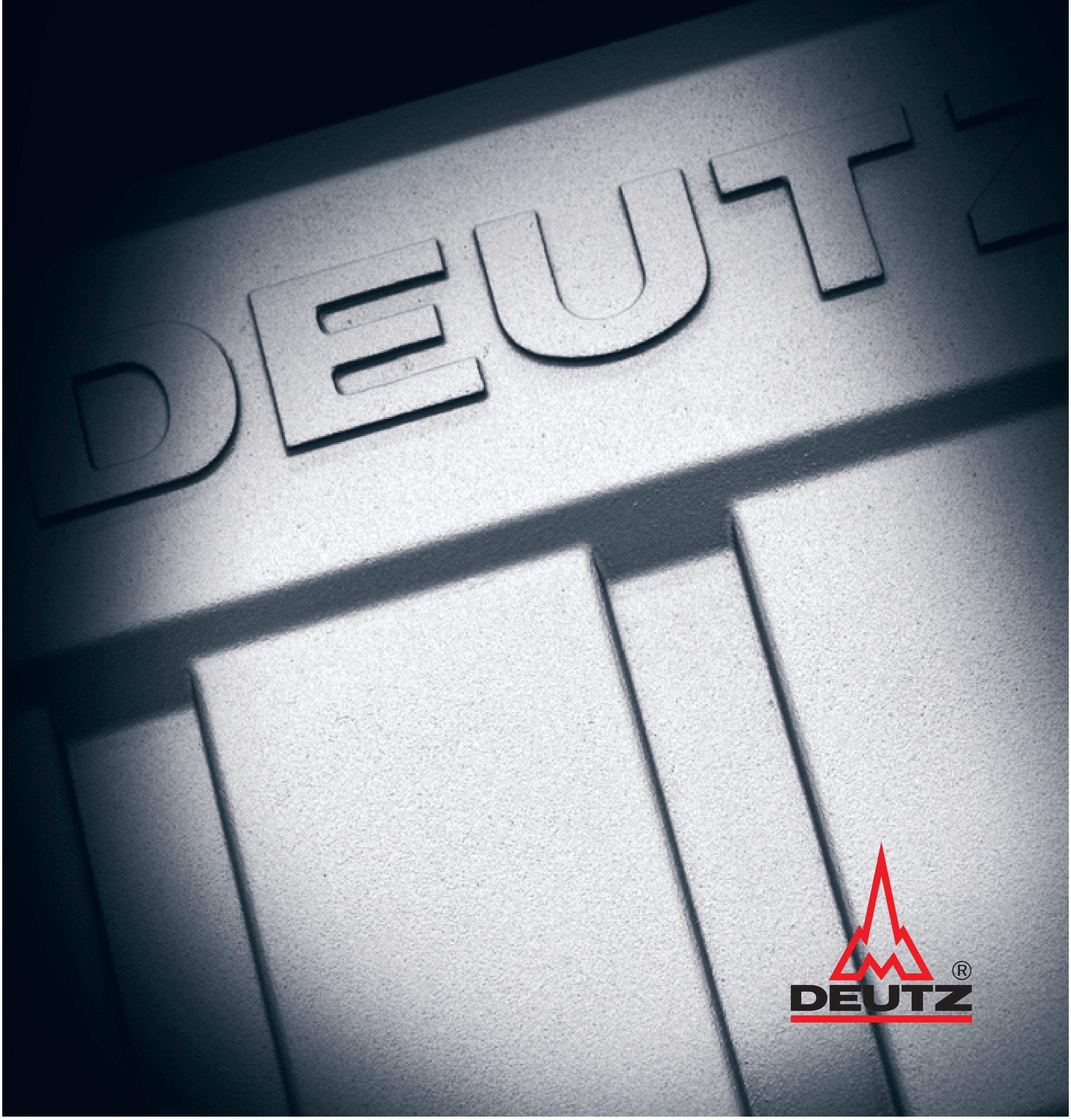
Interim Report 1st Quarter 2006

1 January to 31 March 2006

- DEUTZ outperforming the market with double-digit growth
- New orders up 14 per cent
- Operating profit up 53 per cent
- Positive net income of €3.9 million



