

DEUTZ reports positive results for 2002

VM/Di

28.03.03

1

2002 Annual Accounts – Press Conference, 31st March 2003

DEUTZ reports positive results for 2002



1. Main key figures now show positive trends
2. Re-Launch programme successful again in second year
3. Sales in units increased, sales in value basically stable
4. Company returns a profit
5. Cash flow substantially improved
6. Debt systematically reduced
7. Balance sheet total reduced through strict Asset Management
8. Numbers employed further reduced
9. DEUTZ in Prime Standard • DEUTZ shares in SDAX
10. Prospects for 2003: further profit improvement.

▲ Main key figures now show positive trends



| Key figures for DEUTZ Group at a glance | | 2002 | 2001 | Change |
|--|-----------|---------|---------|--------|
| New orders | € million | 1,138.8 | 1,133.9 | 4.9 |
| Sales | units | 154,032 | 146,645 | 7,387 |
| Sales | € million | 1,160.9 | 1,184.9 | -24.0 |
| Earnings before interest, tax, depreciation, and amortisation (EBITDA) | € million | 103.0 | 89.1 | 13.9 |
| Operating profit (EBIT) | € million | 41.0 | 27.9 | 13.1 |
| Interest expense, net | € million | -36.6 | -41.6 | 5.0 |
| Profit / loss on ordinary activities | € million | 4.4 | -13.7 | 18.1 |
| Profit / loss for the year | € million | 2.0 | -31.8 | 33.8 |
| Employees (as of 31 st December) | | 5.470 | 5.979 | -509 |

Re-Launch programme successful again in second year



1 Focussing of the model range

- ▶ Foundry closed ahead of schedule
 - Profit impact: €8 million p.a. from 2003 on
 - Numbers employed reduced by about 210.

2 Concentration of production

- ▶ Global Sourcing and Lead Supplier strategies introduced
 - Impacts: €15 million in 2003, €30 € million in 2004/5

3 Leaner structures

- ▶ "Overhead" area reduced by a further 300 employees
 - More than 600 "overhead" jobs eliminated since 2000

4 Quality offensive

- ▶ Strict Asset Management
 - Assets Dec. 2000 vs. Dec. 2002 (comparable basis): -€172 million

