


We move your world



▲ Agenda

- 
- The background of the slide is a photograph of three white flags with the DEUTZ logo waving against a blue sky with scattered white clouds. The flags are attached to poles and are slightly out of focus, creating a sense of movement.
1. DEUTZ at a glance
 2. DEUTZ Re-Launch / 5-Point Programme
 3. Success in figures
 4. Strategic targets

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- The background of the slide is a photograph of three white flags with the DEUTZ logo (a red stylized mountain peak above the word "DEUTZ") flying against a blue sky with white clouds. The flags are on poles and are slightly out of focus, creating a sense of depth.
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Pioneering Engine Technology

2002

The new 20-Cylinder Gas Engine with Best-in-Class-Efficiency of 44 %



2001

137 years Deutz engines



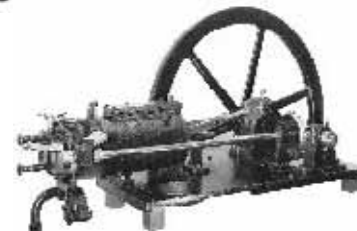
1907

Ettore Bugatti, Director of automobile production



1898

First DEUTZ Diesel engine



1876

The first four cycle engine

1864

N. A. Otto and E. Langen establish the world's first engine factory



1872

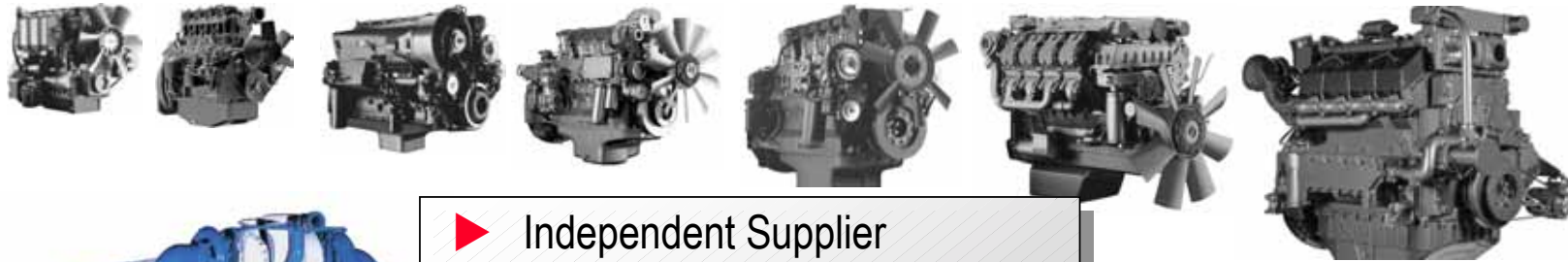
Gottlieb Daimler, engineering director



Wilhelm Maybach, head of design office



▲ Full-Line Engine Specialist



- ▶ Independent Supplier
- ▶ Comprehensive Diesel engine range from 5 to 5,000 HP
- ▶ Comprehensive Gas engine range from 250 to 5,500 HP
- ▶ Tailored solutions
- ▶ Highly specialised competence
 - Global reach
 - Forward R & D
 - Low cost production



