

DEUTZ – the engine company



- 
1. DEUTZ at a glance
 2. DEUTZ Re-Launch Programme
 3. DEUTZ reports positive results for 2002
 4. DEUTZ in 2003
 5. DEUTZ targets for the future

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Pioneering Engine Technology



1864

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



1872

Gottlieb Daimler, engineering director

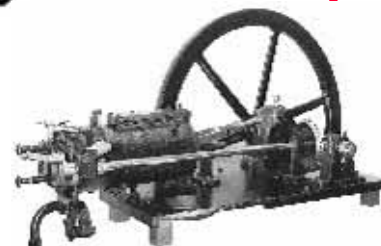


Wilhelm Maybach, head of design office



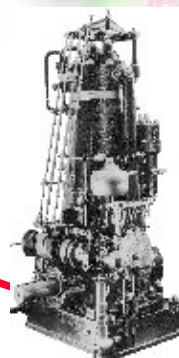
1876

The first four cycle engine



1898

First DEUTZ Diesel engine



1907

Ettore Bugatti, Director of automobile production



2001

125 years four cycle engines from Cologne-Deutz



2002

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



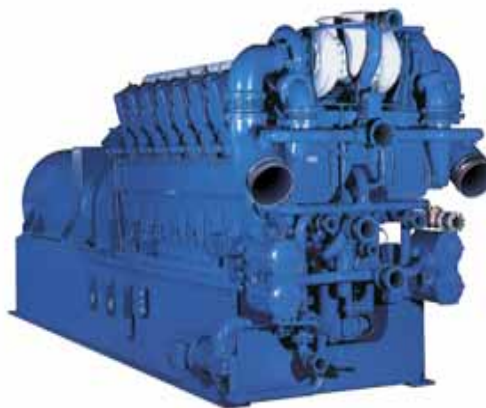
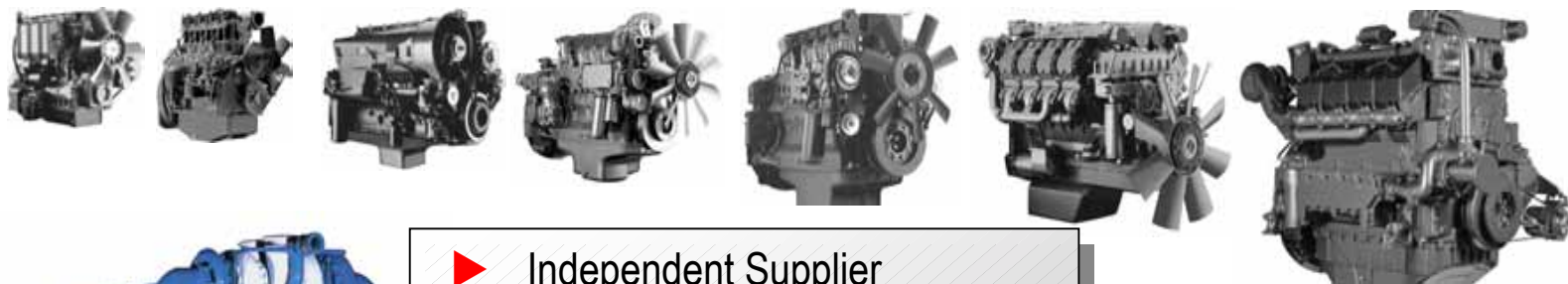
125 years of the