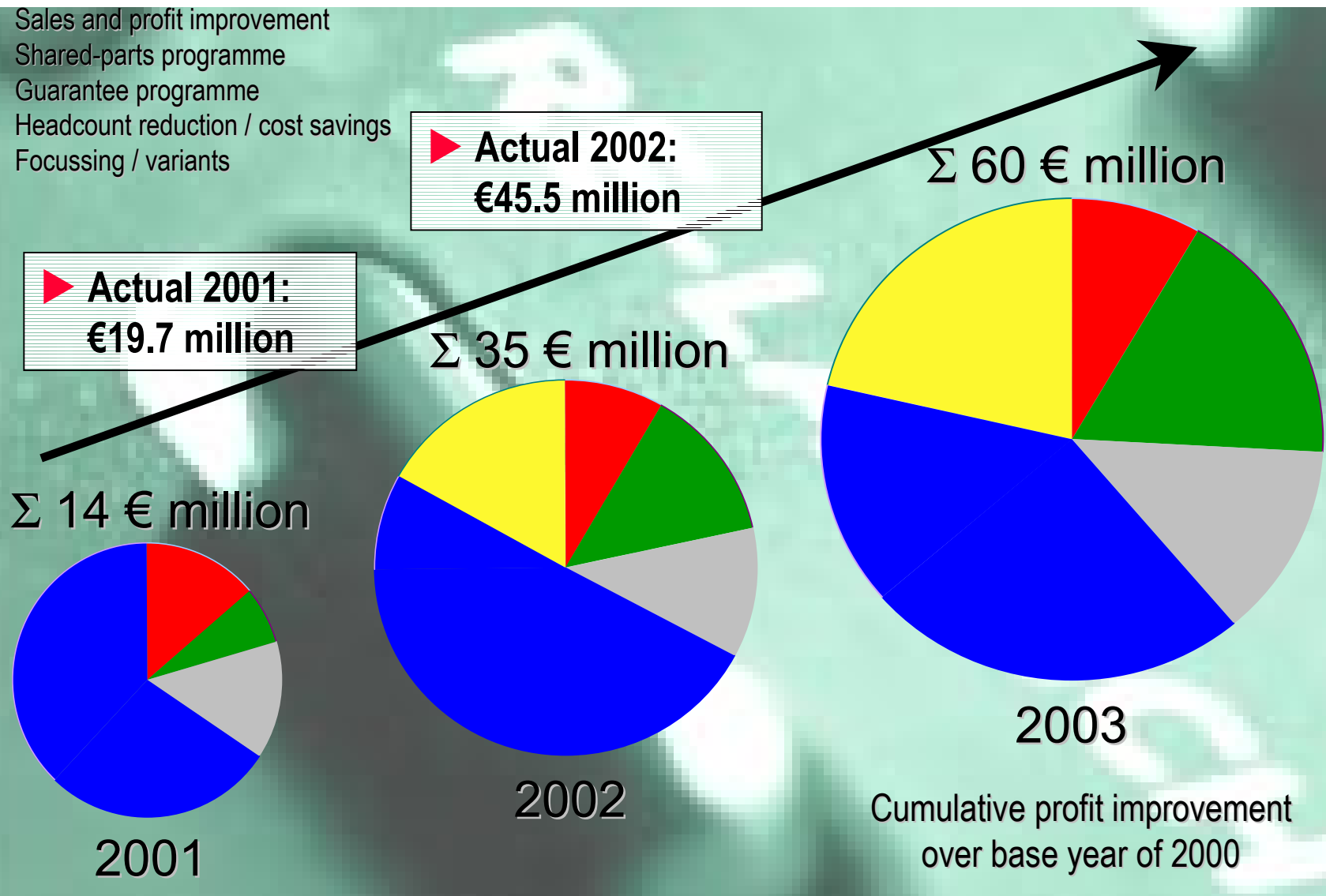
5 Promotion of co-operations

- ▶ Quality costs reduced by more than 20 percent
- ▶ New co-operation agreements with Norinco and FAW

Re-Launch programme successful again in second year



- Sales and profit improvement
- Shared-parts programme
- Guarantee programme
- Headcount reduction / cost savings
- Focussing / variants

