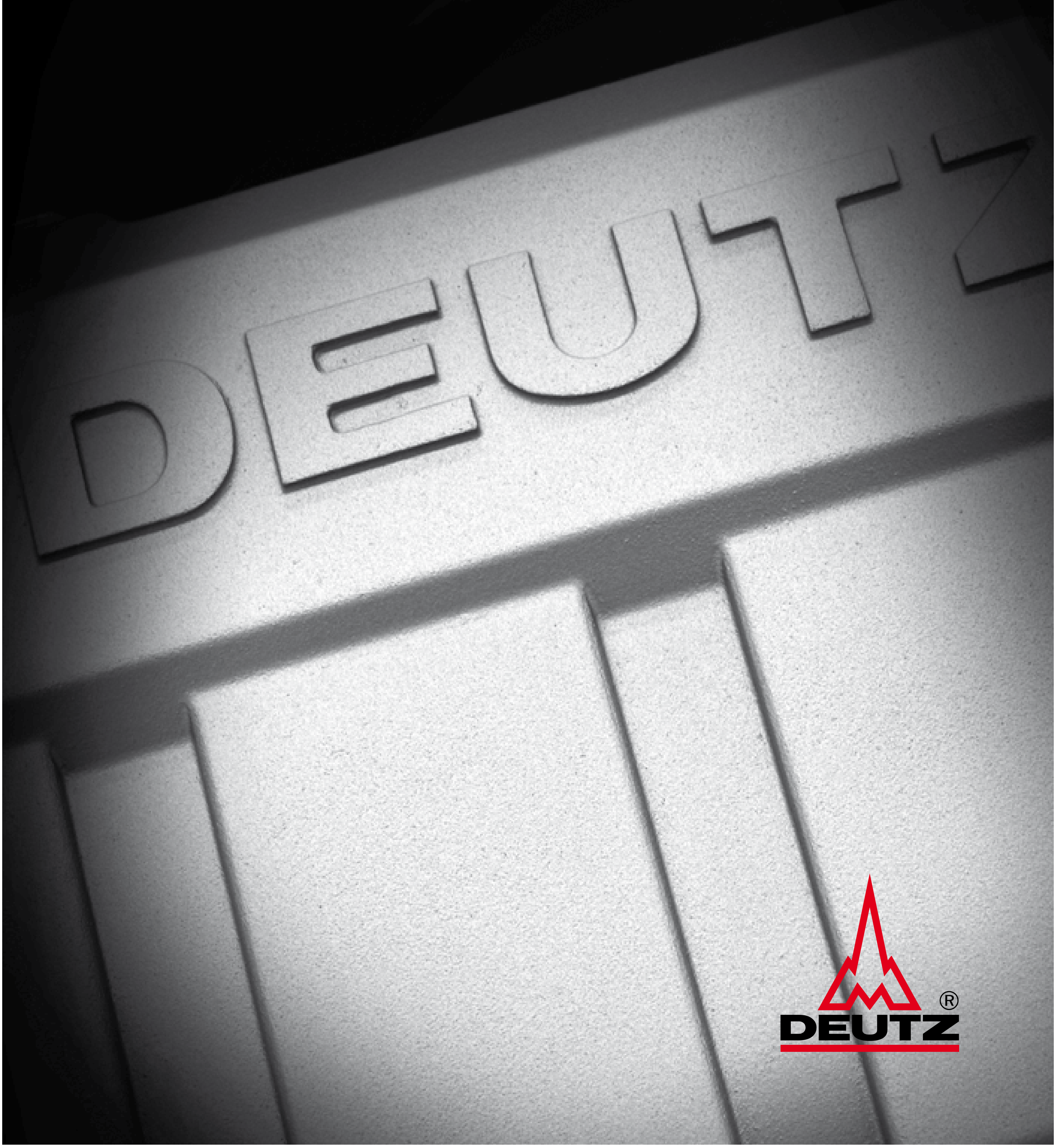
Interim Report 1st Half-year 2006

1 January to 30 June 2006

- Operating profit gains 50 per cent
- New orders continue to grow at double-digit rate
- Positive outlook confirmed