Cologne

the driving force

to engine

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



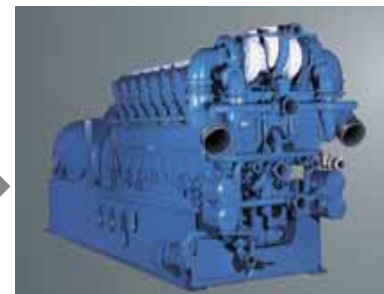
Market Segments



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

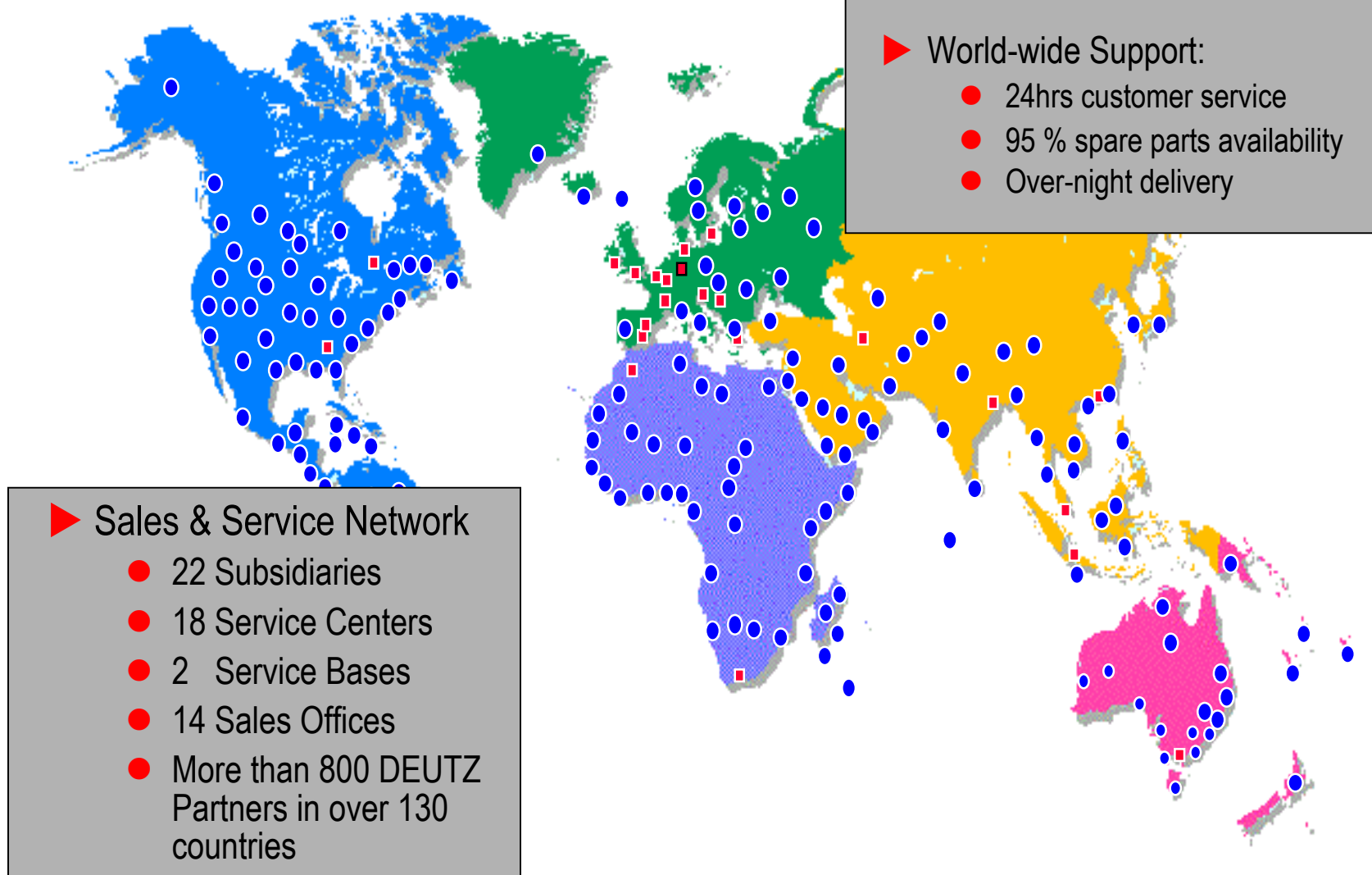


Commercial vehicles



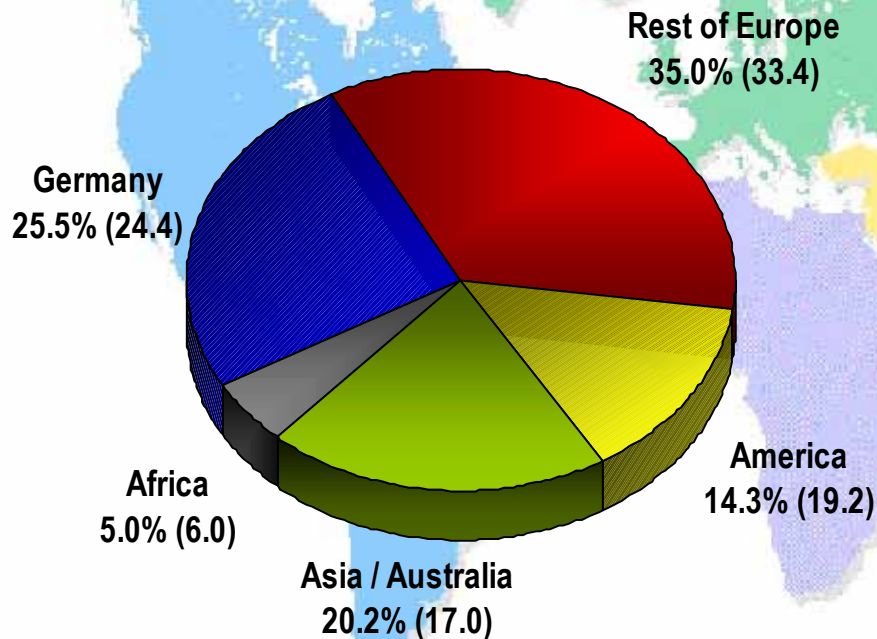
DEUTZ Engines

Global Reach



Sales by Regions 2002

2002 value sales by Region
() = 2001



Strong market position

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

Good growth potential

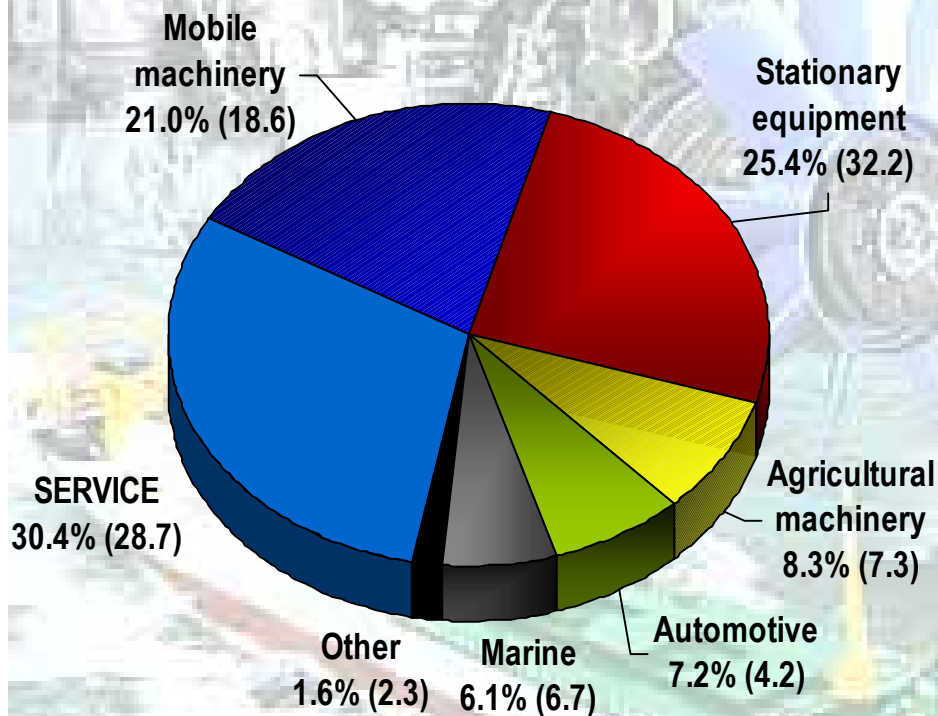
- Asia, Australia
- China
- Eastern Europe

Changes in Regional mix

- Foreign proportion constant at approx. 75%
- Asia / Australia growing significantly (especially China)

Sales by Application 2002

2002 value sales by Application
() = 2001



- ▶ Strong market position
 - Mobile machinery
 - Stationary equipment
 - Agricultural machinery
- ▶ Good growth potential
 - Automotive
- ▶ Changes in mix of applications
 - Successful year with mobile machinery, agricultural machinery, and automotive
 - Decline with stationary equipment especially for medium-sized and large engines
 - Service proportion increased