DEUTZ

The 1st Quarter at a Glance

DEUTZ Group: Key figures

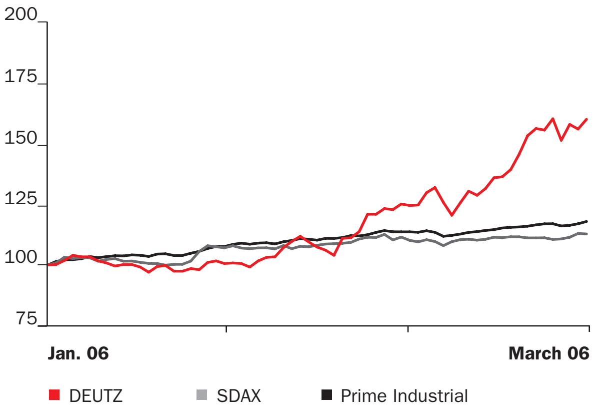
	1–3/2006	1–3/2005
€ million		
New orders	397.1	347.4
Unit sales (units)	51,996	45,038
Sales	309.5	285.2
thereof excl. Germany (in %)	74.7	73.2
EBITDA	28.6	89.5
EBITDA before one-off items	28.6	22.5
EBIT	13.0	75.5
One-off items	–	67.0
Operating profit (EBIT before one-off items)	13.0	8.5
EBIT margin before one-off items (in %)	4.2	3.0
Net income before income taxes	5.6	67.2
Net income	3.9	55.4
Earnings per share, undiluted, in €	0.04	0.61
Earnings per share, diluted, in €	0.04	0.47
Total assets (31 March)	1,057.1	1,154.0
Equity (31 March)	251.8	215.9
Equity ratio (in %)	23.8	18.7
Cash flow from operating activities	-25.7	-35.2
Net financial debt [1]	51.3	73.7
Capital expenditure (excl. capitalisation of R&D)	9.7	4.9
Research and development	15.7	16.7
Employees as at 31 March (number)	5,125	5,400

[1] Net financial debt: bank debt minus cash and cash equivalents.

DEUTZ Group: Segments

	1–3/2006	1–3/2005
€ million		
New Orders	**397.1**	**347.4**
Compact Engines	313.7	254.0
DEUTZ Power Systems	83.4	93.4
Unit sales (units)	**51,996**	**45,038**
Compact Engines	51,905	44,912
DEUTZ Power Systems	91	126
Sales	**309.5**	**285.2**
Compact Engines	255.4	216.8
DEUTZ Power Systems	54.1	68.4
Operating profit (EBIT before one-off items)	**13.0**	**8.5**
Compact Engines	13.7	7.6
DEUTZ Power Systems	-2.2	3.0
Others	1.5	-2.1

Performance of the DEUTZ share
in %



	1–3/2006	1–3/2005
Number of shares (31 March)	95,261,916	91,149,075
Number of shares (average)	95,090,011	91,149,075
Share price (31 March) in €	6.98	3.74
Share price (high) in €	6.98	3.94
Share price (low) in €	4.00	2.86
Market capitalisation (31 March) in € million	664.9	340.9

Based on Xetra closing prices

Dear shareholders,

I am pleased to report the company's continued successful development in the first three months of 2006. DEUTZ is outperforming the market with double-digit growth. The level of new orders increased by 14.3 per cent and unit engine sales reached a total of 51,996, up 15.4 per cent. Consequently, sales rose to €309.5 million, a rise of 8.5 per cent. On the back of this strong growth, operating profit (EBIT before one-off items) rose in the period under review to €13.0 million, an increase of more than 50 per cent. This is a highly impressive performance when you consider that the first quarter of 2005 was the last one to include a contribution from the marine service business which was then sold. Excluding this contribution, new orders were up by 22 per cent and sales by 18 per cent on a like-for-like basis. Net income was already strong in the first quarter of 2006 at €3.9 million. In order to satisfy the strong growth in demand, we raised capital expenditure in the first quarter of 2006 to €13.7 million.

Production of the new commercial vehicle engine that we assemble in the new hall 41 was ramped up as scheduled. The resulting effect on the number of units produced will really only be felt in the second half of 2006. The gas engines business in the DEUTZ Power Systems segment has seen further strong growth, driven to a significant extent by the persistently high price of fossil fuels. Gas engines now account for a significantly higher proportion of sales, accounting for three quarters of new engine sales in the first quarter of 2006. These developments clearly illustrate the rapid success of the restructuring we have initiated in this segment.