DEUTZ

The 1st Half-year at a Glance

DEUTZ Group: Key figures

	4–6/ 2006	4–6/ 2005	1–6/ 2006	1–6/ 2005
€ million				
New orders	421.3	357.5	818.4	704.9
Unit sales (units)	56,936	51,472	108,932	96,510
Sales	335.5	338.5	645.0	623.7
thereof excl. Germany (in %)	73.2	71.5	73.9	72.3
EBITDA	37.9	28.7	66.5	118.2
EBITDA before one-off items	37.9	28.7	66.5	51.2
EBIT	21.1	14.2	34.1	89.7
One-off items	–	–	–	67.0
Operating profit (EBIT before one-off items)	21.1	14.2	34.1	22.7
EBIT margin before one-off items (in %)	6.3	4.2	5.3	3.6
Net income before income taxes	15.7	7.1	21.3	74.3
Net income	13.4	6.9	17.3	62.3
Earnings per share, undiluted, in €	0.13	0.07	0.17	0.68
Earnings per share, diluted, in €	0.10	0.06	0.14	0.53
Total assets (30 June)	1,063.3	1,054.0	1,063.3	1,054.0
Equity (30 June)	311.7	222.8	311.7	222.8
Equity ratio (in %)	29.3	21.1	29.3	21.1
Cash flow from operating activities	16.8	24.6	-8.9	-10.6
Net financial debt [1]	53.2	68.1	53.2	68.1
Capital expenditure (excl. capitalisation of R&D)	13.1	10.4	22.8	15.3
Research and development	17.1	15.1	32.8	31.8
Employees as at 30 June (number)	5,288	5,184	5,288	5,184

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

DEUTZ Group: Segments

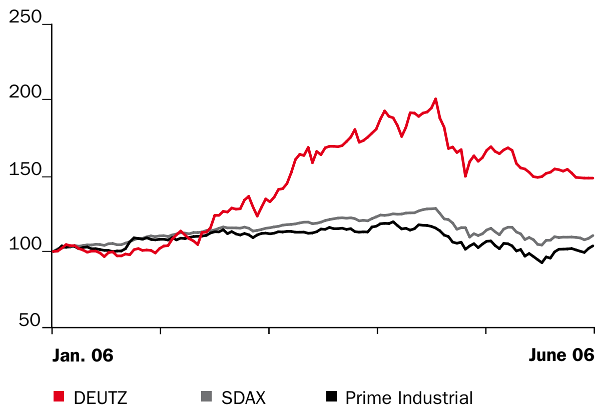
	4–6/ 2006	4–6/ 2005	1–6/ 2006	1–6/ 2005
€ million				
New orders	**421.3**	**357.5**	**818.4**	**704.9**
Compact Engines	327.1	274.3	640.8	528.3
DEUTZ Power Systems	94.2	83.2	177.6	176.6
Unit sales (units)	**56,936**	**51,472**	**108,932**	**96,510**
Compact Engines	56,780	51,262	108,685	96,174
DEUTZ Power Systems	156	210	247	336
Sales	**335.5**	**338.5**	**645.0**	**623.7**
Compact Engines	269.9	252.4	525.3	469.2
DEUTZ Power Systems	65.6	86.1	119.7	154.5
Operating profit (EBIT before one-off items)	**21.1**	**14.2**	**34.1**	**22.7**
Compact Engines	18.3	16.2	32.0	23.8
DEUTZ Power Systems	2.6	-1.4	0.4	1.6
Others	0.2	-0.6	1.7	-2.7

DEUTZ share

	1–6/2006	1–6/2005
Number of shares (30 June)	112,710,471	91,149,075
Number of shares (average)	101,064,807	91,149,075
Share price (30 June) in €	6.15	4.13
Share price (high) in €	8.32	4.38
Share price (low) in €	6.15	2.86
Market capitalisation (30 June) in € million	693.2	376.4

Based on Xetra closing prices

Performance of the DEUTZ share
in %



Dear shareholders,

Our performance in the first half of 2006 impressively proves the growth potentials of DEUTZ. With double-digit growth rates for sales, new orders, and the operating profit, we can be very satisfied with the first six months of the year.

In new orders, the very favourable development of the first quarter continued. Compared to the first half of 2005, orders for compact engines increased by as much as 24 per cent. Supported by the strong growth, the Group's operating profit (EBIT before one-off items) for the first six months amounted to €34.1 million, representing a 50 per cent rise. The EBIT margin already exceeded 5 per cent as a consequence. This development is highly impressive considering that the first quarter of 2005 was the last one to include a contribution from the marine service business, which was then sold. In the first half of 2006, net income was strong at €17.3 million, of which €13.4 million was generated in the second quarter alone.

Demand for our compact engines remains very brisk. We sold 108,685 engines – 13 per cent more than in the previous year. The operating profit of €32.0 million in the Compact Engines segment for the six-month period demonstrates that we are well on the way to reaching our target for 2006.

In the DEUTZ Power Systems segment, strong demand for gas engines continued due to the persistently high prices of fossil fuels. Gas engine sales rose significantly in the first half of 2006 and accounted for more than 80 per cent of new engine sales. This increase confirms the success of our strategy to focus on gas engines. At €2.6 million, the operating profit was €4.0 million higher in the second quarter of 2006 than in the same period in 2005. The EBIT margin was 4 per cent in the second quarter.