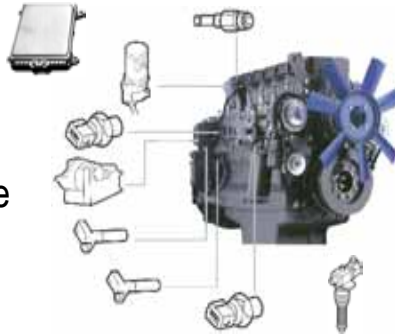
Major Customers



Forward R & D

Diesel engine technology

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



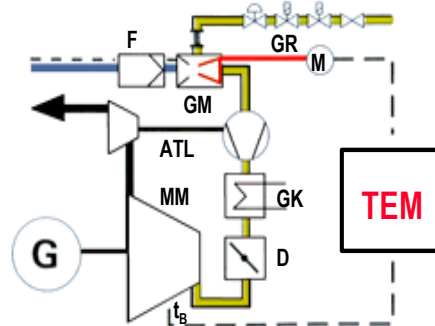
DEUTZ Common Rail (DCR ®)

- ▶ The new common rail system



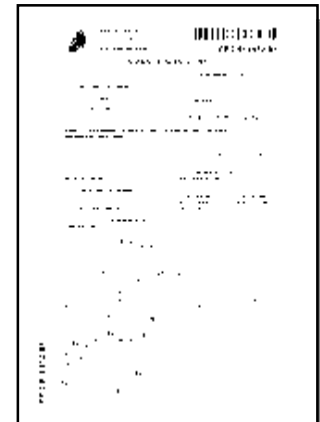
Gas engine technology

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



Patents

- ▶ More than 500 German, European and worldwide patents.

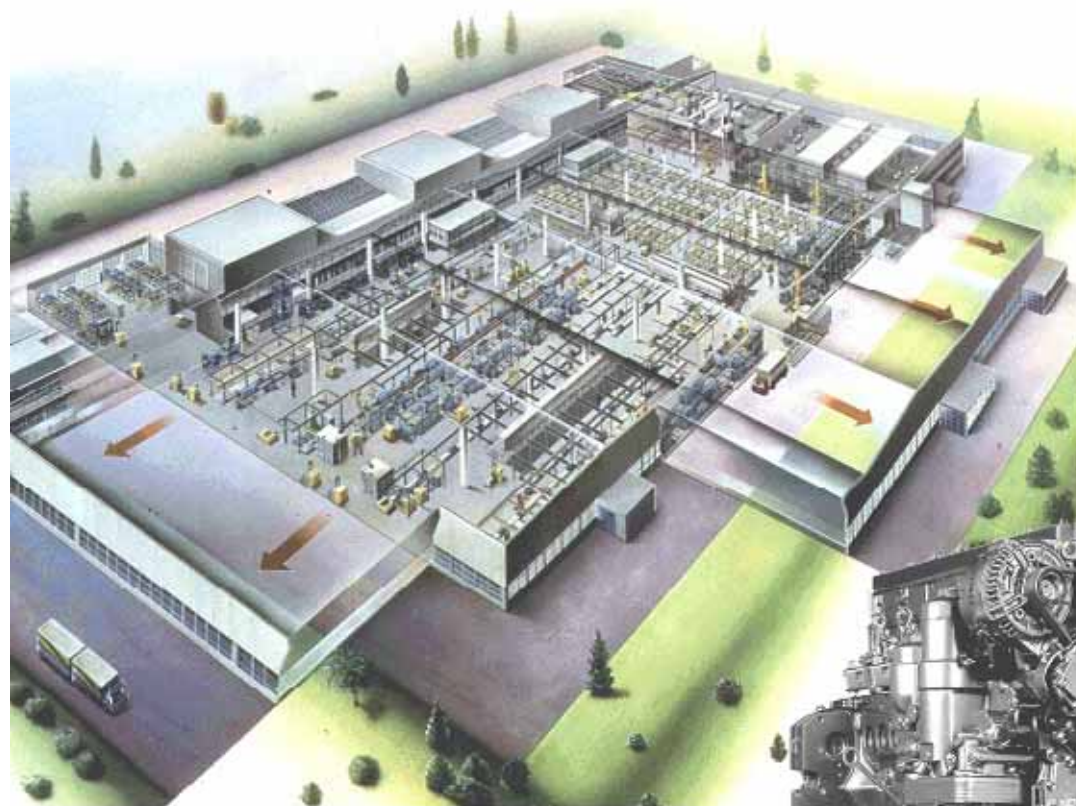


Emission / Noise Reductions

- ▶ 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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Why Re-Launch?

► Why Re-Launch?

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

► TURN AROUND PROGRAMME!

- Started in January 2001
- Will be finished in December 2003
- 5 Points for improvement

