales	1,322.8	1,242.3	6.5
EBIT	114.7	18.5	-
Operating profit (EBIT before one-off items)	62.5	53.5	16.8
EBIT margin before one-off items (%)	4.7	4.3	-
Net income/loss	71.4	-18.7	-
Earnings per share, undiluted (€)	0.77	-0.21	-

DEUTZ®

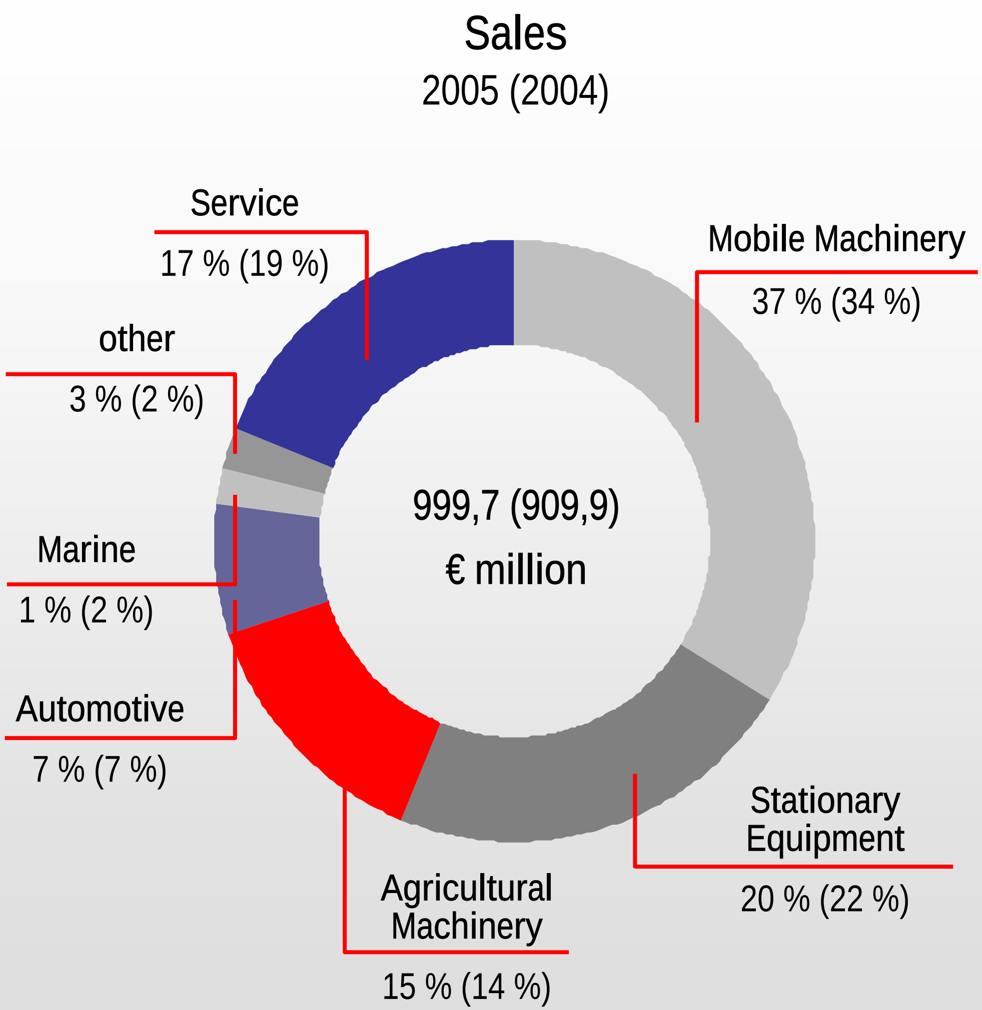
Key financials in 2005 (IFRS)

€ million	2005	2004	Delta (%)
ROCE (%)	7.7	6.3	-
Equity	247.0	158.7	55.6
Equity ratio (%)	22.3	15.4	-
Net financial debt	15.7	124.2	-87.4
Working capital as a percentage of sales	18.0	25.3	-