Undoubtedly, you have been interested in tracking the mandatory offer for the purchase of all bearer shares of DEUTZ AG, which SAME DEUTZ-FAHR (SDF) published on 3 June 2006. SDF was obligated to do so under German law after exceeding the 30 per cent threshold of DEUTZ AG's issued capital as an outcome of the conversion of profit-sharing rights and bonds. The offered price was €6.12 per DEUTZ share. On 9 June 2006, the Management Board and Supervisory Board of DEUTZ AG issued a joint statement on the mandatory offer in which the shareholders were advised not to accept the offer. In our opinion, the value of the DEUTZ share is considerably higher than this price. In addition, our independence is an indispensable condition for the achievement of our corporate goals and an important cornerstone of our present and future success. The offer was only accepted for 1.45 per cent of the DEUTZ shares; at the end of the offering period on 3 July 2006, SDF held a 40.3 per cent stake in DEUTZ AG.

We expect the most significant trends for our business to continue in the second half of the year. For fiscal 2006, we therefore anticipate growth that may reach into the double-digit percentage range with a noticeable improvement in the EBIT margin from 2005.

Kind regards

GRiske

Gordon Riske

Chairman of the Management Board

Interim Report 1st Half-year 2006

Introduction

Comparability of figures after the sale of the marine service business in 2005 The figures for the first half 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 for the first six months 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 for the half-year comparison of these items therefore also refer to adjusted prior-year values. The figures reported for the second quarter, however, are comparable.

Economic environment

In the first half of 2006, the world economy was in exceptionally good shape despite the continued high prices for raw materials and energy. Once again, the favourable trend was supported by the USA, the emerging markets in Asia, where China's economy grew even faster than expected, and the energy-exporting countries.

The German economy also exhibited a noticeable upward trend. The lively industrial economy continued to pick up. The economic situation in the construction, trade, and service sectors improved too. While for a long time the recovery of the economy was almost exclusively driven by exports, domestic demand has now started to strengthen as well. This gave the economic growth in Germany a broader base and made it more robust. The trend in the construction business was especially pleasing, with the first signs that the long-standing crisis in the German construction industry is finally coming to an end this year.

The German engineering industry continued to post strong growth. According to the German Engineering Federation (VDMA), new orders were 15 per cent higher in the first six months of 2006 than in 2005. The 19 per cent rise in domestic demand was particularly pleasing. New orders from foreign countries increased by 13 per cent. This sector is well on the way to its third record year in a row in 2006.

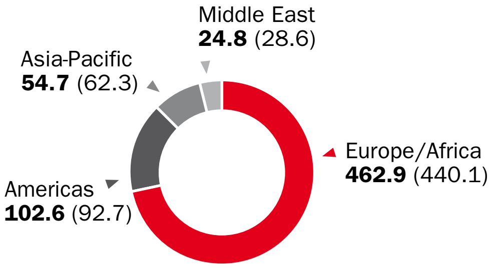
Business performance in the DEUTZ Group

New orders and unit sales continue to grow at a double-digit rate In the first half of 2006, DEUTZ increased new orders by 16.1 per cent to €818.4 million (H1 2005: €704.9 million). Orders in the Compact Engines segment grew at the especially brisk rate of 21.3 per cent. 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 20 per cent. As of 30 June 2006, new orders rose 41.4 per cent year-on-year to €407.3 million (H1 2005: €288.0 million). With 108,932 engines sold, DEUTZ exceeded the corresponding prior-year total of 96,510 engines by 12.9 per cent.

Sales rise by 7 per cent on a like-for-like basis Group sales increased by 3.4 per cent in the first half of 2006 to €645.0 million (H1 2005: €623.7 million). Both compact engines and gas engines achieved double-digit growth, while sales of diesel engines in the DEUTZ Power Systems segment declined as planned. In the course of the strategic focus on gas engines at DEUTZ Power Systems, we are deliberately scaling back our business with diesel engines. On a like-for-like basis, in other words excluding the contributions of the marine service business, sales rose 7 per cent from the first half of 2005.

Sales in the Americas improve by 11 per cent From a regional perspective, growth was strongest in the Americas at around 11 per cent. The region Europe/Africa achieved an increase of around 5 per cent. The expansion in sales of just under 10 per cent in the European countries outside of Germany had an especially pronounced effect here.

DEUTZ Group: Sales by regions
in €m (2005 figures)



EBIT margin rises to 5.3 per cent In the first half of 2006, the operating profit (EBIT before one-off items) improved by 50.2 per cent from €22.7 million to €34.1 million. Accordingly, the EBIT margin before one-off items rose to 5.3 per cent in the first six months of 2006 (H1 2005: 3.6 per cent). Disregarding the contribution from the marine service business up to March 2005, the operating profit in the first half of 2005 would have been €14.4 million.