1 Focussing of the model range

2 Concentration of production

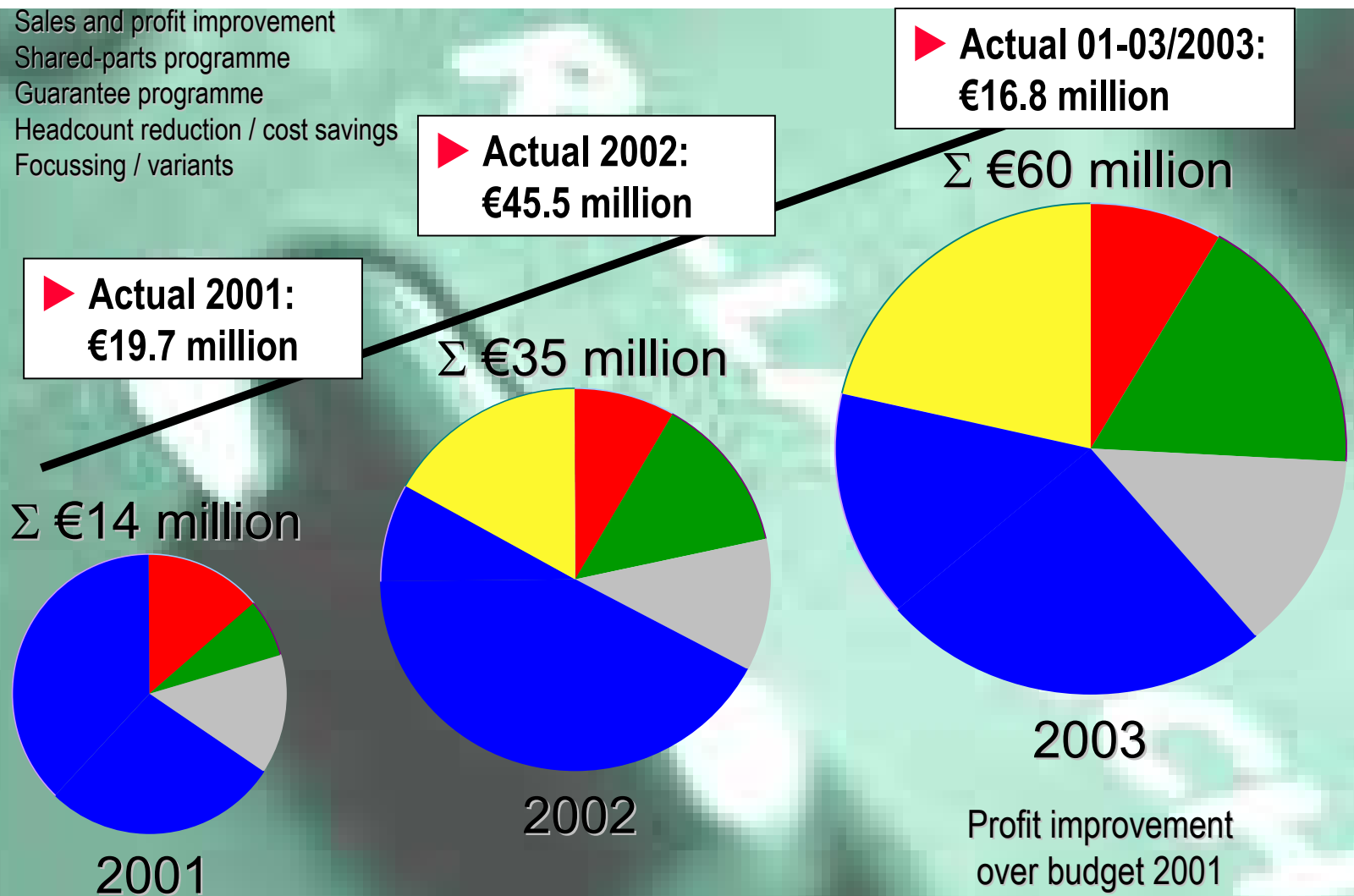
3 Leaner structures

4 Quality offensive

5 Promotion of co-operations

Re-Launch programme successful again in second year

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



1 Focusing of the model range

The task	▶ Decreasing of variants and complexity ▶ Competitive advantage as „Solution Provider“: hold and expand
The method	▶ Shared-parts programme ▶ Innovative platform strategies ▶ DCR® and EMR® for parallel production of electronically, electronic-mechanically, and mechanically governed variants based on the same base engine.
The success	▶ Unprofitable engine families 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

The task	▶ Enhancement of the efficiency ▶ Use of all cost reduction capabilities
The method	▶ Checking of the own production stage, logistic process and plant structure
The success	▶ Productivity improvement of 9.5 % ☑ 2001 ▶ Further productivity improvement of 5.0 % ☑ 2002 ▶ Closing of foundry business ahead of plan (Profit effect: €8 million p.a. from 2003 on - Reduction of staff by 210 people) ☑ 2002 ▶ New mid-term and long-term production strategy defined ☑ 2002 ▶ Global sourcing und lead supplier concept (Effects: €15 million in 2003, €30 million in 2004/05) (ongoing) ▶ Streamlining of logistic process (reduction of possible movements > 50 %) (ongoing)

3 Leaner structures

The task	▶ DEUTZ with medium-sized structures: fast, direct and flexible control
The method	▶ Centralization of functions ▶ Simplified structures and cycles
The success	▶ Reorganisation of business units, renewed top management ☑ 2001 ▶ Non-core activities sold off (industrial plant and agriculture business) ☑ 2001 ▶ Overhead reduced by 304 employees ☑ 2001 ▶ Overhead reduced by further 311 employees ☑ 2002 ▶ Simplified sales and service network ☑ 2002 ▶ Total assets reduced by €172 million (FC 12/02 compared to 12/00) ☑ 2002 ▶ Introduction of consignment stocks (ongoing) ▶ Closing / Reduction of foreign stocks (ongoing)

4 Quality offensive

The task	▶ Keeping the high DEUTZ quality standard ▶ Reducing the quality cost
The method	▶ Consistent „cause study“ ▶ Regular quality meetings in all departments ▶ Quality „it's up to the boss“
The success	▶ Reorgansiation of quality assurance ☒ 2001 ▶ Focus on revolving top 10 issues ☒ 2001 ▶ Stringent following of PDP (Product development Process) ☒ 2001 ▶ Quality cost reduced by more than 20% ☒ 2002 ▶ New DIN ISO 9001 certification with rigorous requirements ☒ 2002

5 Promotion of co-operations

The task	▶ Keep independence of DEUTZ ▶ Enhancement of international competitive position
The method	▶ Co-operation at sales, production, and technology level in different regions
The success	▶ Marketing / production co-operation agreement with UZEL signed ☒ 2001 ▶ Expansion of Volvo-co-operation ☒ 2002 ▶ Sales co-operation for South Korea with STX ☒ 2002 ▶ Licence co-operation with Norinco ☒ 2002 ▶ Technology transfer agreement with FAW ☒ 2002

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DEUTZ reports positive results for 2002



1. Main key figures now show positive trends
2. Sales in units increased, sales in value basically stable
3. Company returns a profit
4. Cash flow substantially improved
5. Debt systematically reduced
6. Balance sheet total reduced through strict Asset Management
7. Numbers employed further reduced
8. DEUTZ in Prime Standard • DEUTZ shares in SDAX

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
Operating profit (EBIT)	€ million	41.0	27.9	13.1
Profit / loss for the year	€ million	2.0	-31.8	33.8
Cash flow before financing	€ million	37.7	-82.8	120.5
Net financial debt	€ million	302.0	339.7	-37.7
Employees (as of 31 st December)		5,470	5,979	-509

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	€ million	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	€ million	1,160.9	1,184.9	-24.0

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 own work capitalised	2.2	-18.6	20.8
Total output	1,163.1	1,166.3	-3.2
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 and income	-142.0	-145.9	3.9
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