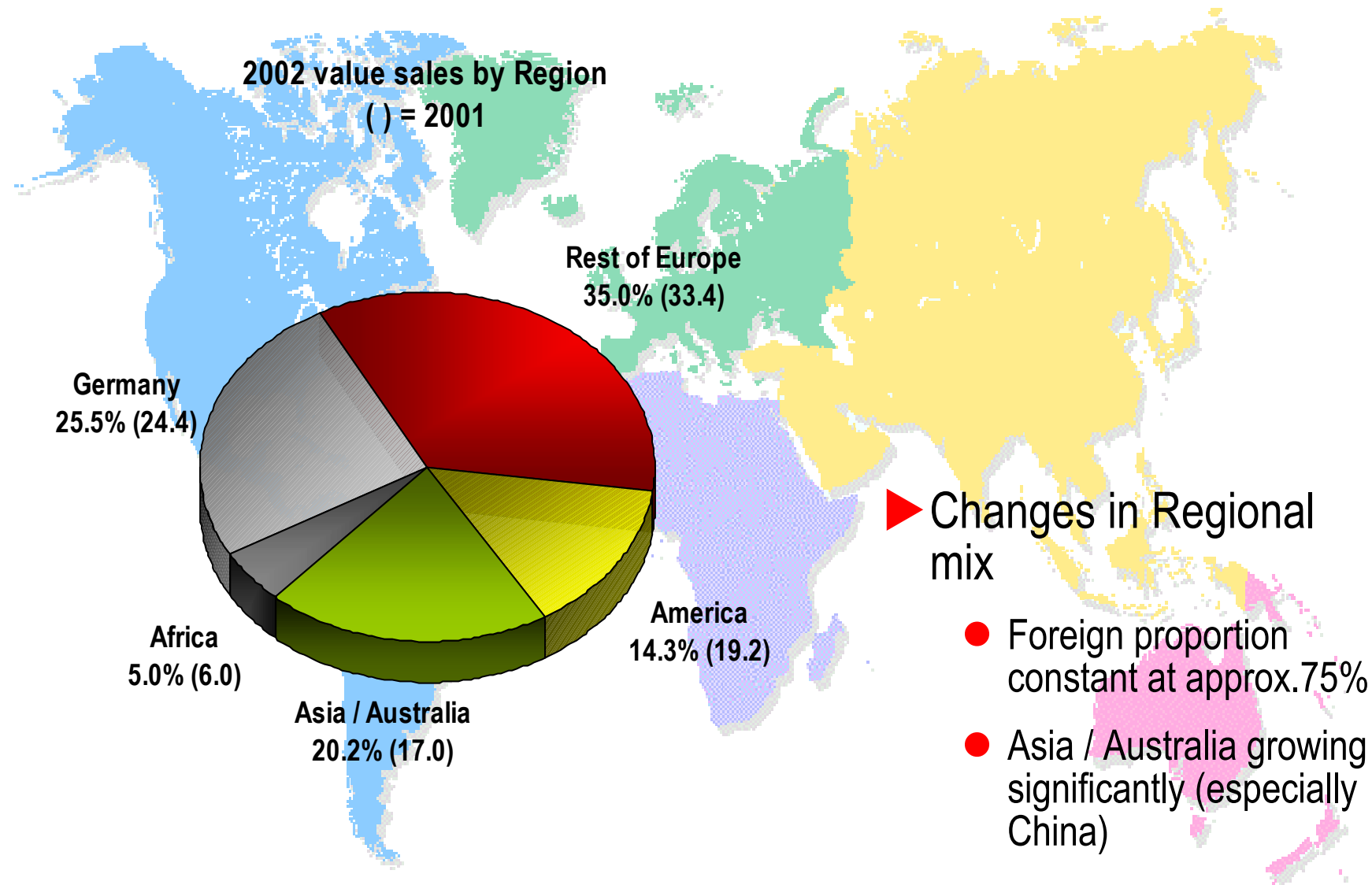


Sales in units increased, sales in value basically stable

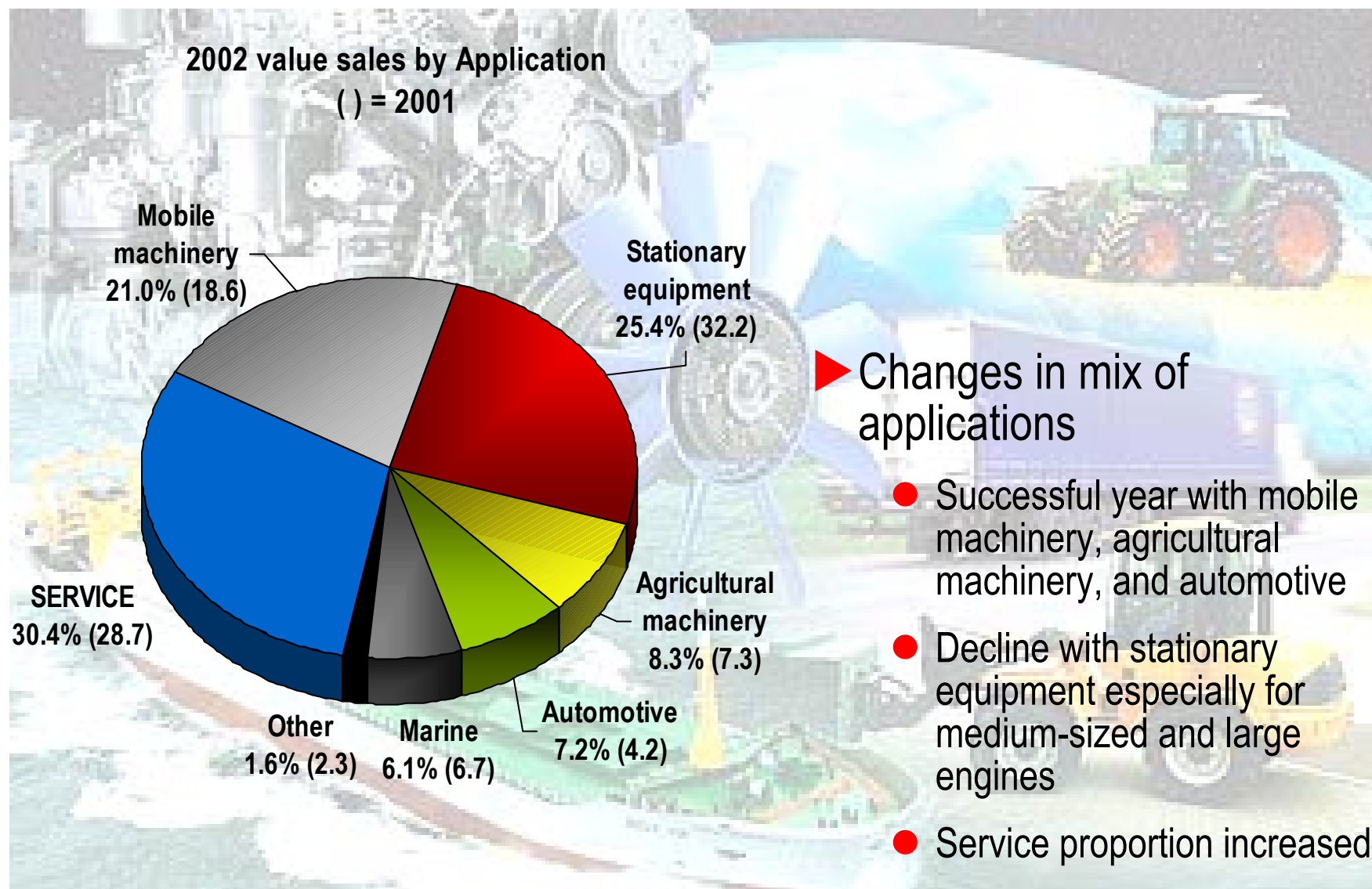


| New orders, sales in units and value | | 2002 | 2001 | Change |
|---|----------------|----------------|----------------|--------------|
| New orders for compact engines | € million | 807.8 | 742.3 | 65.5 |
| New orders for medium-sized and large engines | € million | 331.0 | 391.6 | -60.6 |
| Total new orders | € mill. | 1,138.8 | 1,133.9 | 4.9 |