After one-off items, EBIT for the first six months of 2006 amounted to €34.1 million. In the first half of 2005, it was €89.7 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 expense of €3.0 million compared with the same period in 2005, net income before taxes amounted to €21.3 million. The comparable total of €74.3 million in the previous year included the one-off amount referred to above. Due to the continued reduction of net financial debt and the conversion of bonds to shares, interest expenses were considerably lower year-on-year. Net income for the first six months of the year amounted to €17.3 million (H1 2005: €62.3 million).

Operating profit improves by 49 per cent quarter-on-quarter In the second quarter of 2006, DEUTZ continued the very favourable trend of the first three months of the current fiscal year. New orders rose by around 18 per cent from the second quarter of 2005 to €421.3 million (Q2 2005: €357.5 million) while unit sales improved by around 11 per cent to 56,936 engines sold (Q2 2005: 51,472 engines). The growth was primarily a result of the persistently strong demand for engines for mobile machinery in the North American market. In contrast, diesel engine sales declined in the DEUTZ Power Systems segments, predominantly due to our exit from the marine business. Quarter-on-quarter sales remained stable at €335.5 million (Q2 2005: €338.5 million).

The operating profit rose around 49 per cent from the second quarter in 2005 to €21.1 million (Q2 2005: €14.2 million). This improvement reflects the turnaround achieved as a consequence of focussing on gas engines in the DEUTZ Power Systems segment and the growth in earnings in compact engines. After a €2 million rise in net interest expense, net income for the second quarter of 2006 was €13.4 million, after €6.9 million in the same period in 2005.

Business performance in the Compact Engines segment

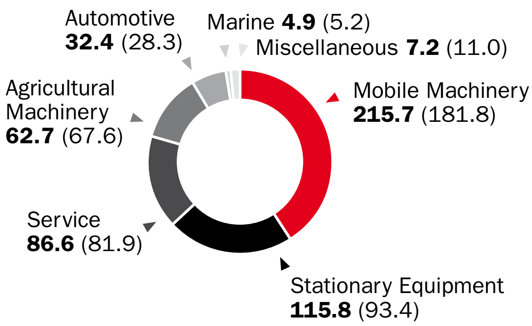
- **New orders up 21 per cent**
- **Operating profit gains 35 per cent**

	4–6/ 2006	4–6/ 2005	1–6/ 2006	1–6/ 2005
€ million				
New orders	327.1	274.3	640.8	528.3
Unit sales (units)	56,780	51,262	108,685	96,174
Sales	269.9	252.4	525.3	469.2
EBIT before one-off items	18.3	16.2	32.0	23.8

Growth of new orders, unit sales, and sales continues In the first half of 2006, brisk business in the North American market continued in the Compact Engines segment, and demand increased significantly, mainly in European countries outside Germany. The growth was focussed on engines for mobile machinery and stationary equipment. New orders improved by 21.3 per cent to €640.8 million (H1 2005: €528.3 million). Both the new engine business and the service business contributed to the strong rise with 24.1 per cent and 6.3 per cent growth respectively. Unit sales increased by 13.0 per cent to 108,685 engines (Q1 2005: 96,174 engines). Double-digit growth was achieved in both liquid-cooled and air-cooled engine series. As far as liquid-cooled engines are concerned, the rise in unit sales was particularly strong in the series of engines with up to 4-litre capacity at around 15 per cent.

Segment sales increased by 12.0 per cent in the first six months of 2006 and reached €525.3 million (H1 2005: €469.2 million). The demand for engines for construction equipment and materials handling equipment as well as engines for generating sets and pump sets was an especially strong contributing factor in the high level of sales. In the period under review, sales also benefited from the first deliveries of the new commercial vehicle engine. The service business for compact engines was expanded with intensive marketing efforts.

Compact Engines: Sales by application segments
in €m (2005 figures)



Operating profit up by 35 per cent In the period under review, the operating profit for the segment improved by 34.5 per cent, from €23.8 million to €32.0 million. The positive effects from the better utilisation of production capacities, combined with the continued measures to boost productivity, exceeded the effects of the rise in the materials cost-to-sales ratio. The EBIT margin increased from 5.1 per cent in the first six months of 2005 to 6.1 per cent.

New orders improve by 19 per cent in second quarter In the second quarter of 2006, new orders rose 19.2 per cent year-on-year to €327.1 million (Q2 2005: €274.3 million). From April to June, 10.8 per cent growth was achieved with 56,780 engines sold (Q2 2005: 51,262 engines). Sales grew at a less pronounced rate of just under 7 per cent and reached €269.9 million (Q2 2005: €252.4 million). The rise in unit sales was primarily generated with smaller engines below 4-litre capacity, which fetch lower sales prices. The operating profit improved by 13.0 per cent from the second quarter in 2005 to €18.3 million (Q2 2005: €16.2 million).