Market Segments



Energy



Power Generation



DEUTZ Engines



Infrastructure



Construction machinery



DEUTZ Engines



Food



Agricultural vehicles



DEUTZ Engines

Market Segments



Passenger Traffic



Ground Support Equipment



DEUTZ Engines



Pleasure



Ships



DEUTZ Engines



Transportation

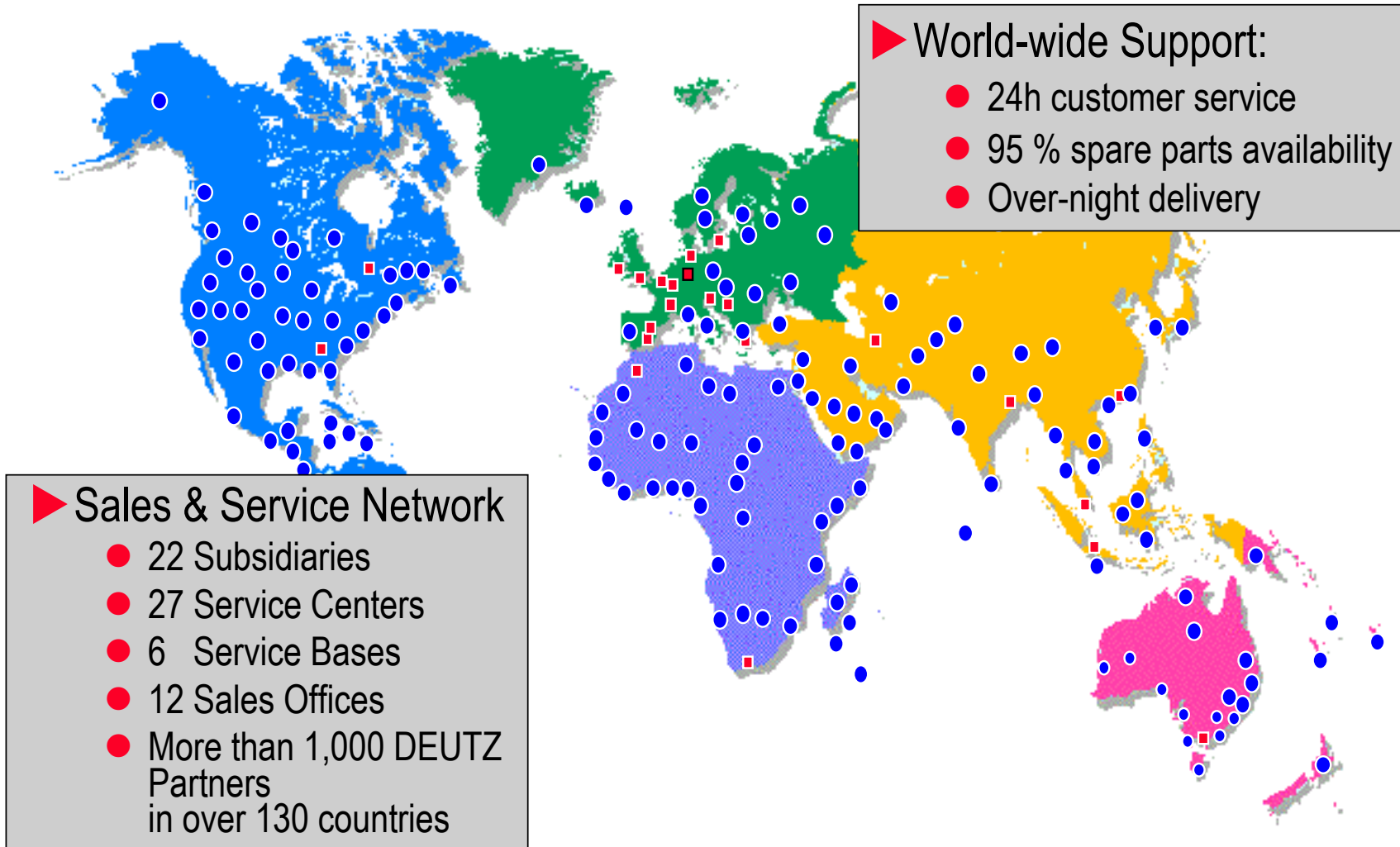


Commercial vehicles



DEUTZ Engines

▲ Global Reach



▲ Sales 2001 by Regions

▶ Strong market position

- Germany
- Western Europe
- North America
- Near-/Middle-East, Africa

▶ Good growth potential

- Asia, Australia
- China
- Eastern Europe

Europe
34%

Germany
24%

America
19%

Asia / Australia
17%

Others
6%

Major Customers



TATRA

STEYR

Renault

JLG

ABB



中國第一汽車集團公司

OTSI

Agriculture

Atlas Copco

ALSTOM

BOMAG

A UNITED DOMINION COMPANY

Stewart & Stevenson

HAMM

VÖGELE

Bobcat

HALLA

LINCOLN

SDMO

MILLER

 **INGERSOLL-RAND.**

EDL

Gehl

 **Wirtgen**

Vermeer

Atlas Weyhausen

FENDT

IPWH

LIEBHERR

Schaeff


Kalmar

VOLVO

CompAir Zettelmeyer Ditch Witch

DLT

Linde

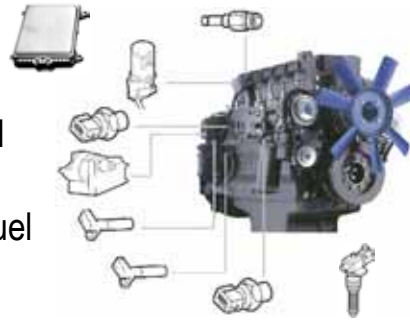
DEUTZ FAHR



▲ Forward R & D

Diesel engine technology

- ▶ DEUTZ EMR®, electronic speed governing system
- ▶ DEUTZ MVS®, high pressure fuel injection system.