| Sales of compact engines | units | 153,285 | 145,538 | 7,747 |
| Sales of medium-sized and large engines | units | 747 | 1,107 | -360 |
| Total sales | units | 154,032 | 146,645 | 7,387 |
| Sales of compact engines | € million | 815.0 | 746.1 | 68.9 |
| Sales of medium-sized and large engines | € million | 345.9 | 438.8 | -92.9 |
| Total sales | € mill. | 1,160.9 | 1,184.9 | -24.0 |

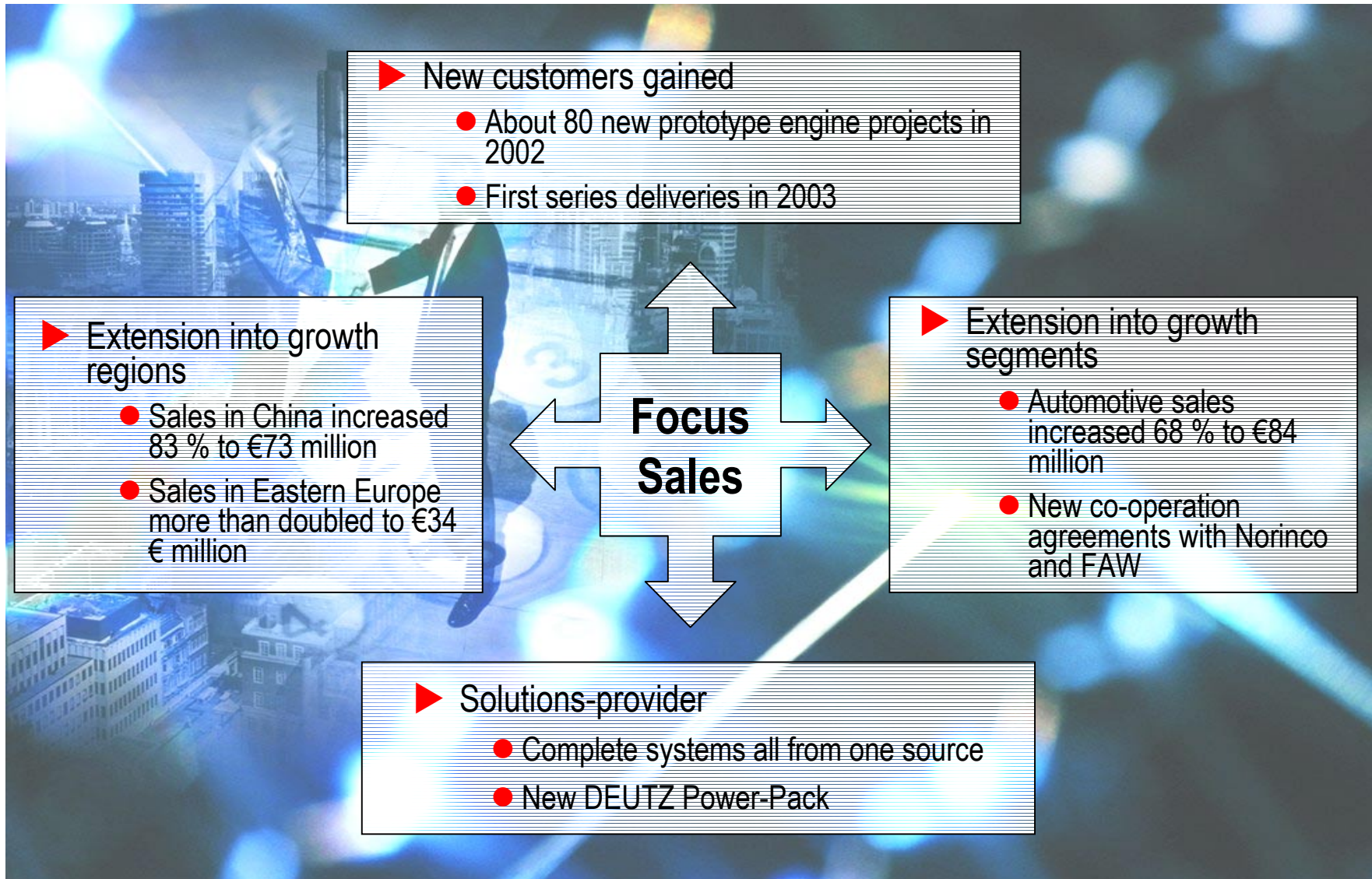
▲ Sales in units increased, sales in value basically stable