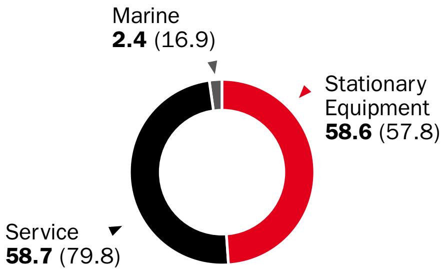
Business performance in the DEUTZ Power Systems segment

- **Focus on gas engines makes headway**
- **Comparable operating profit continues to stabilise**

	4–6/ 2006	4–6/ 2005	1–6/ 2006	1–6/ 2005
€ million				
New orders	94.2	83.2	177.6	176.6
Unit sales (units)	156	210	247	336
Sales	65.6	86.1	119.7	154.5
EBIT before one-off items	2.6	-1.4	0.4	1.6

Business volume enjoys benefit of biogas projects In the DEUTZ Power Systems segment, new orders in the first half of 2006, at €177.6 million, remained nearly at the level of the same period in 2005 (H1 2005: €176.6 million). However, on a like-for-like basis, excluding the contribution from the marine service business up to March 2005, clear growth of almost 16 per cent was achieved. Increases in new orders were mainly the result of a rise in demand from commercial greenhouses in the Benelux countries and biogas projects in Germany, primarily in the class of engines with a power range up to 1 MW. The total number of engines sold dropped to 247 engines as expected due to the reduction in deliveries of diesel engines (H1 2005: 336 engines). However, it was possible to increase unit sales of gas engines by 28 per cent from the first half of 2005. Segment sales remained behind the volume achieved in the previous year at €119.7 million (H1 2005: €154.5 million). Even excluding the sales of the marine service business for the period to March 2005, sales declined by around 9 per cent. The reduction in unit sales and sales is above all a consequence of the targeted strategic withdrawal from the marine market segment in favour of focussing on gas engines for decentralised power generation. The new engine business with gas engines grew due to strong demand in European countries outside of Germany and a 10.5 per cent rise in sales was achieved. As a result, gas engines accounted for 83 per cent of new engine sales (H1 2005: 61 per cent). The decline in the service business reflects the fact that the contribution to sales from the marine service business was still included in the figures for the first quarter of 2005. On a like-for-like basis, the service business increased by around 4 per cent.

DEUTZ Power Systems: Sales by application segments
in €m (2005 figures)



Operating profit improved on a like-for-like basis Due to the progress in the gas engine business and the optimisation of organisational and cost structures carried out in 2005, the segment was able to improve its operating profit – disregarding the marine service business up to March 2005 – by €7.1 million to €0.4 million. The improvement was achieved both in the new engine business and the service business.

Quarterly results confirm turnaround Since the marine service business was sold effective 31 March 2005, the second quarter of 2006 may be directly compared with the second quarter of 2005. New orders exceeded expectations and rose 13.2 per cent quarter-on-quarter to €94.2 million. The demand above all resulted from orders for engines that can be operated with biogas. A total of 156 engines were sold (Q2 2005: 210 engines). Sales declined to €65.6 million due to the withdrawal from certain diesel applications – in particular the marine market segment (Q2 2005: €86.1 million). The operating profit improved by €4.0 million to €2.6 million, representing a definite turnaround. Accordingly, the EBIT margin was 4.0 per cent in the second quarter of 2006.

Net assets and financial position

Equity ratio rises to 29 per cent Despite the rise in business volume, total assets remained stable at €1,063.3 million at the end of the first half of 2006 in comparison to 31 December 2005 (€1,063.8 million). Due to the very good orders situation, inventories increased as planned by €38.1 million to €252.7 million. Mainly as a result of this rise in inventories, working capital climbed to €289.7 million in the first half of 2006, which was €51.6 million higher than at the end of 2005. However, this value was around €50 million lower than the equivalent figure at the end of the first half of 2005, primarily as a consequence of our consistent working capital management. The considerable rise in equity by €64.7 million to €311.7 million on the reporting date 30 June 2006 (31 Dec. 2005: €247.0 million) reflects both our strong net income and the conversion of profit-sharing rights and bonds. This led to an increase in issued capital of around €45 million. Compared with the end of 2005, the equity ratio improved from 23.2 per cent to 29.3 per cent. The previous target of 25 per cent was therefore exceeded. Due to the very good orders situation and the related rise in working capital, net financial debt rose from €15.7 million at 31 December 2005 to €53.2 million. However, this value is around €15 million lower than at the end of June in 2005.