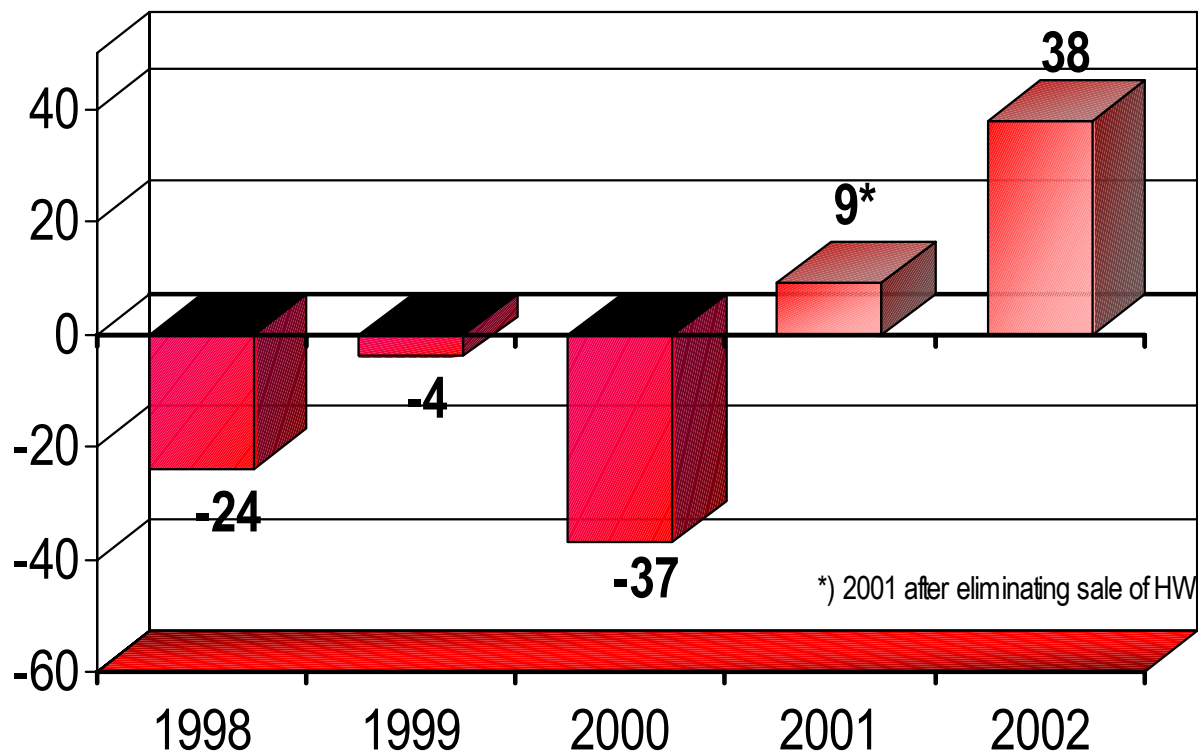
Cash flow substantially improved



Cash flow statement, DEUTZ Group (in € million)	2002	2001
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

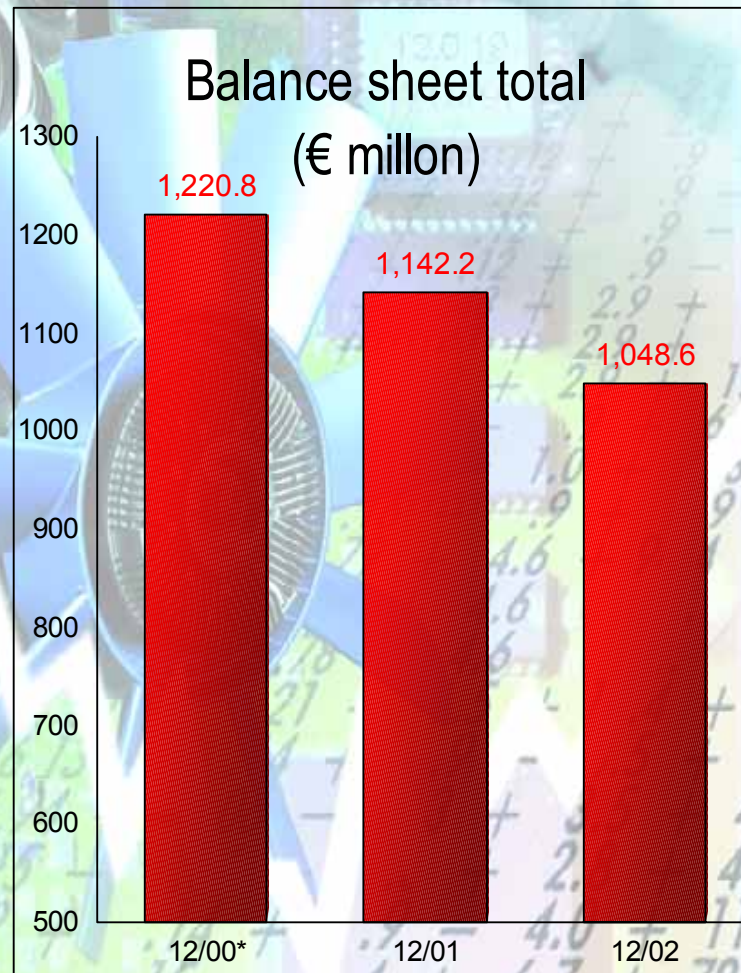
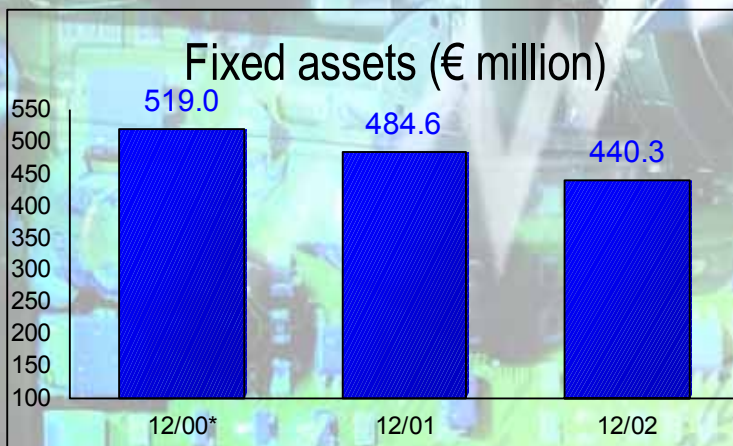
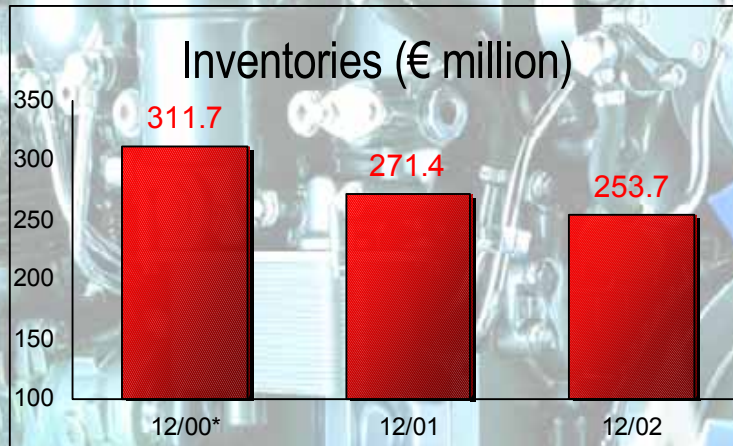