▲ Sales in units increased, sales in value basically stable



▲ Sales in units increased, sales in value basically stable



Company returns a profit



| P&L, DEUTZ Group (in €million) | 2002 | 2001 | Change |
|--|----------------|----------------|--------------|
| Sales | 1,160.9 | 1,184.9 | -24.0 |
| Change in finished goods and work in process | -3.8 | -25.6 | 21.8 |
| Own work capitalised | 6.0 | 7.0 | -1.0 |
| Total output | 1,163.1 | 1,166.3 | -3.2 |
| Other operating income | 65.1 | 71.0 | -5.9 |
| Cost of material | -626.5 | -625.2 | -1.3 |
| Personnel expenses | -291.6 | -306.1 | 14.5 |
| Depreciation | -62.0 | -61.2 | -0.8 |
| Other operating expenses | -209.2 | -210.7 | 1.5 |
| Income from investments in other companies | 2.1 | -6.2 | 8.3 |
| EBIT | 41.0 | 27.9 | 13.1 |
| Interest expense, net | -36.6 | -41.6 | 5.0 |
| Profit / loss on ordinary activities | 4.4 | -13.7 | 18.1 |
| Extraordinary income/expense(-), net | - | -16.9 | 16.9 |
| Taxes | -2.4 | -1.2 | -1.2 |
| Profit/loss for the year | 2.0 | -31.8 | 33.8 |