The current results demonstrate that our strategy of maintaining a market position as an independent engine manufacturer is delivering sustainable and profitable growth. The Management Board therefore confirms the outlook for 2006 with planned growth in sales of between 3 and 6 per cent and a year-on-year improvement in EBIT margin. In addition, an efficiency and growth programme was implemented at the start of 2006. Under this programme, we intend to achieve an EBIT margin in the next fiscal year of 7 per cent, hitherto the target for 2008. Our goal for 2007 remains the same: to distribute a dividend again for the first time in over 20 years.

In May, SAME DEUTZ-FAHR (SDF) informed us that it had converted profit-sharing rights and bonds into DEUTZ AG shares. As a result, its share of DEUTZ AG's issued capital rose to over 30 per cent. SDF is obliged under statutory requirements to submit a formal offer for the acquisition of all bearer shares in DEUTZ AG. The Management Board and Supervisory Board will comment accordingly once the offer documentation has been submitted, taking into account that SDF made clear in its press release of 10 May 2006 that it had no interest in acquiring a majority of shares or in delisting DEUTZ.

Kind regards

Gordon Riske

Chairman of the Management Board

Interim Report 1st Quarter 2006

Introduction

Interim report in accordance with IFRS As in the case of the annual financial statements for 2005, the interim report to 31 March 2006 has been prepared in accordance with International Financial Reporting Standards (IFRS). The same applies to the comparative figures for the first quarter of 2005.

Comparability of figures after the sale of the marine service business The figures for the first quarter of 2005 include a contribution from the marine service business up to 31 March, at which point the business was sold. A year-on-year comparison is therefore of limited value, especially as far as new orders, sales and operating profit in the Group consolidation and in the DEUTZ Power Systems segment are concerned. The comments therefore also refer to adjusted prior-year values for these items.

Economic environment

Robust economic situation The upward trend in the global economy continued in the first quarter of 2006 despite the continuing high level of raw material prices and increasing uncertainty caused by the worsening conflict with Iran. The Americas and Asia remained the main growth drivers. In addition, the higher income in the oil exporting countries of the Middle East led to an increase in demand in those countries. Given the uninterrupted pace of growth in the global economy, prospects for growth in the countries of the euro zone also showed some improvement.

Global growth gave a boost to the upturn in the German engineering industry. According to the German Engineering Federation (VDMA), in the first three months of 2006, new orders increased by 15 per cent compared with the same period in 2005, with domestic orders up 22 per cent, and international orders up by 13 per cent.

However, rising steel prices and the persistent strength of the euro could depress business.

Business performance in the DEUTZ Group

New orders, sales and unit sales show a marked increase In the first quarter of 2006, DEUTZ increased new orders by 14.3 per cent to €397.1 million (Q1 2005: €347.4 million). The most significant increase was in the new engine business in the Compact Engines segment. On a like-for-like basis (i.e. disregarding the contribution of the marine service business from January to March 2005), the actual rise in the level of new orders was around 22 per cent. At 31 March 2006, the orders on hand had risen to €321.5 million, an increase of 19.5 per cent on the same period in 2005 (Q1 2005: €269.0 million). With unit sales of 51,996 engines in the period under review, DEUTZ exceeded the equivalent unit sales figure of 45,038 engines in the first quarter of 2005 by 15.4 per cent.

Given the growth in new orders and unit sales, DEUTZ was able to increase sales in the first quarter of 2006 to €309.5 million (Q1 2005: €285.2 million), 8.5% up on the corresponding period in 2005. The highest growth rates were achieved in North America and Europe. Excluding the contribution from the marine service business up to March 2005, this equates to an upturn of around 18 per cent.

Operating profit margin rises to 4.2 per cent In the first quarter of 2006, operating profit (EBIT before one-off items) improved from €8.5 million in the first quarter of 2005 to €13.0 million, a rise of 52.9 per cent. This means that the EBIT margin before one-off items rose to 4.2 per cent in the first three months of 2006 compared with 3.0 per cent in the corresponding period in 2005. Disregarding the contribution from the marine service business up to March 2005, operating profit in the first quarter of 2005 would have been €0.2 million.