Performance of the DEUTZ share



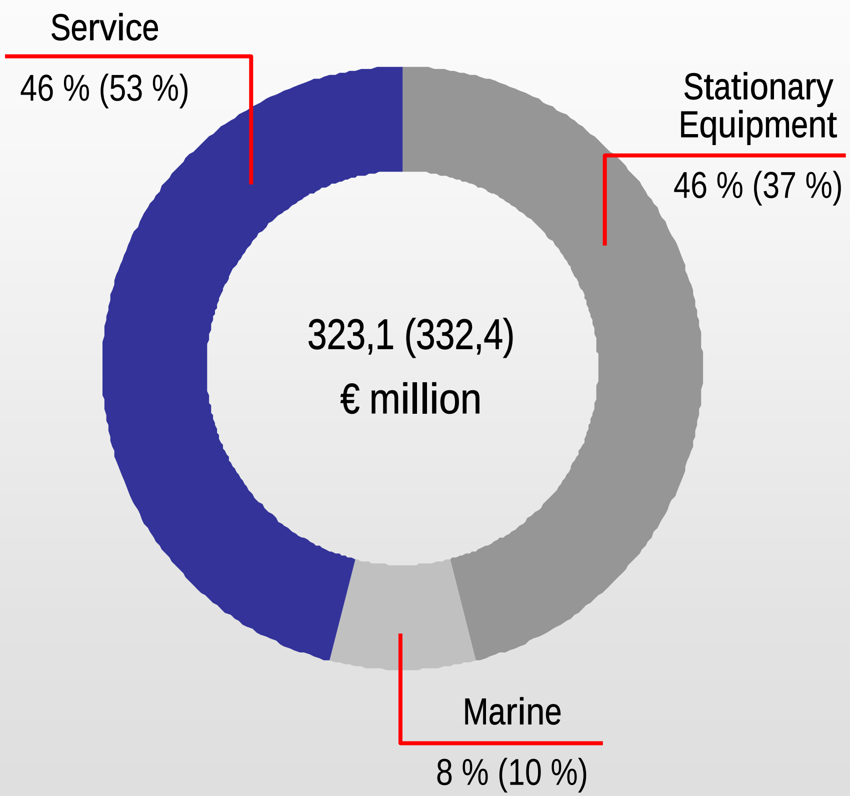
Compact engines 2005



€ million	2005	2004
New orders	1,025.4	917.6
Unit sales (units)	195,082	172,684
Sales	999.7	909.9
Operating profit (EBIT before one-off items)	56.4	54.2

DEUTZ Power Systems 2005

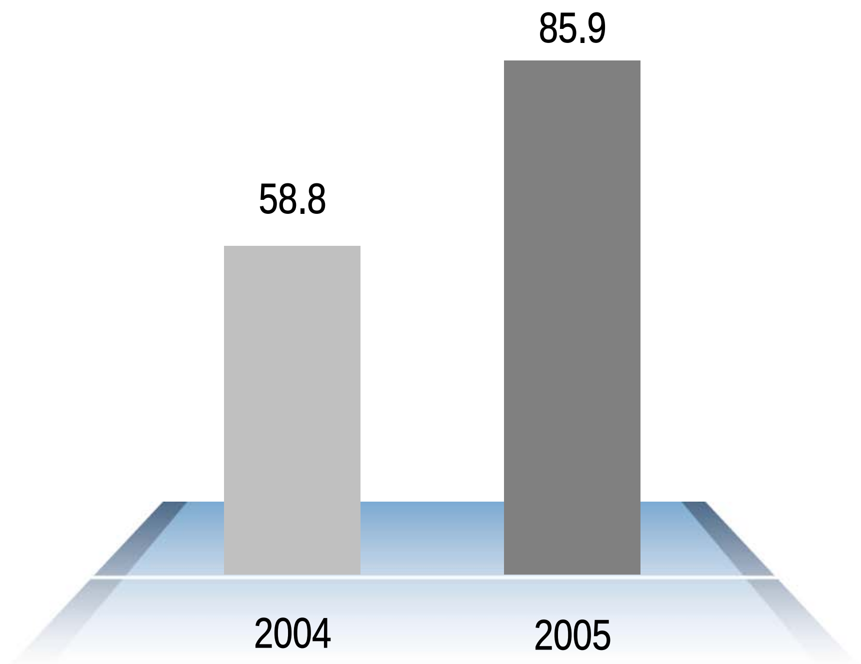
Sales
2005 (2004)