Cash flow substantially improved

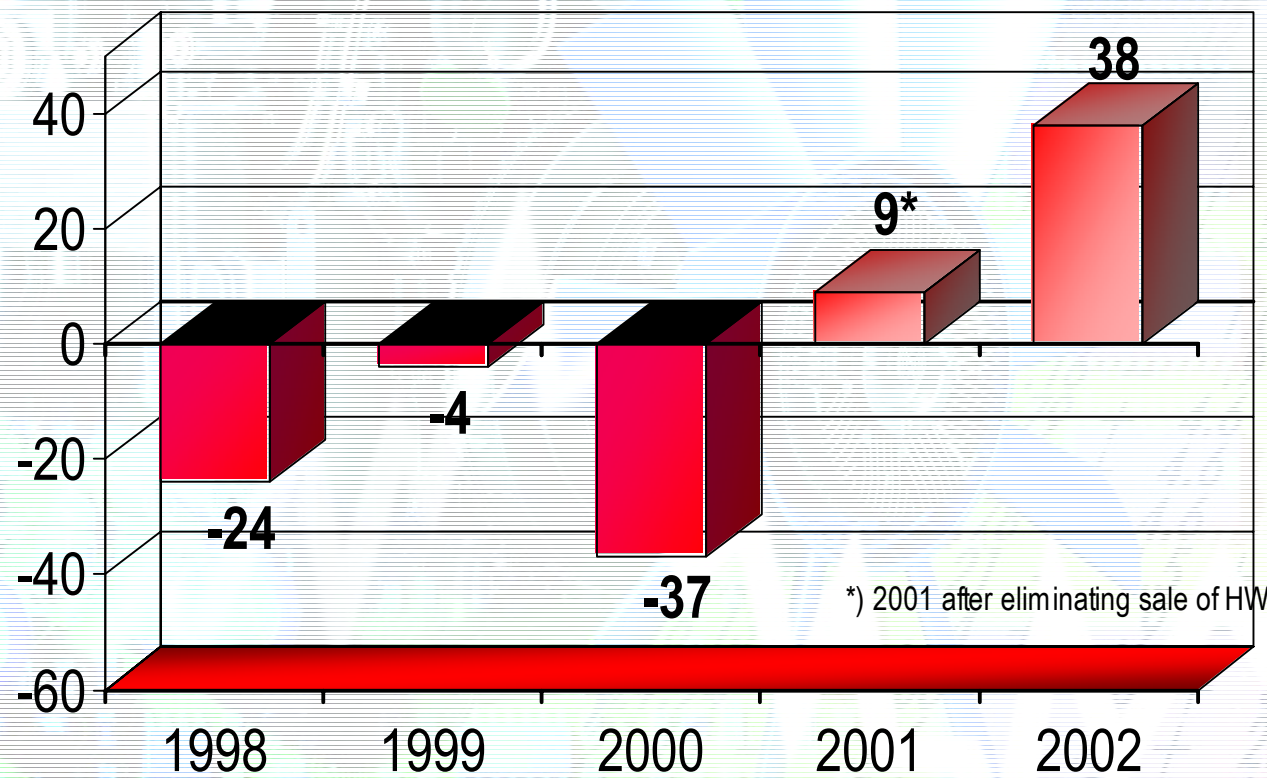


| Cash flow statement, DEUTZ Group (in € million) | 2002 | 2001 |
|---|--------------|--------------|
| Profit / loss for the year | 2.0 | -31.8 |
| Depreciation and proceeds from sale of assets | 62.9 | 47.4 |
| Changes in pension provisions | -6.9 | -3.5 |
| Cash flow | 58.0 | 12.1 |
| Change in working capital | -1.5 | 33.3 |
| Cash flow from normal activities | 56.5 | 45.4 |
| Cash flow from investment activities | -18.8 | -128.2 |
| Cash flow before financing | 37.7 | -82.8 |
| Cash flow from financial activities | -50.4 | 96.1 |
| Change in liquid funds | -12.7 | 13.3 |

Cash flow substantially improved



Trend in cash flow before financing



*) 2001 after eliminating sale of HW

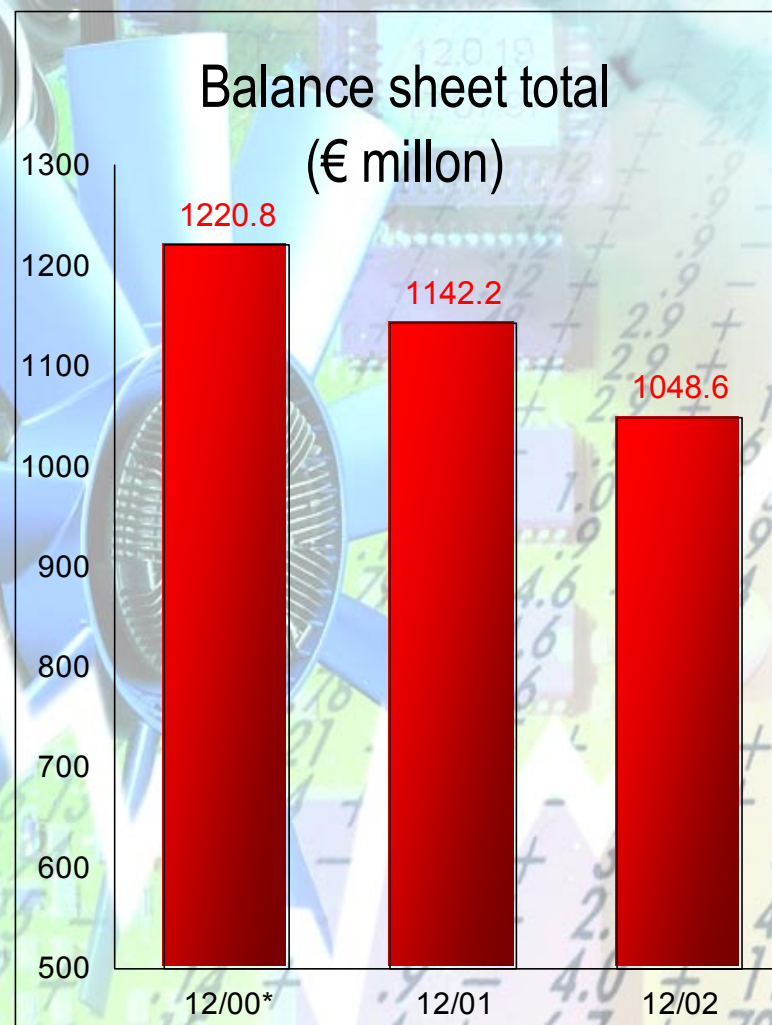
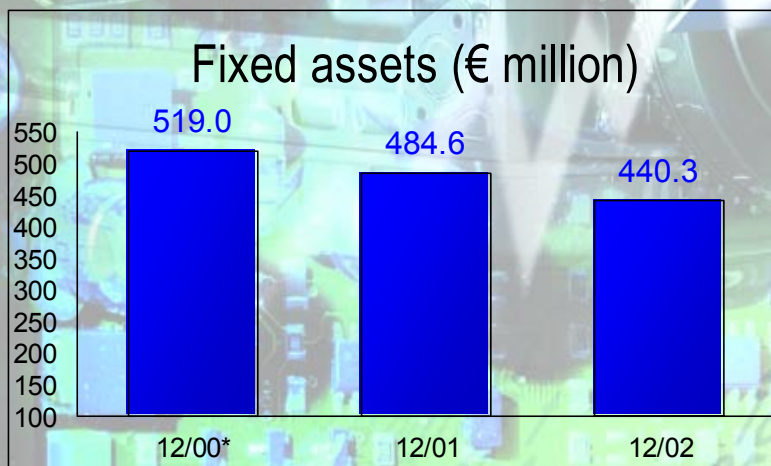
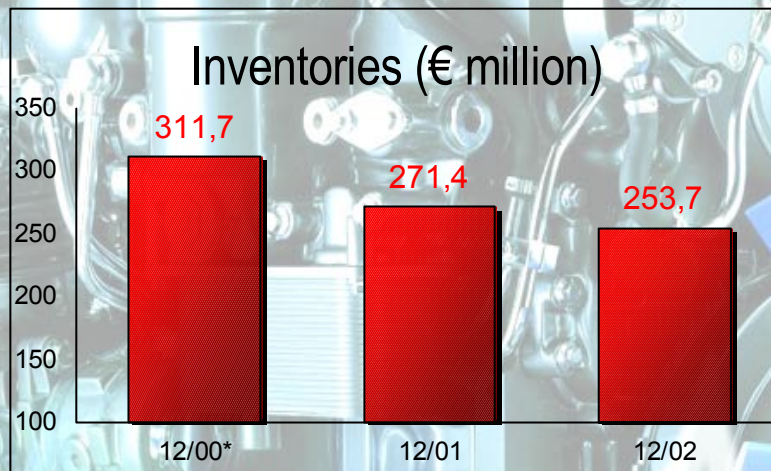
Debt systematically reduced