Debt systematically reduced

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
Immaterial assets and prepaid expenses and 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
Liquid assets	19.3	32.0	-12.7
Other assets and prepaid expenses and deferred charges	69.1	91.8	-22.7
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 31st December)

	2002	2001	Change
Stockholders' equity	95.0	93.0	2.0
Convertible participation rights	25.6	25.6	-
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
Other liabilities and deferred income	78.6	80.7	-2.1
Liabilities	471.8	535.2	-63.4
Balance sheet total	1,048.6	1,142.2	-93.6

Numbers employed further reduced



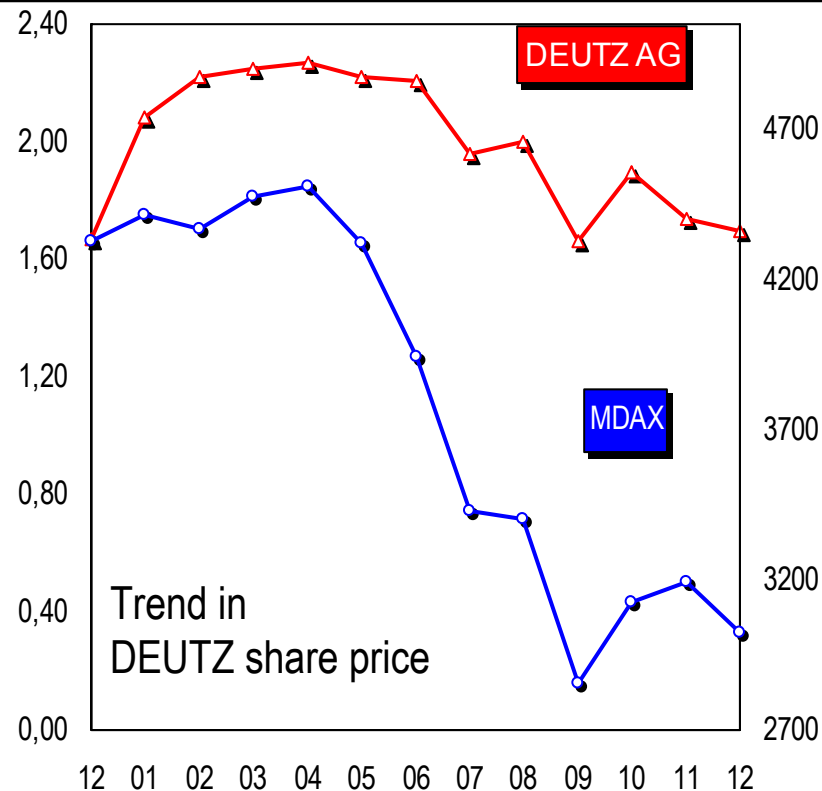
Numbers employed, DEUTZ Group (as of 31st December)

	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

DEUTZ reports positive results for 2002

- 
- The background of the slide features three white DEUTZ flags with red horizontal stripes and the company logo, flying against a bright blue sky with scattered white clouds. The flags are attached to poles and are shown in motion, creating a sense of dynamism.
1. Main key figures now show positive trends
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 8. DEUTZ in Prime Standard • DEUTZ shares in SDAX
- ▶ Basis created for a profitable future for DEUTZ!

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DEUTZ steaming ahead with new power



- ▶ Volume of new orders exceeds expectations
- ▶ Financial debt clearly reduced
- ▶ Sales and profit influenced by economic factors under previous year
- ▶ Result improvement expected for 2003



Key figures for the DEUTZ Group



Key figures for the DEUTZ Group		1-3/2003	1-3/2002	Change
New orders	€ million	316.0	295.3	20.7
Sales	units	36,744	38,569	-1,825
Sales	€ million	257.9	265.9	-8.0
Operating profit (EBIT)	€ million	5.2	7.4	-2.2
Profit/ loss	€ million	-3.8	-1.8	-2.0
Cash flow before financial activities	€ million	11.2	-0.1	11.3
Net financial debt	€ million	290.8	339.8	49.0
Employees (as of 31st March)		5,517	5,860	-343

New orders increased, sales slightly decreased



DEUTZ Group: New orders, sales in units and value		1-3/2003	1-3/2002	Change
New orders for compact engines	€ million	226.1	217.2	8.9
New orders for medium-sized and large engines	€ million	89.9	78.1	11.8
Total new orders	€ million	316.0	295.3	20.7
Sales of compact engines	units	36,624	38,451	-1,827
Sales of medium-sized and large engines	units	120	118	2
Total sales	units	36,744	38,569	-1,825
Sales of compact engines	€ million	191.7	190.0	1.7
Sales of medium-sized and large engines	€ million	66.2	75.9	-9.7
Total sales	€ million	257.9	265.9	-8.0

Profit influenced by economic factors under previous year



P&L, DEUTZ Group (in €million)	1-3/2003	1-3/2002	Change
Sales	257.9	265.9	-8.0
Change in finished goods and work in process	7.8	11.1	-3.3
Total output	265.7	277.0	-11.3
Cost of material	-143.8	-151.0	7.2
Personnel expenses	-71.2	-71.9	0.7
Depreciation	-15.9	-15.9	-
Other operating expenses	-29.6	-30.8	1.2
EBIT	5.2	7.4	-2.2
Interest expense, net	-8.5	-8.9	0.4
Profit / loss on ordinary activities	-3.3	-1.5	-1.8
Taxes	-0.5	-0.3	-0.2
Profit/loss	-3.8	-1.8	-2.0