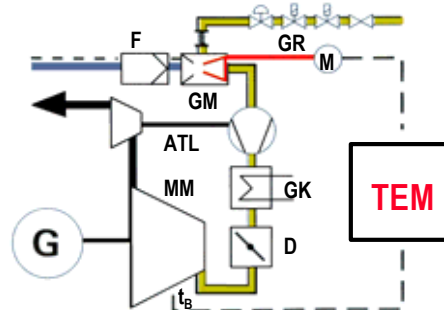
DEUTZ Common Rail

- ▶ Patented twin pump common rail system



Gas engine technology

- ▶ DEUTZ TEM® system
 - Combustion control
 - Cylinder selective ignition control
 - Monitoring
 - Specialised for renewable gases



Patents

- ▶ More than 600 German, European and worldwide technical patents.

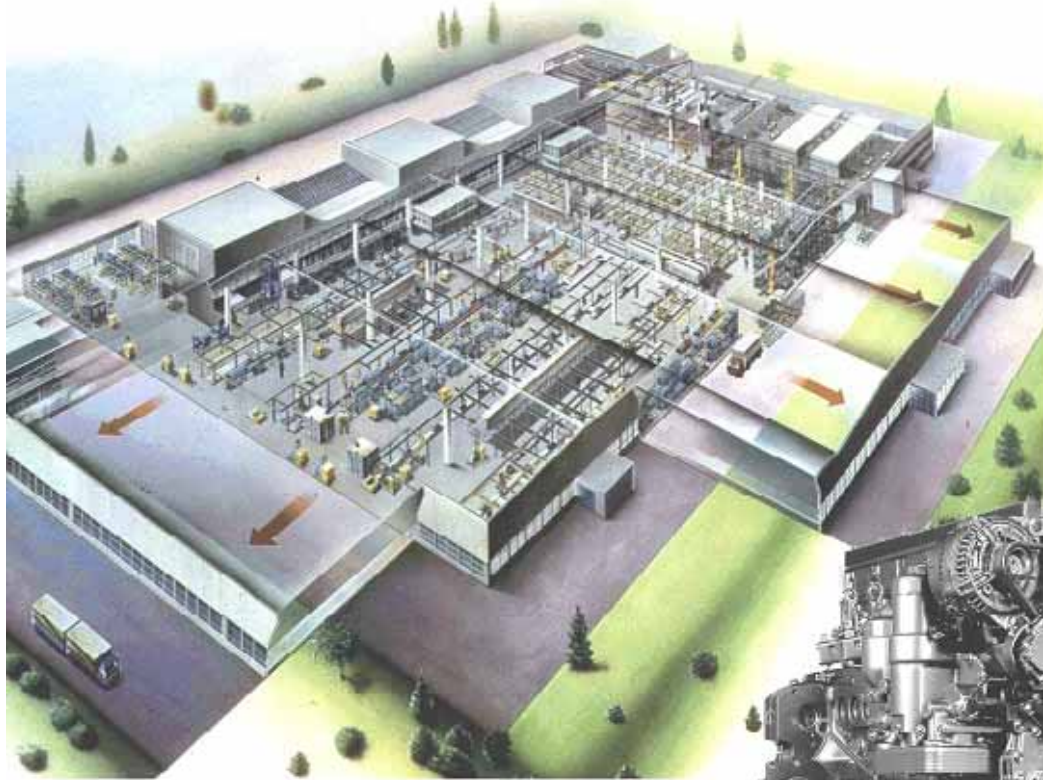


Emission / Noise Reductions

- ▶ Truck engines that fulfil EURO 4/5 regulations
- ▶ the new engine governing concepts VTG and AGR
- ▶ Noise reduction technology



▲ Low Cost Production



► Production Plants

- Germany: Cologne, Mannheim, Ulm
- Spain: Zafra
- Argentina: Buenos Aires (JV)
- China: Weifang (JV)
- Turkey: Istanbul (JV)



► “Cologne-Porz: The most modern engine production of the world! ”

- 150,000 engines with 500 people

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▲ Re-Launch: 5-Point Programme



▶ Why Re-Launch?

- 10 years of poor performance
- Unfocused, highly diversified business structure

▶ TURN AROUND PROGRAMME!

Focusing of the model range

Concentration of production

Leaner structures

DEUTZ Re-Launch

Quality offensive

Promotion of co-operations

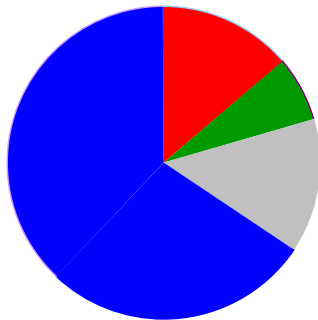
▲ Re-Launch: Profit effect targets in € millions

- Focusing of the model range
- Shared-parts programme
- Quality offensive
- Personnel / fixed costs re
- Reduction of variants