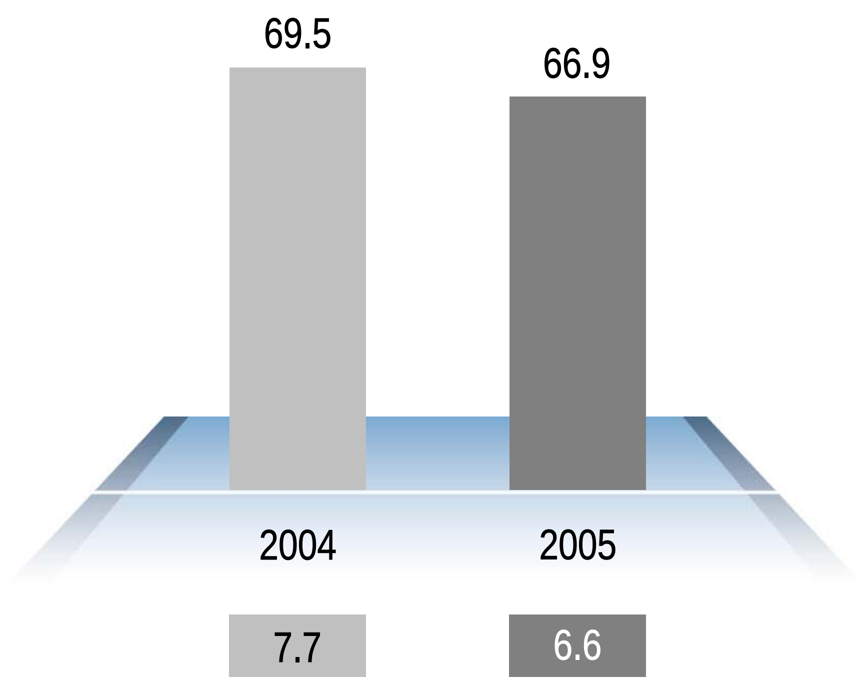
€ million	2005	2004
New orders	325.1	347.5
Unit sales (units)	761	756
Sales	323.1	332.4
Operating profit (EBIT before one-off items)	12.0	13.1

Capital expenditure and R&D spending underline the importance of innovation in our success

Capital expenditure (€ million)



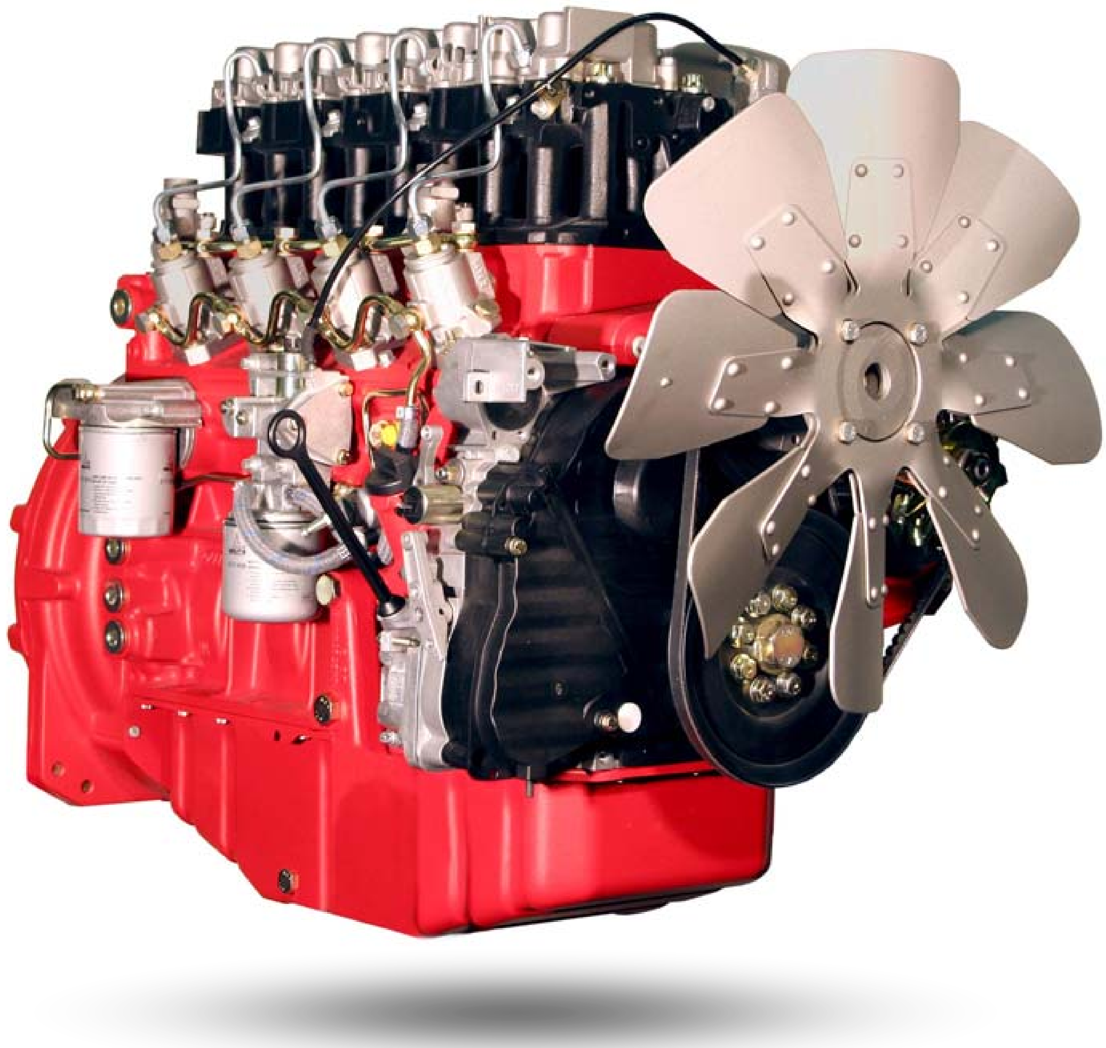
R & D (€ million)