Cash flow before financing substantially improved



Cash flow statement, DEUTZ Group (in € million)

	1-3/2003	1-3/2002
Cashflow	11.6	14.2
Change in Working Capital	2.0	-8.7
Cash flow from normal activities	13.6	5.5
Cash flow from investment activities	-2.4	-5.6
Cash flow before financing	11.2	-0.1
Cash flow from financial activities	8.0	-19.5
Change in liquid funds	19.2	-19.6

Balance sheet total increased compared to 31.12.2002

Assets, DEUTZ Group (in € million)	31.03.2003	31.12.2002	Change
Business expansion expenses	22.1	20.6	1.5
Immaterial assets and prepaid expenses and tangible assets	426.8	440.3	-13.5
Financial assets	56.3	56.5	-0.2
Fixed assets	483.1	496.8	-13.7
Inventories	274.5	253.7	20.8
Trade receivables	164.3	189.1	-24.8
Liquid assets	38.5	19.3	19.2
Other assets and prepaid expenses and deferred charges	72.3	69.1	3.2
Current assets	549.6	531.2	18.4
Balance sheet total	1,054.8	1,048.6	6.2

Balance sheet total increased compared to 31.12.2002



Stockholders' equity and liabilities, DEUTZ Group (in € million)			
	31.03.2003	31.12.2002	Change
Stockholders' equity	91.2	95.0	-3.8
Convertible participation rights	25.6	25.6	-
Provisions	436.1	456.2	-20.1
Amounts owed to credit institutions	329.3	321.3	8.0
Trade payable	87.9	71.9	16.0
Other liabilities and deferred income	84.7	78.6	6.1
Liabilities	501.9	471.8	30.1
Balance sheet total	1,054.8	1,048.6	6.2

Forecast 2003: further result improvement

▶ Market prospects

- Germany, Western Europe and North America continuing to be weak
- Low dollar rate affects European export economy
- Growth prospects in Asia: cautious because of SARS
- Growth prospects in Eastern Europe

▶ DEUTZ is adjusted to the difficult environment

- Sales focus on growth markets and DEUTZ key segments
- Extension of activities with co-operation partners
- Continuing realisation of the introduced cost reduction measure
- Intensifying of the effective asset-managements

▶ We expect a further result improvement for 2003

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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- struc- tion/ Mining	Industry		Generator			Marine		
	light	med.	heavy			Mobile	Statio- nary	Small Eng.	med. Eng.	large Eng.	Small Eng.	Med. Eng.	2- StrokeE ng.
DEUTZ		◐	◐	●	●	●	●	●	◐		○	◐	
Caterpillar	◐	●	●	●	●	●	●	○	●	●	●	●	○
Cummins	●	●	●	○	●	○	●		●	○		●	
DCX/MTU/DDC	●	●	●	○	○			●	●	○		●	
Deere				●	●		○	○	●				
MAN		●	●	○	○	○	◐		○	●		●	●
Wärtsilä							○	○	●	●	○	●	●
Navistar	◐	●	●	○	○						○		

Three-Pillar strategy

Liquid-cooled compact engines Medium-term aim: 150,000	Air-cooled compact engines Medium-term aim: 50,000	Medium-sized and large engines Medium-term aim: 1.500
▶ Growth with co-operation agreements ▶ Concentration of production and assembly ▶ Introduction of DCR® ▶ DEUTZ: Solution-provider	▶ Focussing of sales on Eastern Europe, China, and North America ▶ Concentration of production and assembly ▶ Further development of 914 for Emission Stage III	▶ Implementation of works structure concept ▶ Development of Common Rail System ▶ Expand Energy and Marine business

SERVICE

- ▶ Central-warehouse concept: reduction in stocks of 50 percent
- ▶ “Pull-through” strategy: greater sales activities with operators
- ▶ Extension of eBusiness activities
- ▶ Widening of product range: Xchange programme, service contracts, remote diagnosis

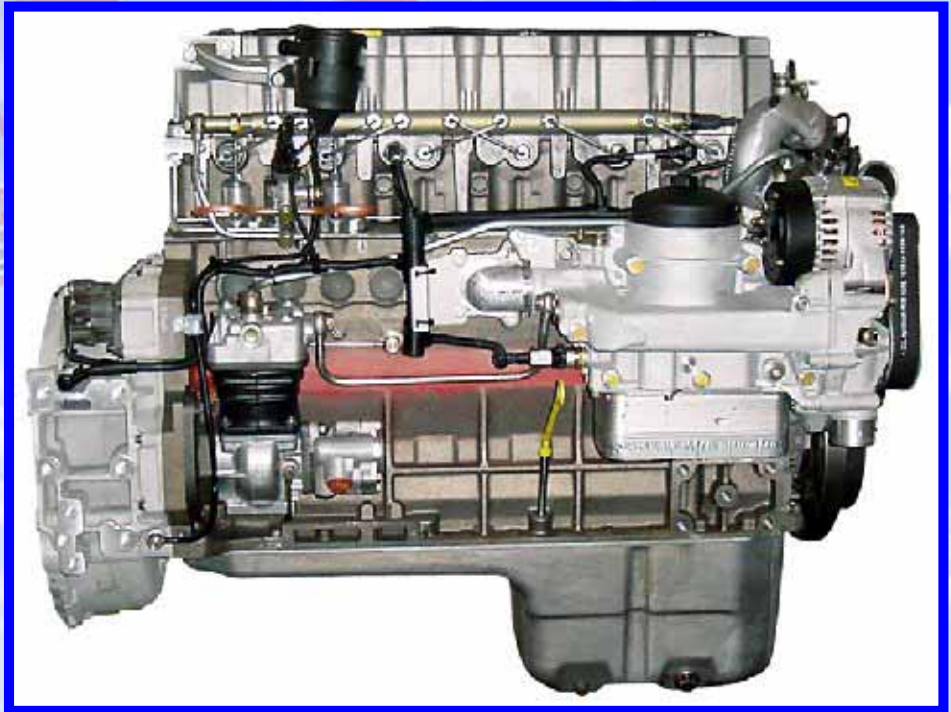
Liquid-cooled compact engines

Liquid-cooled compact engines

Medium-term goal: 150,000

- ▶ Growth with co-operation agreements
- ▶ Concentration of production and assembly
- ▶ Introduction of DCR®
- ▶ DEUTZ: Solution-provider