▶ **Actual Sep 2002:**
32,6 € millions

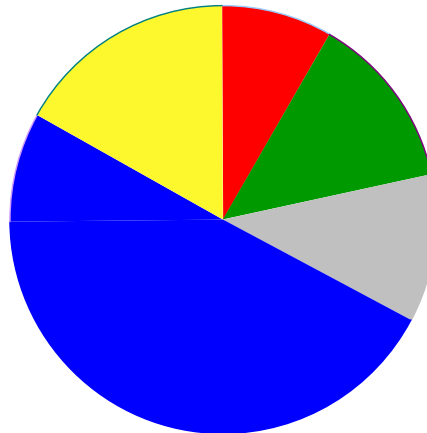
▶ **Actual 2001:**
19,7 € millions

Σ 14



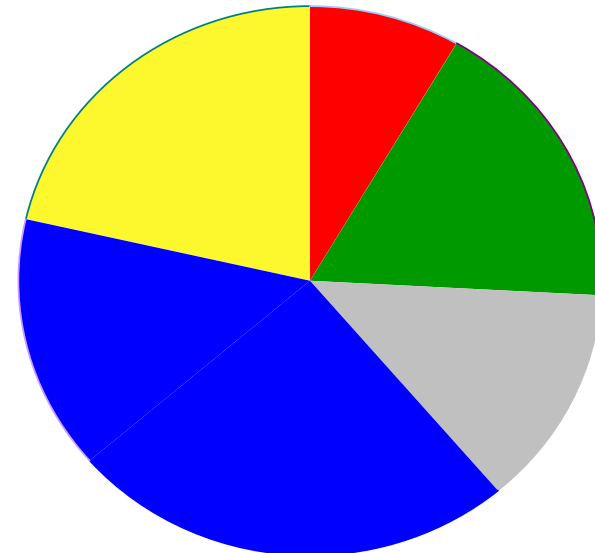
2001

Σ 35



2002

Σ 60



2003

▲ Re-Launch Successes

1 Focusing of the model range:

- Unprofitable engine ranges eliminated ☑ 2001
- Slow-selling variants / complexity reduced ☑ 2001
- Reform of R & D (focussed on strategic goals) ☑ 2001
- New mid-term and long-term product strategy defined ☑ 2002

2 Concentration of production:

- Productivity improvement of 9.5 % ☑ 2001
- Exit out of foundry business (decision taken / process started) ☑ 2001
- Closing of foundry as of 10/02 (ahead of plan)
Profit effect: 8 Mio. € p.a. (from 2003 on), Reduction of staff by 200 people ☑ 2002
- New mid-term and long-term production strategy defined ☑ 2002
- Global sourcing, lead supplier concept, re-negotiation of frame contracts
Effects: 15 Mio. € in 2003, 30 Mio. € in 2004/05,
Reduction of supplier base by 1/3rd (ongoing)
- Streamlining of logistic process: reduction of possible movements >50% (ongoing)

▲ Re-Launch Successes

3 Leaner structures:

- Non-core activities sold off (industrial plant and agriculture business) ☑ 2001
- Overhead reduced by 300 employees ☑ 2001
- Overhead reduced by 700 employees ☑ 2002
- Business Units established, renewed top management ☑ 2002
- Consolidated/related companies reduced by 1/3rd ☑ 2002
- Simplified sales and service network ☑ 2002
- Total assets: -150 Mio. € (12/00 to 12/02, comparable base) ☑ 2002
 - ▶ Tangible assets: - 60 Mio. € ☑ 2002
 - ▶ Inventories: - 43 Mio. € ☑ 2002
 - ▶ Receivables: -20 Mio. € (FC 12/02 compared to 12/00) ☑ 2002
- Introduction of consignment stocks (ongoing)
- Closing / Reduction of foreign stocks (ongoing)
- Duration Receivables / Liabilities (ongoing)

▲ Re-Launch Successes

- ④ Quality offensive:
 - Focus on revolving top 10 issues ☑ 2001
 - Stringent following of PDP (Product development Process) ☑ 2001
 - Quality cost reduced by more than 20% ☑ 2002

- ⑤ Promotion of co-operations:
 - Marketing / production co-operation agreement with UZEL signed ☑ 2001
 - Technology transfer agreement with FAW signed ☑ 2002

- + Reduced risks:
 - Humboldt-Wedag (Saudi Contracts) most items finished ☑ 2002
 - Major legacy risks on engine business settled ☑ 2002

- + Reduction of break even point! ☑ 2002

- = **Preconditions for profitable future fulfilled!**

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▲ P & L DEUTZ Group per Sep. 2002

| | 1-9/2002 | 1-9/2001 | Change |
|-------------|-----------|-----------|-----------|
| | € million | € million | € million |
| Sales | 845.2 | 873.6 | -28.4 |
| EBITDA | 77.4 | 63.9 | 13.5 |
| EBIT | 30.7 | 14.7 | 16.0 |
| Profit/Loss | 2.1 | -19.7 | 21.8 |