The Group operating profit comprised €13.7 million (Q1 2005: €7.6 million) in the Compact Engines segment, and minus €2.2 million (Q1 2005: €3.0 million) in DEUTZ Power Systems. Other operating income amounted to €1.5 million (Q1 2005: minus €2.1 million).

After one-off items, EBIT after the first three months was €13.0 million. In the first quarter of 2005 it was €75.5 million and included a one-off amount of €67.0 million from the sale of the marine service business.

Taking into account an improvement in net interest expenses of €1.0 million compared with the same period in 2005, net income before income taxes amounted to €5.6 million. The equivalent value for 2005 of €67.2 million includes the one-off item described above. For the 2006 reporting period, net income was €3.9 million, compared with €55.4 million in the first quarter of 2005.

Business performance in the Compact Engines segment

- **New orders up 24 per cent**
- **Significant improvement in operating profit**

	1–3/2006	1–3/2005
€ million		
New orders	313.7	254.0
Unit sales (units)	51.905	44.912
Sales	255.4	216.8
EBIT before one-off items	13.7	7.6

New orders, sales and unit sales register double-digit growth In the first quarter of 2006, the Compact Engines segment benefited as brisk business in the North American market continued and demand increased significantly, mainly in European countries outside Germany. In consequence, the level of new orders rose to €313.7 million (Q1 2005: €254.0 million), an increase of 23.5 per cent. Expansion in the new engine business was particularly strong. Unit sales increased by 15.6 per cent to 51,905 engines (Q1 2005: 44,912 engines). This included considerable growth in both liquid-cooled and air-cooled engine series. As far as liquid-cooled engines are concerned, the growth in unit sales was particularly strong in the 4 to 7-litre engine series.

In the reporting period, segment sales rose to €255.4 million (Q1 2005: €216.8 million), a rise of 17.8 per cent. The demand for engines to be used in construction equipment and materials handling equipment was a particular contributing factor to the high level of sales. The growth in gensets engine business was also encouraging. In the period under review, sales also benefited from the first deliveries of the new commercial vehicle engine. The service business for compact engines expanded, mainly in Europe, as a result of intensive marketing and an increase in Xchange® business using reconditioned products.

Operating profit up by 80 per cent Operating profit for the segment improved in the period under review from €7.6 million to €13.7 million, an increase of 80.3 per cent. In addition to the sharp increase in sales, the high level of capacity utilisation had a significant positive effect on the growth in earnings.

Business performance in the DEUTZ Power Systems segment

- **Unit sales of gas engines doubled**
- **Continuous improvement in operating profit on a like-for-like basis**

	1–3/2006	1–3/2005
€ million		
New orders	83.4	93.4
Unit sales (units)	91	126
Sales	54.1	68.4
EBIT before one-off items	-2.2	3.0

Business volume enjoys benefit of biogas projects In the DEUTZ Power Systems segment, new orders in the first quarter of 2006, at €83.4 million, were 10.7 per cent down on the same period in 2005 (Q1 2005: €93.4 million). However, on a like-for-like basis, excluding the contribution from the marine service business up to March 2005, clear growth of almost 19 per cent was achieved. Increases in new orders was mainly the result of biogas projects in Germany and a rise in demand in Benelux countries. Unit sales fell in line with expectations to 91 engines (Q1 2005: 126 engines) owing to reduced deliveries of diesel engines. Unit sales of gas engines doubled compared with the equivalent period in 2005.

Sales in the segment were €54.1 million (Q1 2005: €68.4 million). If the marine service business is stripped out for the period to March 2005, an increase in sales of around 19 per cent was achieved. New engine business with gas engines grew in line with the focus on decentralised power generation. Strong demand in European countries outside Germany led to a jump in sales of 88 per cent. As a result, gas engines accounted for 77 per cent of new engine sales (Q1 2005: 44 per cent). The drop in service business was down to the contribution to sales from the marine service business still included in the figures for the first quarter of 2005. On a like-for-like basis, the service business saw double-digit growth. Domestic business and Xchange® product business generated particularly strong growth.