Net financial debt DEUTZ Group (in € million)

| | 2002 | 2001 | Change |
|-------------------------------------|--------------|--------------|--------------|
| Amounts owed to credit institutions | 321.3 | 371.7 | -50.4 |
| Liquid assets | 19.3 | 32.0 | -12.7 |
| Net financial debt | 302.0 | 339.7 | -37.7 |

Balance sheet total reduced through strict Asset Management



*) 2000 figures on comparable basis

Balance sheet total reduced through strict Asset Management



| Assets, DEUTZ Group (in € million, as of 31 st December) | 2002 | 2001 | Change |
|---|----------------|----------------|--------------|
| Business expansion expenses | 20.6 | 15.1 | 5.5 |
| Tangible assets | 440.3 | 484.6 | -44.3 |
| Financial assets | 56.5 | 36.2 | 20.3 |
| Fixed assets | 496.8 | 520.8 | -24.0 |
| Inventories | 253.7 | 271.4 | -17.7 |
| Trade receivables | 189.1 | 211.1 | -22.0 |
| Accounts receivable from affiliated companies | 20.7 | 50.9 | -30.2 |
| Other assets and prepaid expenses and deferred charges | 48.4 | 40.9 | 7.5 |
| Liquid assets | 19.3 | 32.0 | -12.7 |
| Current assets | 531.2 | 606.3 | -75.1 |
| Balance sheet total | 1,048.6 | 1,142.2 | -93.6 |

Balance sheet total reduced through strict Asset Management



| Stockholders' equity and liabilities, DEUTZ Group (in € million, as of 31 st December) | 2002 | 2001 | Change |
|--|----------------|----------------|--------------|
| Stockholders' equity | 95.0 | 93.0 | 2.0 |
| Convertible participation rights | 25.6 | 25.6 | - |
| Provisions for pensions | 290.8 | 300.9 | -10.1 |
| Other provisions | 165.4 | 187.5 | -22.1 |
| Provisions | 456.2 | 488.4 | -32.2 |
| Amounts owed to credit institutions | 321.3 | 371.7 | -50.4 |
| Trade payable | 71.9 | 82.8 | -10.9 |
| Accounts payable to affiliated companies | 47.8 | 29.2 | 18.6 |
| Other liabilities and deferred income | 30.8 | 51.5 | -20.7 |
| Liabilities | 471.8 | 535.2 | -63.4 |
| Balance sheet total | 1,048.6 | 1,142.2 | -93.6 |