▲ Balance Sheet DEUTZ Group Sep. 30st, 2002

| | Sep 30 st , 2002 | Sep 30 st , 2001 | Change |
|---|-----------------------------|-----------------------------|-------------|
| | € million | € million | € million |
| Business expansion expenses | 19.3 | 14.6 | 4.7 |
| Fixed assets | 486.1 | 509.2 | -23.1 |
| Current assets | 588.5 | 578.5 | 10.0 |
| Thereof Inventories (net) | 294.0 | 308.4 | -14.4 |
| Thereof Trade receivables | 199.7 | 184.8 | 14.9 |
| Total assets | 1,093.9 | 1,102.3 | -8.4 |
| Stockholder's equity | 95.1 | 105.3 | -10.2 |
| Convertible profit-participation certificates | 25.6 | 25.6 | 0.0 |
| Provisions | 478.6 | 451.7 | 26.9 |
| Thereof Provisions for Pensions | 299.5 | 303.3 | -3.8 |
| Accounts payable | 494.6 | 519.7 | -25.1 |
| Thereof Amounts owed to banks | 337.9 | 364.2 | -26.3 |
| Total liabilities | 1,093.9 | 1,102.3 | -8.4 |

Cash Flow Statement per Sep. 2002

| | 1-9/2002 € million | 1-9/2001 € million |
|--|-----------------------|-----------------------|
| Profit/Loss of the period | 2.1 | -19.7 |
| Cash flow | 48.0 | 28.4 |
| Cash flow from normal operating activities | 24.4 | 20.1 |
| Cash flow from investing activities | -12.6 | -165.2 |
| Thereof out of re-integration off balance | | -135.4 |
| Cash flow from financial activities | -33.8 | 149.0 |
| Thereof out of re-integration off balance | | 96.3 |
| Change in liquid funds | -22.0 | 3.9 |

EBIT Improvement

| <u>EBIT</u> | Actual € Million | Recent € Million | Change € Million |
|------------------------------|---------------------|---------------------|---------------------|
| Full year 2001 / 2000 | 27.9 | 15.6 | 12.3 |
| First quarter 2002 / 2001 | 7.4 | 0,5 | 6.9 |
| First half year 2002 / 2001 | 22.5 | 16.5 | 6.0 |
| First nine month 2002 / 2001 | 30.7 | 14.7 | 16.0 |
| FC 2002 / 2001 | 42.0 | 27.9 | 14.1 |
| Change 2002 to 2000 | | | 26.4 |

▲ Improvement on Result of Ordinary Activities

| <u>Result on ordinary activities</u> | Actual € Million | Recent € Million | Change € Million |
|--------------------------------------|---------------------|---------------------|---------------------|
| Full year 2001 / 2000 | -13.7 | -25.4 | 11.7 |
| First quarter 2002 / 2001 | -1.5 | -11.2 | 9.7 |
| First half year 2002 / 2001 | 3.8 | -6.9 | 10.7 |
| First nine month 2002 / 2001 | 3.1 | -21.0 | 24.1 |
| Forecast 2002 / 2001 | 4.4 | -13.7 | 18.1 |
| Change 2002 to 2000 | | | 29.8 |

▲ Cash flow & Net financial debt

| | Cash flow before financing € Million | Net financial debt € Million |
|---|---|---------------------------------|
| September 30 st , 2002 | 11.8 | 327.9 |
| September 30 st , 2001 | -9.7 | 369.7 |
| September 30 st , 2000 | -68.5 | 336.1 |
| Forecast December 31 st , 2002 | 21.6 | 318.1 |