Operating profit improved on like-for-like basis With the progress in the gas engines business and the optimisation of organisational and cost structures carried out in 2005, the segment was able to improve operating profit – disregarding the marine service business up to March 2005 – by €3.1 million to minus €2.2 million. Including the positive contribution from the marine service business, operating profit in the equivalent period in 2005 was €3.0 million.

Net assets and financial position

Total assets almost unchanged Despite the increase in business volume, total assets at the end of the first quarter of 2006 hardly changed at €1,057.1 million compared with €1,063.8 million at the end of 2005. Non-current assets fell by €7.0 million. The reduction was mainly concentrated in property, plant and equipment as a result of depreciation and a hesitant increase in capital expenditure. In parallel with the growth in the orders on hand, inventory levels also rose by €26.7 million to €241.3 million. Mainly as a result of this increase in inventories, working capital rose in the first quarter of 2006 to €279.9 million, an increase of €41.8 million on the end of 2005. However, this value was around €88 million lower than the equivalent figure at the end of the first quarter of 2005. At 31 March 2006, equity was showing an increase of €4.8 million at €251.8 million (31 December 2005: €247.0 million), mainly as a result of the positive net income. Compared with the end of 2005, the equity ratio therefore continued to improve with an increase from 23.2 per cent to 23.8 per cent. Following the ramp-up in production and the related increase in working capital, net financial debt increased from €15.7 million at 31 December 2005 to €51.3 million. However, this value is around €22 million lower than the value at the end of the equivalent period in 2005.

Cash flow from operating activities improves Compared with the corresponding quarter in 2005, cash flow from operating activities moved from minus €35.2 million to minus €25.7 million, an improvement of €9.5 million. This was mainly down to the positive change in working capital compared with the first quarter of 2005. Cash flow from investing activities amounted to minus €7.5 million. The figure of €88.1 million in the first quarter of 2005 was characterised by the sale of the marine service business. Cash flow from financing activities amounted to minus €3.9 million (Q1 2005: €43.4 million). This figure includes the repayment of loans in addition to a small level of interest payments. A greater value of loans was raised in the first quarter of 2005.

Capital expenditure

In the first quarter of 2006, capital expenditure amounted to €13.7 million (Q1 2005: €8.5 million) including the capitalisation of development expenses. Capital expenditure in the period under review included €4.0 million on capitalised development costs, compared with €3.6 million in the first quarter of 2005. €13.2 million was attributable to the Compact Engines segment (Q1 2005: €8.3 million), and €0.5 million to the DEUTZ Power Systems segment (Q1 2005: €0.2 million).

As a result of the increase in business volume, capital expenditure was released for the expansion of production capacity. This mainly affected production units in the Compact Engines segment.

Research and development

Expenditure on research and development (R&D) in the first quarter of 2006 was €15.7 million, representing a drop of 6.0 per cent on the corresponding value of €16.7 million in 2005. The ratio of R&D expenditure to sales in the new engine business fell as planned from 8.3 per cent to 6.6 per cent.

R&D expenditure in the Compact Engines segment amounted to €12.6 million (Q1 2005: €14.0 million). Much of this expenditure was concentrated on series 2013 engines with the launch of the EURO 4 version for commercial vehicles and the Stage 3 version for industrial applications. In addition, R&D support services were supplied for the pre-series production of the new AgriPower engine in the TCD 2013 4V series. DEUTZ also carried out preliminary development for the next emission stages as well as pushing forward with the ongoing development of existing series.

In the DEUTZ Power Systems segment, there was a slight increase in R&D expenditure to €3.1 million (Q1 2005: €2.7 million).

Employees

At 31 March 2006, DEUTZ employed 5,125 people worldwide. This amounts to 275 fewer employees (5.1 per cent) than at the end of March 2005 (5,400 employees). The reduction is mainly down to the sale of the marine service business. 181 employees transferred to the purchaser, Wärtsilä, as part of the sale arrangements. In addition, the size of the workforce contracted following a reduction in the number of subsidiaries and a further concentration on core business. In the period under review, an average of 148 persons were employed under temporary employment agreements, representing an increase of 50 persons over the corresponding period in 2005.