R&D as a proportion of new engine sales

DEUTZ TIER-3 engines
2011 series

- 12 – 74.9 kW with 1,500 – 2,600 min^{-1}
- Meets TIER-3 requirements with its mechanical injection system
- Available as 2-, 3- or 4-cylinder induction engines or as a 4-cylinder engine with exhaust-gas turbocharging

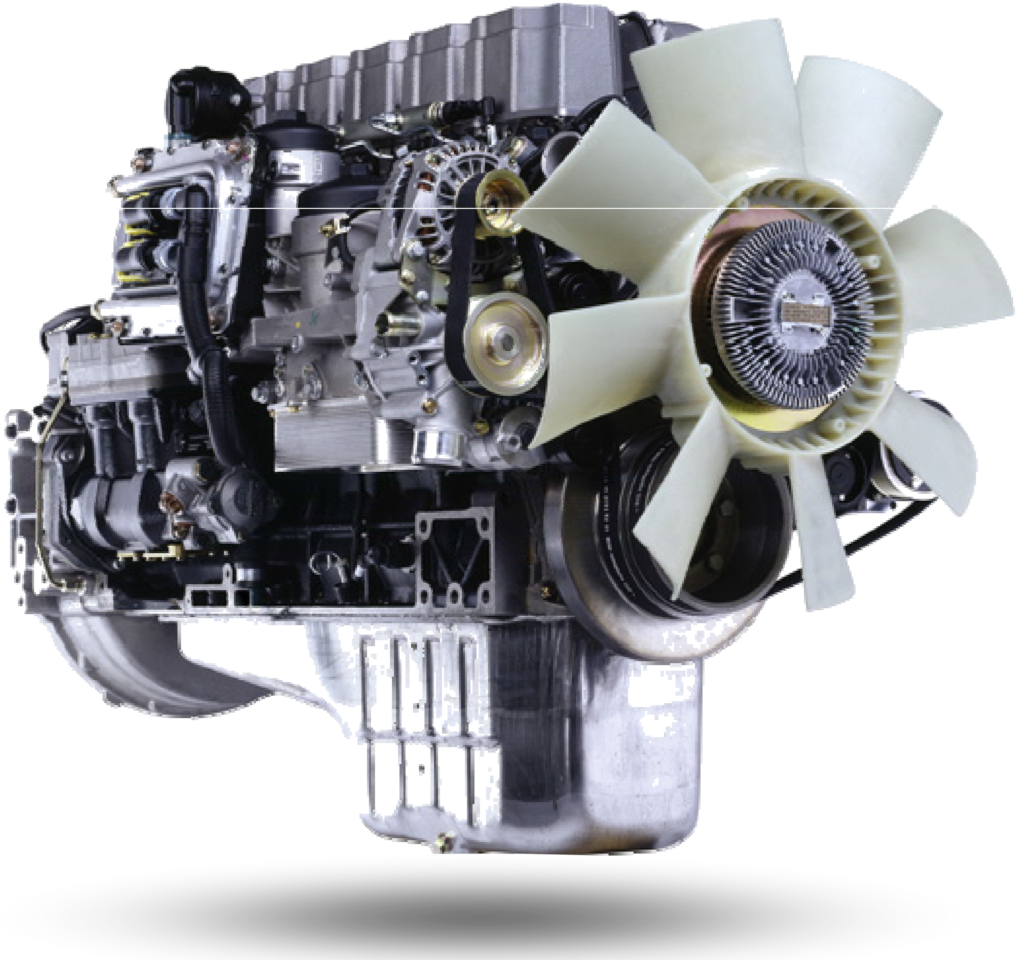


DCR® – the DEUTZ Common Rail injection system

- All the benefits of the Common Rail system
- Engine configuration unchanged
- Engine contour unchanged
- Fully compatible with mechanical variations for Stage 2