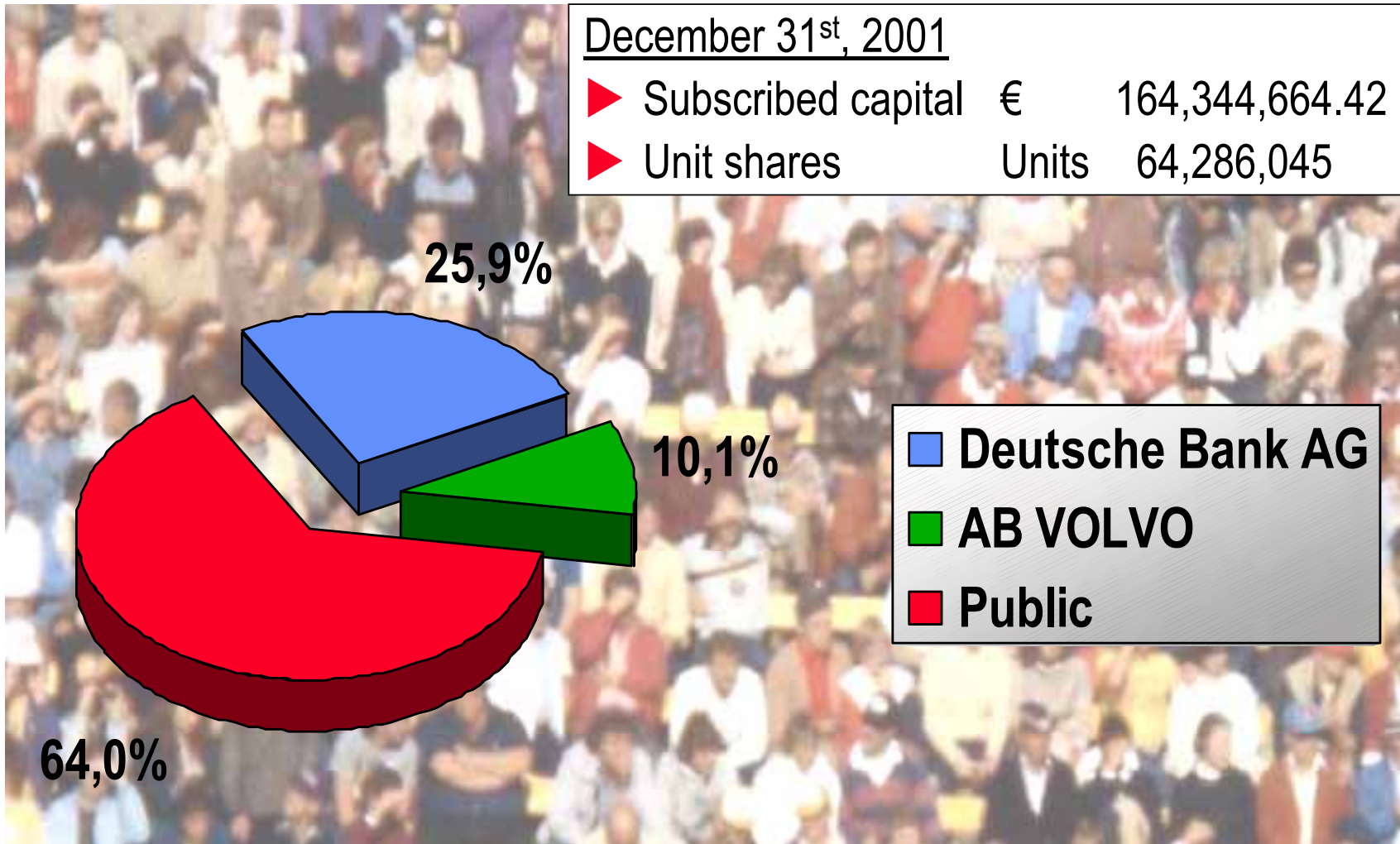
▲ Key Figures 2001 / 2002

| | Actual 2001 | Forecast 2002 |
|---|-------------|---------------|
| Number of employees (Dec. 31 st) | 5,979 | 5,546 |
| Unit sales | 146,645 | 152,989 |
| Thereof small engines | 145,538 | 152,199 |
| Thereof medium and large engines | 1,107 | 799 |
| | € Million | € Million |
| Sales | 1,184.9 | 1,158.1 |
| New orders | 1,133.9 | 1,166.9 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 89.1 | 100.1 |
| Operating profit (EBIT) | 27.9 | 41.9 |
| Interest expense, net | -41.6 | -37.5 |
| Profit/loss on ordinary activities | -13.7 | 4.4 |
| Profit/ loss | -31.8 | 1.9 |