The number of employees in Germany sank to 4,030 (Q1 2005: 4,152), and in other countries to 1,095 (Q1 2005: 1,248). At the end of March, the total number of employees in the Compact Engines segment was 4,111 (Q1 2005: 4,121), and in the DEUTZ Power Systems segment, 1,014 (Q1 2005: 1,279).

DEUTZ shares

DEUTZ share price starts the year with a significant gain DEUTZ shares started off in 2006 at a price of €4.13, but by 18 January had fallen to €4.00, the low for the quarter. Thereafter, the share price showed a general upward trend that sharpened more significantly following publication of the preliminary results for 2005. On 31 March, the DEUTZ share price stood at €6.98, the high for the quarter and 68.6 per cent above the price at the end of 2005. The DEUTZ share price therefore significantly outperformed the relevant indices. In the period under review, the SDAX rose by 20.4 per cent and the Prime Industrial sector index by 14.8 per cent.

At 31 March 2006, the number of DEUTZ shares had increased to 95.3 million following conversions of bonds issued in 2004. A total of 258,205 convertible bonds were converted into shares in the period under review. On this basis, market capitalisation at the end of the quarter was €664.9 million, representing an increase of 69.1 per cent over the end of December 2005 (€393.3 million).

Risk report

As a group operating in different application segments at a global level, DEUTZ is exposed to various business and regional risks. These risks are described in detail in the 2005 Annual Report. There were no subsequent changes to these risks during the first quarter of 2006.

Outlook

2006 outlook confirmed Assuming that market conditions remain largely unchanged and that raw materials prices do not differ from those at the end of 2005, DEUTZ is continuing to forecast sales growth of between 3 per cent and 6 per cent for the whole of 2006. The growth in operating profit and EBIT margin is expected to continue in 2006. The largest contribution to earnings will in turn come from the Compact Engines segment. The Management Board is also forecasting further improvements in operating profit for 2006 in the DEUTZ Power Systems segment.

The aim of the efficiency and growth programme (7 up) launched at the beginning of the year is to achieve an EBIT margin of 7 per cent during 2007; hitherto this figure was the target for 2008.

Cologne, May 2006

DEUTZ AG

Management Board

Interim Consolidated Financial Statements, 1st Quarter 2006

Income statement of the DEUTZ Group

	1–3/2006	1–3/2005
€ million		
Sales	**309.5**	**285.2**
Changes in inventories and other own work capitalised	18.0	12.6
Other operating income	16.8	76.9
Cost of materials	-202.2	-170.6
Staff costs	-73.6	-74.7
Depreciation and amortisation	-15.6	-14.0
Other operating expenses	-40.4	-40.3
Gains on investments measured at equity	0.5	0.4
EBIT	**13.0**	**75.5**
thereof one-off items	**–**	**67.0**
thereof operating profit (EBIT before one-off items)	**13.0**	**8.5**
Interest expenses, net	-7.1	-8.1
thereof financial expenses	-7.4	-8.5
Other taxes	-0.3	-0.2
Net income before income taxes	**5.6**	**67.2**
Income taxes	-1.7	-11.8
Net income	**3.9**	**55.4**
thereof minority interest	-0.1	–
thereof attributable to the shareholders of the parent enterprise	4.0	55.4
Earnings per share		
Earnings per share, undiluted, in €	0.04	0.61
Earnings per share, diluted, in €	0.04	0.47

Balance sheet of the DEUTZ Group

Assets

	31/3/2006	31/12/2005
€ million		
Property, plant and equipment	353.5	360.5
Intangible assets	94.4	94.9
Financial assets measured at equity	13.0	13.1
Other financial assets	11.0	10.7
Fixed assets	**471.9**	**479.2**
Deferred tax assets	56.4	56.5
Non-current assets	**528.3**	**535.7**
Inventories	241.3	214.6
Non-current assets held for sale	2.4	2.4
Trade receivables	184.4	189.2
Other receivables and assets	89.6	73.5
Cash and cash equivalents	11.1	48.4
Current assets	**528.8**	**528.1**
Total assets	**1,057.1**	**1,063.8**