Rise in investing activities As a consequence of the favourable earnings situation, cash flow from operating activities improved from minus €10.6 million at the end of June 2005 to minus €8.9 million. Cash flow from investing activities amounted to minus €24.9 million due to the rise in investing activities. The prior-year figure of €71.0 million reflected the proceeds from the sale of the marine service business; excluding that factor the cash flow from investing activities was minus €23.1 million. Cash flow from financing activities was minus €3.5 million at the end of the first six months of 2006 and primarily includes interest expense payments. The high negative cash flow from financing activities in the first half of 2005 at minus €55.9 million resulted from the repayment of bank loans with the proceeds from the sale of the marine service business.

Capital expenditure

In the first half of 2006, capital expenditure including the capitalisation of development expenses amounted to €31.2 million (H1 2005: €23.2 million). The capitalised development expenses of €8.4 million relate entirely to the Compact Engines segment (H1 2005: €7.9 million). Capital expenditure in the Compact Engines segments totalled €30.3 million (H1 2005: €22.3 million). This figure includes a first part of the expenses for the administrative building in Cologne-Porz that is currently under construction. A total of €0.9 million was invested in the DEUTZ Power Systems segment (H1 2005: €0.9 million).

Due to the rise in business volume, additional investments were approved for the expansion of production capacities. These will predominantly enter into effect in the second half of 2006 and above all concern manufacturing activities in the Compact Engines segment.

Research and development

Expenditure on research and development in the first half of 2006 was €32.8 million, which was only slightly higher than the corresponding value of €31.8 million in 2005. As a result of the rise in sales, the proportion of R&D expenditures in new engine sales declined from 6.9 per cent to 6.6 per cent.

R&D expenditure in the Compact Engines segment amounted to €26.7 million (H1 2005: €26.4 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. Other R&D expenditures focussed on preparations for the series production of the new AgriPower engine. DEUTZ continued with the preliminary development for the next emission stages and the ongoing development of existing series.

In the DEUTZ Power Systems segment, there was a slight increase in R&D expenditure to €6.1 million (H1 2005: €5.4 million). Development efforts in this segment concentrated on specific adaptations of the engines for operations with various types of gas.

Employees

At 30 June 2006, DEUTZ had 5,288 employees worldwide. This represents a rise by 104 employees or 2.0 per cent from 30 June 2005 (5,184 employees). The increase resulted from the capacity expansion for component manufacturing and the start-up of series production of the new commercial vehicle engine. The sale and closure of strategically insignificant subsidiaries had an opposite effect.

DEUTZ had a total of 4,070 employees in Germany at 30 June 2006 (H1 2005: 4,026 employees) and 1,218 in other countries (H1 2005: 1,158 employees). A total of 4,298 employees worked in the Compact Engines segment on the same date (H1 2005: 4,084 employees) and 990 employees in the DEUTZ Power Systems segment (H1 2005: 1,100 employees).

An average of 172 persons were employed under temporary contracts in the period under review, representing an increase by 73 persons from the first half of 2005.

DEUTZ share

Lively second quarter for DEUTZ share The upward trend of the DEUTZ share initially continued in the second quarter of 2006. In April the share price was consistently above €7. In May, the performance was above all affected by short-term market uncertainty in connection with SAME DEUTZ-FAHR's mandatory offer announced on 9 May 2006. The share reached its highest point for the quarter and for the first six months on 11 May 2006 at €8.32. The mandatory offer price was €6.12 per DEUTZ share and was valid from 3 June to 3 July 2006. The lowest price in the quarter and at the same time in the first six months was at the end of June at €6.15. This represented a significant gain of 48.6 per cent on the closing price at year-end 2005. As a consequence, DEUTZ exceeded the SDAX, which in the same period improved by 10.5 per cent, and also outperformed the Prime Industrial index, which gained only 3.9 per cent.

Berenberg Bank and M.M. Warburg & Co. started their coverage of DEUTZ stock in the second quarter of 2006. M.M. Warburg & Co. recommended "hold" and Berenberg "buy".

Significant rise in market capitalisation The number of DEUTZ shares increased to 112,710,471 shares on the reporting date 30 June 2006, in particular as a consequence of the conversion of profit-sharing rights and bonds by SAME DEUTZ-FAHR. A total of 11,579,876 convertible bonds were converted to shares since the bond issue in July 2004. This means that 8,213,122 bonds are still outstanding. At €693.2 million, the market capitalisation of DEUTZ on 30 June 2006 was 76.2 per cent higher than at 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 half of 2006.

Outlook

Very favourable outlook for 2006 confirmed Assuming the market conditions remain unchanged, and in particular the price level of raw materials, DEUTZ expects on the basis of the business development in the first half of the year that sales will grow at a rate that may reach into the double-digit percentage range in 2006. The EBIT margin will improve markedly from 2005. The largest contribution to earnings will come from the Compact Engines segment. The Management Board is also forecasting further improvements in the operating profit for 2006 in the DEUTZ Power Systems segment compared to 2005. Capital expenditure (excluding development expenses) is likely to exceed €80 million.