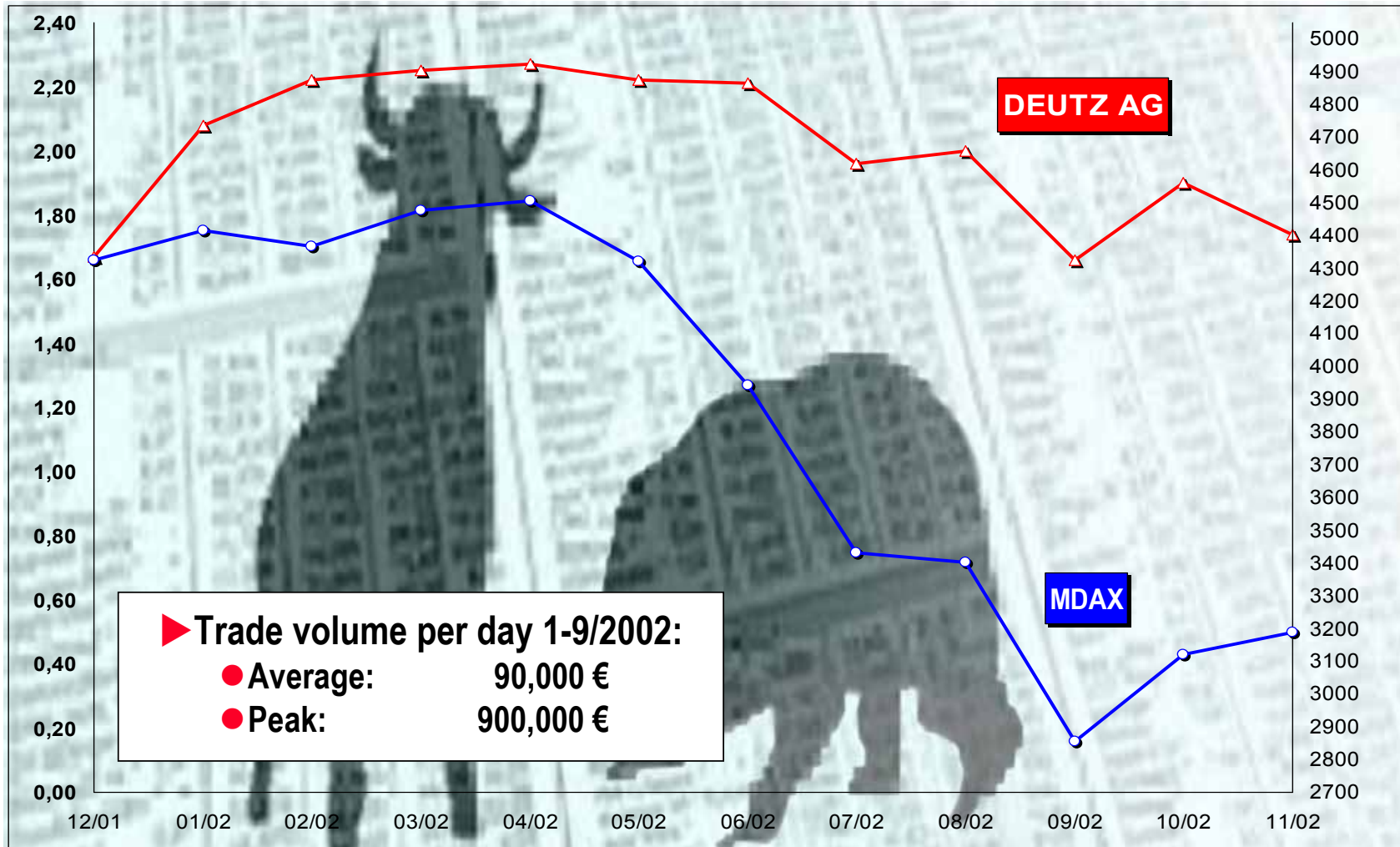
▲ Shareholder Structure

December 31st, 2001

| | | |
|----------------------|-------|----------------|
| ▶ Subscribed capital | € | 164,344,664.42 |
| ▶ Unit shares | Units | 64,286,045 |



Share Price Development 12/2001 – 11/2002



▲ Agenda

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Starting Point

► „DEUTZ has a relatively strong strategic position...“

Source: J.P. Morgan

| Market presence ○ = weak ◐ = medium ● = strong | Trucks | | | Agri-culture | Con-struction/ Mining | Industry | | Generator | | | Marine | | |
|---|--------|------|-------|--------------|--------------------------|----------|-------------|------------|-----------|------------|------------|-----------|---------------|
| | light | med. | heavy | | | Mobil | Statio-nary | Small Eng. | med. Eng. | large Eng. | Small Eng. | Med. Eng. | 2-Stroke Eng. |
| DEUTZ | | ○ | ◐ | ● | ● | ● | ● | ● | ◐ | | ○ | ◐ | |
| Caterpillar | ◐ | ● | ● | ● | ● | ● | ● | ○ | ● | ● | ● | ● | ○ |
| Cummins | ● | ● | ● | ○ | ● | ○ | ● | | ● | ○ | | ● | |
| DCX/MTU/DDC | ● | ● | ● | ○ | ○ | | | ● | ● | ○ | | ● | |
| Deere | | | | ● | ● | | ○ | ○ | ● | | | | |
| MAN | | ● | ● | ○ | ○ | ○ | ◐ | | ○ | ● | | ● | ● |
| Wärtsilä | | | | | | | ○ | ○ | ● | ● | ○ | ● | ● |
| Navistar | ◐ | ● | ● | ○ | ○ | | | | | | ○ | | |
| Volvo | | ○ | ● | | ◐ | | ○ | ○ | ○ | | ● | ● | |