Equity and liabilities

Issued capital	243.5	242.9
Additional paid-in capital	20.3	20.1
Other reserves	1.7	1.6
Net income	4.0	71.6
Loss carried forward	-18.2	-89.8
Equity attributable to the shareholders of the parent enterprise (DEUTZ Group's interest)	**251.3**	**246.4**
Minority interest	0.5	0.6
Equity	**251.8**	**247.0**
Provisions for pensions and other post-retirement benefits	282.0	283.6
Deferred tax provisions	0.7	0.7
Other provisions	41.6	42.4
Financial liabilities	117.2	114.2
Other liabilities	1.8	1.9
Non-current liabilities	**443.3**	**442.8**
Provisions for pensions and other post-retirement benefits	26.1	26.8
Provision for current income taxes	7.6	8.3
Other provisions	82.3	70.7
Financial liabilities	18.8	23.9
Trade payables	145.8	165.7
Other liabilities	81.4	78.6
Current liabilities	**362.0**	**374.0**
Total equity and liabilities	**1,057.1**	**1,063.8**

Statement of changes in equity

	Issued capital	Additional paid-in capital	Fair value reserve [1], [2]	Currency translation adjustment [1]	Accumu-lated loss/ loss carried forward	DEUTZ Group's interest	Minority interest	Total
€ million								
Balance at 1/1/2005	**233.0**	**18.0**	**-0.2**	**-3.1**	**-89.8**	**157.9**	**0.8**	**158.7**
Accumulated other comprehensive loss				1.8		1.8		1.8
Net loss					55.4	55.4		55.4
Sum of net loss and accumulated other comprehensive loss				1.8	55.4	57.2		57.2
Balance at 31/3/2005	**233.0**	**18.0**	**-0.2**	**-1.3**	**-34.4**	**215.1**	**0.8**	**215.9**
Balance at 1/1/2006	**242.9**	**20.1**	**-1.3**	**2.9**	**-18.2**	**246.4**	**0.6**	**247.0**
Increase due to exercise of conversion rights on convertible bonds	0.6	0.2				0.8		0.8
Accumulated other comprehensive income			1.3	-1.2		0.1		0.1
thereof reversal in net income			(-0.4)			(-0.4)		(-0.4)
Net income					4.0	4.0	-0.1	3.9
Sum of net income and accumulated other comprehensive income			1.3	-1.2	4.0	4.1	-0.1	4.0
Balance at 31/3/2006	**243.5**	**20.3**	**–**	**1.7**	**-14.2**	**251.3**	**0.5**	**251.8**

[1] These items are aggregated as “Other reserves” on the face of the balance sheet.

[2] Reserve from the measurement of cash flow hedges and reserves from the measurement of available-for-sale financial assets.

Cash flow statement of the DEUTZ Group

	1–3/2006	1–3/2005
€ million		
EBIT	**13.0**	**75.5**
Interest income	0.3	0.4
Other taxes paid	-0.3	-0.2
Income taxes paid	-2.0	–
Depreciation, amortisation of non-current assets	15.6	14.0
Gains/losses on the sale of businesses	–	-67.0
Gains/losses on the sale of non-current assets	–	0.1
Other non-cash income and expenses	-4.2	-5.0
Change in inventories	-28.3	-17.2
Change in receivables and other assets	-13.3	-6.0
Change in current provisions and liabilities (excl. financial liabilities)	-4.4	-28.5
Change in non-current provisions and liabilities (excl. financial liabilities)	-2.1	-1.3
Cash flow from operating activities	**-25.7**	**-35.2**
Capital expenditure on intangible assets and property, plant and equipment	-7.5	-8.5
Cash receipts from the sale of businesses	–	96.6
Cash flow from investing activities	**-7.5**	**88.1**
Interest expenses	-1.7	-2.5
Cash receipts from borrowings	6.9	98.9
Repayment of loans	-9.1	-53.0
Cash flow from financing activities	**-3.9**	**43.4**
Cash flow from operating activities	-25.7	-35.2
Cash flow from investing activities	-7.5	88.1
Cash flow from financing activities	-3.9	43.4
Change in cash and cash equivalents	**-37.1**	**96.3**
Cash and cash equivalents on 1 January	**48.4**	**7.8**
Change in cash and cash equivalents	-37.1	96.3
Exchange rate-related change in cash and cash equivalents	-0.2	0.2
Cash and cash equivalents on 31 March	**11.1**	**104.3**

DEUTZ Group – Notes to the Consolidated Financial Statements, 1st Quarter 2006

Principles

The consolidated financial statements of DEUTZ AG for the 2005 financial year were prepared for the first time in accordance with the International Financial Reporting Standards (IFRSs) applicable throughout the European Union as at 31 December 2005. The IFRSs comprise the IFRSs promulgated by the International Accounting Standards Board (IASB), the International Accounting Standards (IASs), and the interpretations of both the International Financial Reporting Interpretations Committee (IFRIC) and the Standard Interpretations Committee (SIC).