The first effects of the "7 up" efficiency and growth programme launched at the beginning of the year will begin to be felt in the second half of the year. This initiative is intended to achieve the EBIT margin of 7 per cent originally targeted for 2008 by as early as 2007.

Cologne, August 2006

DEUTZ AG

The Management Board

Interim Consolidated Financial Statements, 1st Half-year 2006

Income statement of the DEUTZ Group

€ million	4–6/2006	4–6/2005	1–6/2006	1–6/2005
Sales	**335.5**	**338.5**	**645.0**	**623.7**
Changes in inventories and other own work capitalised	7.9	-7.7	25.9	4.9
Other operating income	9.9	12.9	26.7	89.8
Cost of materials	-206.4	-198.4	-408.6	-369.0
Staff costs	-75.8	-74.4	-149.4	-149.1
Depreciation and amortisation	-16.8	-14.5	-32.4	-28.5
Other operating expenses	-33.6	-42.7	-74.0	-83.0
Gains on investments measured at equity	0.4	0.5	0.9	0.9
EBIT	**21.1**	**14.2**	**34.1**	**89.7**
thereof one-off items	**–**	**–**	**–**	**67.0**
thereof operating profit (EBIT before one-off items)	**21.1**	**14.2**	**34.1**	**22.7**
Interest expenses, net	-4.9	-6.9	-12.0	-15.0
thereof financial expenses	-5.0	-7.1	-12.4	-15.6
Other taxes	-0.5	-0.2	-0.8	-0.4
Net income before income taxes	**15.7**	**7.1**	**21.3**	**74.3**
Income taxes	-2.3	-0.2	-4.0	-12.0
Net income	**13.4**	**6.9**	**17.3**	**62.3**
thereof minority interest	–	–	-0.1	–
thereof attributable to the shareholders of the parent enterprise	13.4	6.9	17.4	62.3
Earnings per share				
Earnings per share, undiluted, in €	0.13	0.07	0.17	0.68
Earnings per share, diluted, in €	0.10	0.06	0.14	0.53

Balance sheet of the DEUTZ Group

Assets

	30/6/2006	31/12/2005
€ million		
Property, plant and equipment	354.7	360.5
Intangible assets	94.3	94.9
Financial assets measured at equity	13.1	13.1
Other financial assets	11.0	10.7
Fixed assets	**473.1**	**479.2**
Deferred tax assets	56.1	56.5
Non-current assets	**529.2**	**535.7**
Inventories	252.7	214.6
Non-current assets held for sale	2.4	2.4
Trade receivables	189.6	189.2
Other receivables and assets	78.8	73.5
Cash and cash equivalents	10.6	48.4
Current assets	**534.1**	**528.1**
Total assets	**1,063.3**	**1,063.8**

Equity and liabilities

Issued capital	288.2	242.9
Additional paid-in capital	22.2	20.1
Other reserves	1.5	1.6
Net income	17.4	71.6
Loss carried forward	-18.2	-89.8
Equity attributable to the shareholders of the parent enterprise (DEUTZ Group's interest)	**311.1**	**246.4**
Minority interest	0.6	0.6
Equity	**311.7**	**247.0**
Provisions for pensions and other post-retirement benefits	278.8	283.6
Deferred tax provisions	0.7	0.7
Other provisions	41.3	42.4
Financial liabilities	69.0	114.2
Other liabilities	1.7	1.9
Non-current liabilities	**391.5**	**442.8**
Provisions for pensions and other post-retirement benefits	26.5	26.8
Provision for current income taxes	8.0	8.3
Other provisions	71.8	70.7
Financial liabilities	22.7	23.9
Trade payables	152.6	165.7
Other liabilities	78.5	78.6
Current liabilities	**360.1**	**374.0**
Total equity and liabilities	**1,063.3**	**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			-3.1	4.9		1.8		1.8
Net loss					62.3	62.3		62.3
Sum of net loss and accumulated other comprehensive loss			-3.1	4.9	62.3	64.1		64.1
Balance at 30/6/2005	**233.0**	**18.0**	**-3.3**	**1.8**	**-27.5**	**222.0**	**0.8**	**222.8**
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	19.8	4.2				24.0		24.0
Increase due to exercise of conversion rights on profit-sharing rights	25.5	-2.1				23.4		23.4
Accumulated other comprehensive income			2.9	-3.0		-0.1	0.1	–
thereof reversal in net income			(-0.7)			(-0.7)		(-0.7)
Net income					17.4	17.4	-0.1	17.3
Sum of net income and accumulated other com-prehensive income			2.9	-3.0	17.4	17.3		17.3
Balance at 30/6/2006	**288.2**	**22.2**	**1.6**	**-0.1**	**-0.8**	**311.1**	**0.6**	**311.7**