▲ Strategic Targets

▶ Focus 2006

Small, Liquid Cooled Engines

150.000 Units

- ▶ Growth with VOLVO-Co-operation
- ▶ Push global sourcing (VOLVO/RVI)
- ▶ Concentration of Production and Assembly
- ▶ Introduce new FIE DEUTZ CR
- ▶ Enlarge DEUTZ competence „Solution Provider“

Small, Air Cooled Engines

50.000 Units

- ▶ Stand-alone strategy
- ▶ Sales focus Eastern Europe, China and USA
- ▶ Further development 914 ⇔ 915 (Step III)
- ▶ Concentration of Production and Assembly

Medium- and Large Engines

2.000 Units

- ▶ Find appropriate Co-op-Partner
- ▶ Consequent implementation of plant restructuring programme
- ▶ Develop 616 / 620 Common-Rail
- ▶ Push global sourcing
- ▶ Further quality improvements
- ▶ Sales focus ENERGY/OEM

SERVICE

- ▶ Central Warehousing: Europe (Cologne), NAFTA (Atlanta), China(Peking), Asia / Pacific(Singapore), Middle East / Africa(Istanbul) – 50% Reduction of Inventory
- ▶ Increase sales efforts on OEMs and end customers „Pull-Through“
- ▶ Develop eBusiness-activities
- ▶ Extend product offering: Xchange programme all DEUTZ engines, O&M contracts, Remote Diagnostics

▲ Market Strategy

| Segment | Main Competitors | Position Today | <u>Target</u> Position |
|----------------------|---|---|--|
| Mobile Equipment | ▶ Kubota, Yanmar, Perkins, John Deere, Cummins, Caterpillar | ▶ No. 1 @ 30–60 kW ▶ No. 3 > 60 kW | ▶ No. 1 in the non-captive Market |
| Stationary Equipment | ▶ Perkins, Cummins, Caterpillar, MTU/DDC, Jenbacher, Waukesha | ▶ No. 1 in Germany ▶ No. 2 in Western Europe and Middle East, Africa | ▶ No. 1 in Germany, Western Europe and Middle East, Africa ▶ Getting into the American market |
| Agriculture | ▶ Perkins, VM, Valmet, John Deere | ▶ No. 2 @ 60-200kW ▶ Unique Selling Point: <u>air-cooled engines</u> | ▶ No. 2 @ 60-270kW ▶ Expansion below 60kW |
| Marine | ▶ Yanmar, Caterpillar, MTU, MAN | ▶ Specialist for Navy, Mega Yachts, Tugs and Fishery Boats ▶ Niche supplier for other applications | ▶ Re-entering of the sub-segments Fast Ferries and High Speed Yachts |

▲ Product Strategy

| | |
|-------------|--|
| Targets | <ul style="list-style-type: none"> ▶ Meet emission requirements ▶ Meet moving market requirements ▶ Create full line product range ▶ Reduce costs with platform concepts |
| Major Steps | <ul style="list-style-type: none"> ▶ Introduction TIER/STAGE II 2001 - 2006 ▶ Fully electronically controlled engines for TIER/STAGE III 2006-2010 ▶ Continuous power & efficiency improvements of m & l engines ▶ Reduction of basic types by more than 50 % until 2010 |

▶ Highlights



- ▶ The new air-cooled TIER/STAGE II Engines



- ▶ The new patented DEUTZ Common-Rail-System



- ▶ The new 20-Cylinder Gas Engine with Best-in-Class Efficiency of 44 %



- ▶ The new air-cooled Power Packs

▲ DEUTZ is an excellent Investment

- 
- A large, white flag with the DEUTZ logo and name in red and blue, waving against a blue sky with white clouds. The flag is attached to a pole and is the central visual element of the slide background.
- ▶ Outstanding Brand Name
 - Global, high recognition, stands for quality
 - ▶ Leading Edge Technology
 - DEUTZ Common Rail, low noise, extremely efficient
 - Leader in applying renewable energy sources (Gas)
 - Air cooled engines
 - ▶ Market Leader
 - Global reach, JV's in emerging markets
 - Key segments: Construction, Automotive, Power Generation
 - ▶ DEUTZ Re-Launch: 5-Point Programme
 - 80 % EBIT improvement in first year
 - Positive Result achieved already in April 2002
 - Break even in 2002
 - ▶ DEUTZ is well positioned to capitalise on positive world economic outlook and growth

We move your world