The 2005 consolidated financial statements are consistent with the statutory obligations applicable to publicly traded parent companies subject to disclosure requirements pursuant to section 315a (1) of the German Commercial Code (HGB) in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 concerning the adoption of current international accounting standards in the version applicable at the time (IAS Regulation). The supplementary provisions of the German Joint Stock Corporation Act (AktG) have been applied.

The unaudited interim financial statements of the DEUTZ Group for the three months to 31 March 2006 have been prepared in accordance with the accounting policies applied in the 2005 consolidated financial statements. A detailed description of these policies is published in the notes to the consolidated financial statements included in the 2005 Annual Report.

Consolidated enterprises and principles of consolidation

Since 31 December 2005, there have been no changes to the group of enterprises included in the consolidation, neither have there been any changes to the principles of consolidation.

Contingent liabilities

There were no material changes to contingent liabilities and other financial obligations in the period from 31 December 2005 to 31 March 2006.

Events after the balance sheet date (31 March 2006)

In April, pursuant to section 21 (1) of the German Securities Trading Act (WpHG), FMR Corp., USA, announced that it now held 5.1 per cent of the voting rights in DEUTZ AG.

On 27 April 2006, Dr Michael Endres, chairman of the Supervisory Board of DEUTZ AG resigned as member and chairman of the company's Supervisory Board with effect from the end of the Annual General Meeting on 22 June 2006. Mr Peter Zühlsdorff has also stepped down from the Supervisory Board with effect from the end of the Annual General Meeting. The Supervisory Board will propose Dr Michael Lichtenauer and Gino Mario Biondi as their successors at the Annual General Meeting on 22 June 2006.

Pursuant to section 35 of the German Securities Acquisition and Takeover Act (WpÜG), SAME DEUTZ-FAHR Holding & Finance BV announced on 9 May 2006 that, in addition to its 26,831,977 voting rights in DEUTZ AG, it had acquired a further 9,981,630 voting rights following the exercise of conversion rights on 998,163 profit-sharing rights. Following the exercise of these conversion rights, SAME DEUTZ-FAHR Holding & Finance BV now holds 36,813,607 voting rights in DEUTZ AG. This equates to a holding of around 34.98 per cent of voting rights. SAME DEUTZ-FAHR Holding & Finance BV thereby acquired control of DEUTZ AG on 9 May 2006 pursuant to section 29 (2) WpÜG. Pursuant to the provisions of WpÜG, it is therefore mandatory for SAME DEUTZ-FAHR Holding & Finance BV to issue an offer to acquire all the ordinary bearer shares in DEUTZ AG against payment of a reasonable price. The Management Board and the Supervisory Board of DEUTZ AG have taken note of the announcement of a mandatory offer pursuant to the WpÜG and will comment accordingly once the offer documentation has been submitted.

Financial Calendar

Dates 2006	Event	Location
22 June	Annual General Meeting 2006	Koelnmesse, Cologne
15 August	Publication Interim Report 1st Half-year 2006 Press conference Conference call with analysts and investors	DEUTZ AG, Cologne
15 November	Publication Interim Report 1st to 3rd Quarter 2006 Conference call with analysts and investors	–
Dates 2007		
27 March	Annual Results press conference Publication Annual Report 2006	DEUTZ AG, Cologne
24 May	Annual General Meeting 2007	Koelnmesse, Cologne

Disclaimer

This publication includes certain statements about future events and developments, together with details and estimates provided by the company. Such forward-looking statements include known and unknown risks, uncertainties and other factors that may mean that the actual performances, developments and results in the company or those in sectors important to the company are significantly different (especially from a negative point of view) to those expressly or implicitly assumed in these statements. The Management Board cannot therefore make any warranty with regard to the statements made in this management report.

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