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

	1–6/2006	1–6/2005
€ million		
EBIT	**34.1**	**89.7**
Interest income	0.4	0.6
Other taxes paid	-0.8	-0.4
Income taxes paid	-4.3	–
Depreciation, amortisation of non-current assets	32.4	28.5
Gains/losses on the sale of businesses	–	-67.0
Gains/losses on the sale of non-current assets	0.3	–
Other non-cash income and expenses	-7.8	-8.9
Change in inventories	-42.5	-4.4
Change in receivables and other assets	-9.9	-4.7
Change in current provisions and liabilities (excl. financial liabilities)	-5.4	-39.9
Change in non-current provisions and liabilities (excl. financial liabilities)	-5.4	-4.1
Cash flow from operating activities	**-8.9**	**-10.6**
Capital expenditure on intangible assets and property, plant and equipment	-25.1	-23.0
Capital expenditure on investments	0.1	-0.2
Cash receipts from the sale of businesses	–	94.1
Proceeds from the sale of non-current assets	0.1	0.1
Cash flow from investing activities	**-24.9**	**71.0**
Interest expenses	-3.1	-4.8
Cash receipts from borrowings	26.2	102.3
Repayment of loans	-26.6	-153.4
Cash flow from financing activities	**-3.5**	**-55.9**
Cash flow from operating activities	-8.9	-10.6
Cash flow from investing activities	-24.9	71.0
Cash flow from financing activities	-3.5	-55.9
Change in cash and cash equivalents	**-37.3**	**4.5**
Cash and cash equivalents on 1 January	**48.4**	**7.8**
Change in cash and cash equivalents	-37.3	4.5
Exchange rate-related change in cash and cash equivalents	-0.5	0.5
Cash and cash equivalents on 30 June	**10.6**	**12.8**

DEUTZ Group – Notes to the Consolidated Financial Statements, 1st Half-year 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 (IFRS) applicable throughout the European Union as at 31 December 2005. The IFRS comprise the IFRS promulgated by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), 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 as amended from time to 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 as at 30 June 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 existing contingent liabilities and other financial obligations in the period from 31 December 2005 to 30 June 2006.

Events after the balance sheet date (30 June 2006)

Within the context of its interim financial reporting, AB Volvo announced on 21 July 2006 that it had acquired 1.7 million DEUTZ shares in July, thus increasing its ownership in DEUTZ AG to 7.2 per cent. According to Volvo, this acquisition was made to secure the long-term ownership in DEUTZ.

The formal offer by SAME DEUTZ-FAHR to DEUTZ AG's shareholders for the acquisition of all ordinary bearer shares of DEUTZ AG expired on 3 July 2006 at 12:00 p.m. A total of 1,628,070 DEUTZ shares were subscribed to during the offer, representing a share of 1.45 per cent of the share capital and the voting rights. Accordingly, the interest of SAME DEUTZ-FAHR in DEUTZ AG was increased to 40.3 per cent.

Pursuant to section 35 of the German Securities Acquisition and Takeover Act (WpÜG), SAME DEUTZ-FAHR Holding & Finance BV had announced on 9 May 2006 that it held 36,813,607 voting rights of DEUTZ AG following the exercise of conversion rights on profit-sharing rights. This equated to a holding of around 34.98 per cent of voting rights. As a result, SAME DEUTZ-FAHR had acquired control of DEUTZ AG pursuant to section 29 (2) of the German Securities Acquisition and Takeover Act (WpÜG). Pursuant to the provisions of the WpÜG, it was 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 formal offer, with a term of acceptance running from 3 June 2006 to 3 July 2006 12:00 p.m., resulted in an issue price of €6.12 per DEUTZ share. The Management Board and Supervisory Board of DEUTZ AG published a joint statement on 9 June 2006 in which both Boards recommend the shareholders not to accept the formal offer.

Other disclosures

The Annual General Meeting of DEUTZ AG took place in Cologne on 22 June 2006, with 53.65% of the voting capital present at this meeting. The shareholders approved the proposals with regard to discharging the Management Board and the Supervisory Board, appointing an auditor for financial year 2006, electing Dr. Giuseppe Vita and Gino Mario Biondi to the Supervisory Board, the creation of authorized capital including the related amendment of the Articles of Association as well as the amendments to articles 18 and 19 of the Articles of Association. The voting results have been published on the Company's website under www.deutz.com.

Following the Annual General Meeting, Dr. Giuseppe Vita was elected by the Supervisory Board of DEUTZ AG as its new chairman.

Financial Calendar

Dates 2006	Event	Location
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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