The new commercial vehicle engine: TCD 2013 L6 4V

- 6-cylinder in-line engine, 4 valves
- 235 kW with 2,300 min^{-1} – EURO 4
- EURO 5/6-compatible
- Can be adapted for truck and bus requirements



Production of commercial vehicles engines commenced on schedule

DEUTZ AG Annual General Meeting 2006

- 2005 in review
- Current developments and outlook
- Realisation of medium-term objectives

Mandatory formal offer from SAME DEUTZ-FAHR

- SAME DEUTZ-FAHR (SDF) converted profit-sharing rights and bonds into DEUTZ AG shares, taking it over the 30 per cent threshold set down in the German Securities Acquisition and Takeover Act (WpÜG)
- A mandatory offer was consequently submitted on 3 June at a share price of € 6.12 per Deutz share
- The Management Board and Supervisory Board of DEUTZ AG advise not to accept SDF's mandatory offer (statement of 9 June pursuant to WpÜG: www.deutz.com)
- The Management Board and Supervisory Board do not consider the offer price to be attractive
- The independence of DEUTZ is seen as an indispensable condition for the continued success of the company

Creation of authorised capital

- Creation of total capital facility of € 120 million
- Pre-emptive rights only excluded in exceptional circumstances
- Flexibility of action in the event of growth opportunities

Speed up profitability improvements by 2007: 7up

Efficiency and growth programme

- Define additional cost reduction programmes, implement efficiency-enhancing measures and accelerate growth:
  - further optimisation of internal processes
  - improvement of procurement structures
  - reduction of parts complexity
  - further utilisation of existing potential for cutting fixed operating and staff costs
  - optimisation of inhouse manufacturing
  - Build-up of DEUTZ Customized Solutions (DCS)
  - Service 25 %

Objectives

- Sharp improvement in EBIT beyond current targets
- EBIT margin of 7 % by 2007 instead of 2008

Build-up of DEUTZ Customized Solutions (DCS): Focus on profitable niches and end-products

Idea

Creation of business area with sales and earnings responsibilty

- all air-cooled engines
- water-cooled engines > 7-litre capacity (V engines)
- tailor-made solutions
- based on the model of DEUTZ Power Systems

Objective

- greater value added
- strengthen customer loyalty
- product differentiation
- strengthen/maintain market position
- reduce production cost per engine
- optimise capacity utilisation
- increase service

Achieved results

- air-cooled engines complying with stage 3 exhaust emission standards ready for series production
- Ulm becomes centre for air-cooled engines
- Additional 100 new jobs in Ulm
- Capex of € 6 million for the Ulm plant
- Securing of 130 existing jobs in Cologne (ramp up of new assembly hall)

Highlights Q1 2006

- DEUTZ outperforming the market with double-digit growth
  - New orders + 14 %
  - Unit sales + 15 %
  - Sales + 9 %
  - Operating profit + 53 %
- Positive net income of € 3.9 million
- Compact Engines: new orders + 24 %, significant improvement in operating profit
- DEUTZ Power Systems: significant earnings growth on like-for-like basis, gas engines accounting for 77 % of new engine sales

Outlook for 2006

€ million	2005	2006
Sales	1,322.8	+3 – 6 %
Operating Profit (EBIT before one-off items)	62.5	↗
thereof DEUTZ Power Systems	12.0	↗
EBIT margin before one-off items (%)	4.7	↗
ROCE (%)	7.7	↗
R&D	66.9	→
Capital expenditure (excl. capitalisation of R&D)	67.6	↗

DEUTZ AG Annual General Meeting 2006

- 2005 in review
- Current developments and outlook
- Realisation of medium-term objectives

Medium-term objectives

- Strengthening of market position < 4-litre engine capacity
- Top 3 supplier worldwide in the 4 to 7-litre engine capacity range
- Securing global market leadership for air-cooled engines
- Global market leadership in gas engines for power generation

Medium-term objectives

- Service accounting for 25 per cent of total sales
- Achieving a typical EBIT margin for the industry
- 12 per cent return on capital employed (ROCE)

On track for accelerated: DEUTZ 2001-2008

2001-2003
Relaunch / 5 Points

- Focussing of the model range
- Concentration of production
- Leaner structures
- Quality offensive
- Promotion of co-operations

2004
Restructuring

- Strategic refocus of medium-sized and large engines on power generation using gas engines
- Start of optimisation and expansion of production capacities
- Strengthen existing co-operations

2005
Focus

- Preparation of innovation offensive
- Turnaround and platform for faster growth

2006-2008
Acceleration

- Optimisation of sites
- Growth
- Further strengthening of co-operation strategy
- Expansion of product innovation
- 7up

DEUTZ®

The engine company.