▶ DEUTZ Common Rail System and new commercial vehicle engine in test phase



Air-cooled compact engines



909

Air-cooled compact engines

Medium-term aim: 50,000

- ▶ Focussing of sales on Eastern Europe, China, and North America
- ▶ Concentration of production and assembly
- ▶ Further development of 914 for Emission Stage III



910



914

Medium-sized and large engines



TCG 2032

Medium- sized and large engines

Medium-term aim: 1,500

- ▶ Implementation of works structure concept
- ▶ Development of Common Rail System
- ▶ Expand Energy and Marine business



TCG
2020

TCG 2016

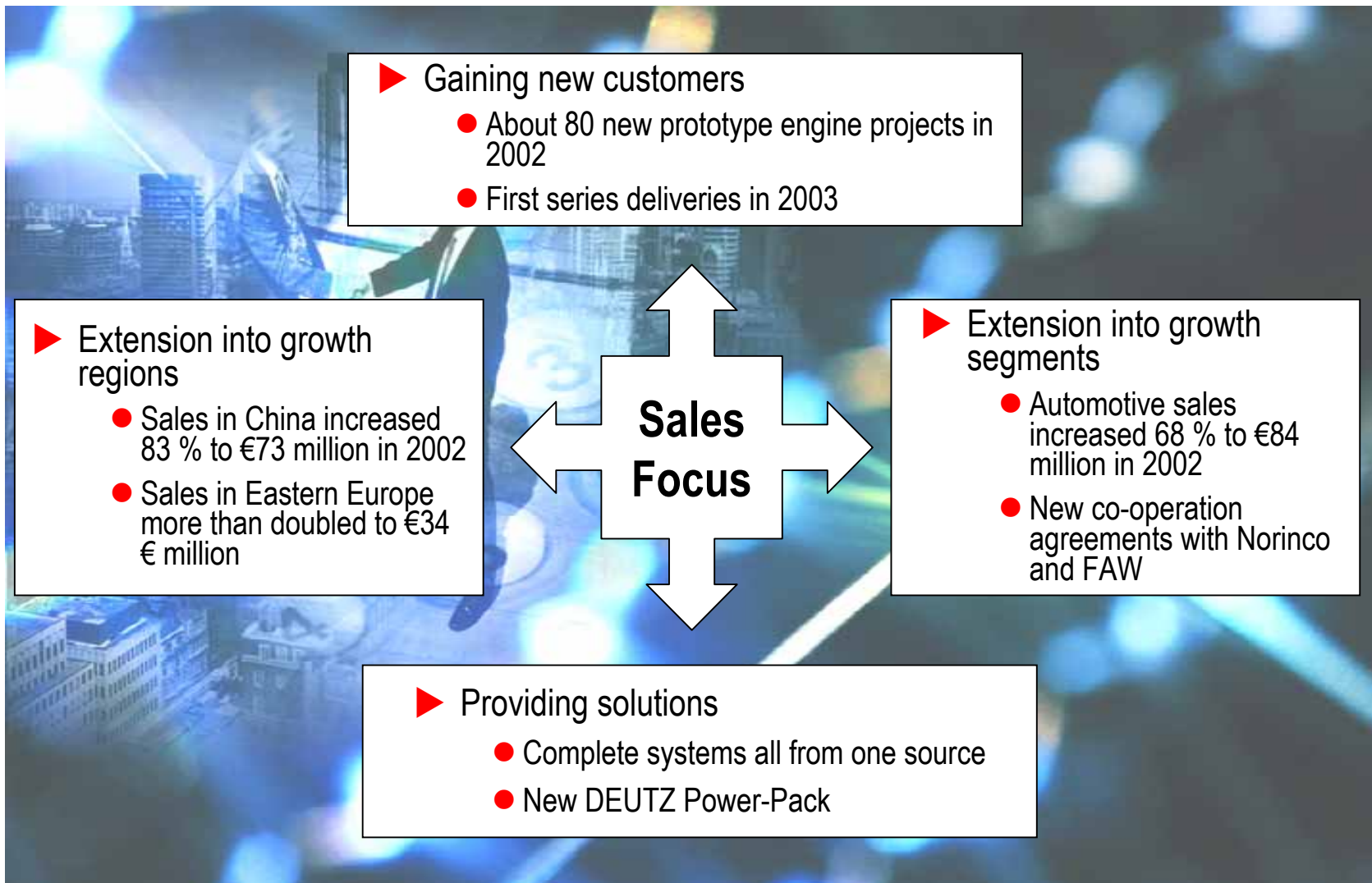




- ▶ DEUTZ Webshop for spare parts and merchandising articles
- ▶ Xchange programme for medium-sized and large engines

SERVICE

- ▶ Central-warehouse concept: reduction in stocks of 50 percent
- ▶ “Pull-through” strategy: greater sales activities with operators
- ▶ Extension of eBusiness activities
- ▶ Widening of product range: Xchange programme, service contracts, remote diagnosis



Product Strategy

Targets	▶ Meet emission requirements ▶ Meet moving market requirements ▶ Secure and expand full line product range ▶ Reduce costs with platform concepts
Milestones	▶ Introduction TIER/STAGE II 2001 - 2006 ▶ Fully electronically controlled engines for TIER/STAGE III 2006-2010 ▶ Continuous power & efficiency improvements of medium-sized and large engines ▶ Reduction of basic types by more than 50 % until 2010

▶ Highlights



▶ The new air-cooled
TIER/STAGE II
Engines



▶ The new DEUTZ
Common-Rail-
System DCR®



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



▶ The new air-cooled
Power Packs

DEUTZ – the engine company



- ▶ 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, Agriculture, Power Generation
- ▶ DEUTZ Re-Launch Programme
 - Company returns a profit
 - Cash flow substantially improved, debt systematically reduced
 - Main key figures now show positive trends
- ▶ Basis created for a profitable future for DEUTZ!

DEUTZ - the engine company



We set standards and shape the future