Numbers employed further reduced

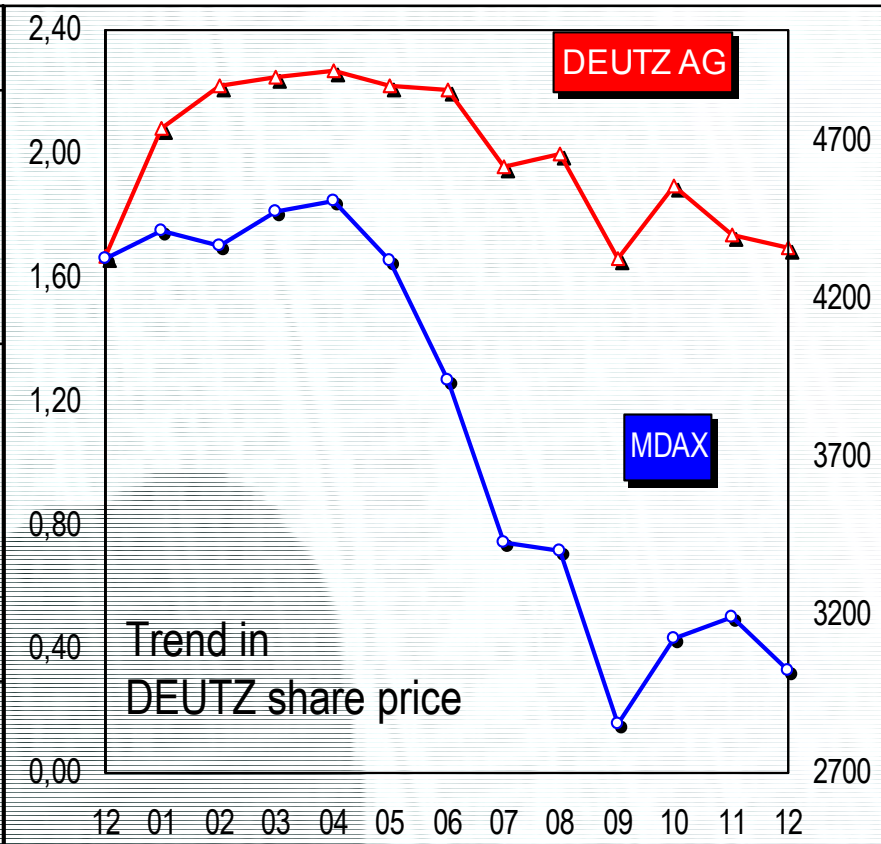


| Numbers employed, DEUTZ Group (as of 31 st December) | 2002 | 2001 | Change |
|--|--------------|--------------|-------------|
| Cologne | 2,542 | 2,819 | -277 |
| Mannheim | 926 | 954 | -28 |
| Ulm | 374 | 370 | 4 |
| Other locations | 488 | 541 | -53 |
| Total in Germany | 4,330 | 4,684 | -354 |
| Total foreign | 1,140 | 1,295 | -155 |
| Total numbers employed | 5,470 | 5,979 | -509 |

DEUTZ in Prime Standard • DEUTZ shares in SDAX



| Key figures for DEUTZ shares | | 2002 | 2001 |
|-------------------------------|---------|-------|-------|
| Year's high | € | 2.94 | 3.80 |
| Year's low | € | 1.41 | 1.64 |
| Year-end price | € | 1.74 | 1.67 |
| Shareholdings: | | | |
| Deutsche Bank AG (indirect) | % | 26 | 26 |
| Volvo AB | % | 10 | 10 |
| Free float | % | 64 | 64 |
| Stock exchange capitalisation | € mill. | 111.9 | 107.4 |
| Earnings per share | € mill. | 0.03 | -0.49 |



- ▶ DEUTZ was admitted to Prime Standard on 1st January 2002
- ▶ DEUTZ shares have been listed in SDAX since 24th March 2003

Prospects for 2003: further profit improvement



- ▶ Economic prospects
 - Germany, Western Europe, and North America continuing weak
 - War in Iraq
 - Further growth in Asia, especially China and South Korea
 - Growth opportunities in Eastern Europe
- ▶ DEUTZ is well prepared for this difficult environment
 - Focussing sales on growth markets and segments
 - Expansion of activities with co-operation partners
 - Systematic implementation of cost-reduction measures already initiated
 - Intensification of successful Asset Management
- ▶ **We are planning on another profit improvement in 2003!**

DEUTZ reports positive results for 2002



1. Main key figures now show positive trends
 2. Re-Launch programme successful again in second year
 3. Sales in units increased, sales in value basically stable
 4. Company returns a profit
 5. Cash flow substantially improved
 6. Indebtedness systematically reduced
 7. Balance sheet total reduced through strict Asset Management
 8. Numbers employed further reduced
 9. DEUTZ in Prime Standard • DEUTZ shares in SDAX
 10. Prospects for 2003: further profit improvement
- Basis created for a profitable future for DEUTZ!

DEUTZ – the engine company.

We set standards and shape the future.