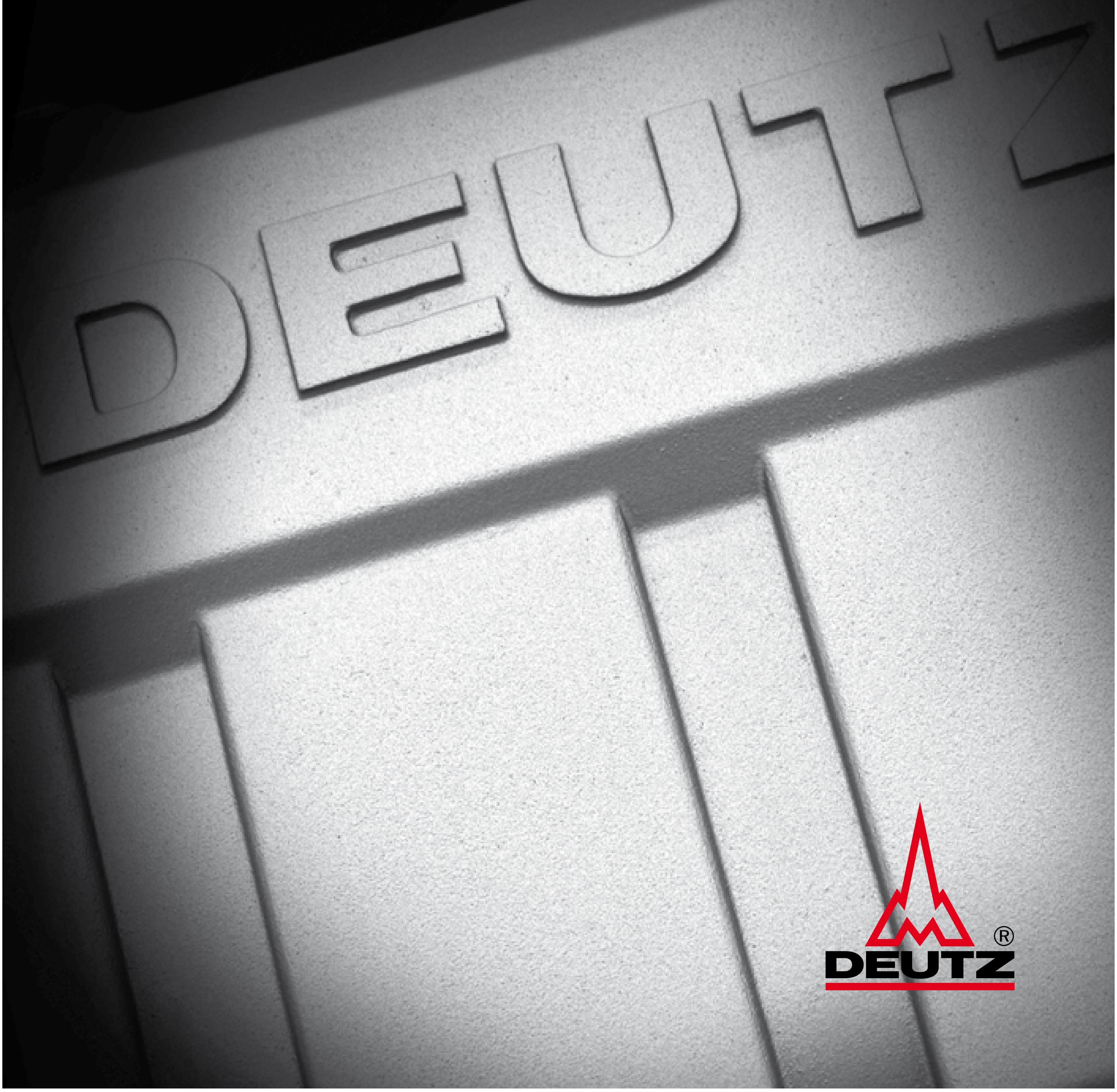
Interim Report
1st to 3rd Quarter 2006

1 January to 30 September 2006

- Growth accelerated
- New orders after nine months up 19 per cent
- Operating profit gains 52 per cent to €50.2 million
- Net income of €26.0 million



DEUTZ®

The 1st to 3rd Quarter at a Glance

DEUTZ Group: Key figures

	7–9/ 2006	7–9/ 2005	1–9/ 2006	1–9/ 2005
€ million				
New orders	417.3	331.0	1,235.7	1,035.9
Unit sales (units)	58,427	48,546	167,359	145,056
Sales	352.1	313.0	997.1	936.7
thereof excl. Germany (in %)	72.6	76.1	73.4	73.6
EBITDA	32.1	25.2	98.6	143.4
EBITDA before one-off items	32.1	25.2	98.6	76.4
EBIT	16.1	10.4	50.2	100.1
One-off items	–	–	–	67.0
Operating profit (EBIT before one-off items)	16.1	10.4	50.2	33.1
EBIT margin before one-off items (in %)	4.6	3.3	5.0	3.5
Net income before income taxes	11.4	3.0	32.7	77.3
Net income	8.7	3.3	26.0	65.6
Earnings per share, undiluted, in €	0.08	0.03	0.25	0.71
Earnings per share, diluted, in €	0.07	0.03	0.21	0.56
Total assets (30 September)	1,094.3	1,071.8	1,094.3	1,071.8
Equity (30 September)	320.5	240.1	320.5	240.1
Equity ratio (in %)	29.3	22.4	29.3	22.4
Cash flow from operating activities	31.9	46.0	23.0	35.4
Net financial debt [1]	42.9	51.0	42.9	51.0
Capital expenditure (excl. capitalisation of R&D)	20.4	20.2	43.2	35.5
Research and development	15.5	17.2	48.3	49.0
Employees as at 30 September (number)	5,479	5,247	5,479	5,247

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

DEUTZ Group: Segments

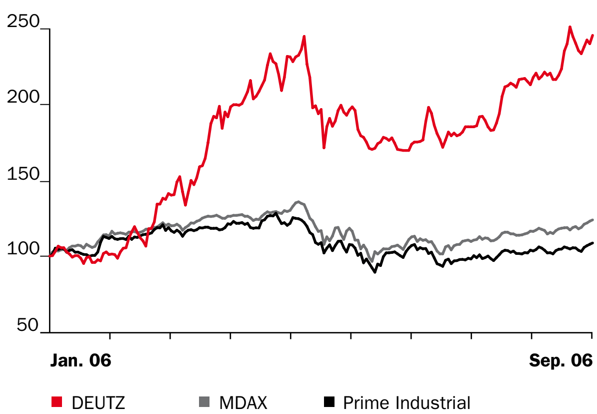
	7–9/ 2006	7–9/ 2005	1–9/ 2006	1–9/ 2005
€ million				
New orders	**417.3**	**331.0**	**1,235.7**	**1,035.9**
Compact Engines	342.1	259.4	982.9	787.7
DEUTZ Power Systems	75.2	71.6	252.8	248.2
Unit sales (units)	**58,427**	**48,546**	**167,359**	**145,056**
Compact Engines	58,269	48,361	166,954	144,535
DEUTZ Power Systems	158	185	405	521
Sales	**352.1**	**313.0**	**997.1**	**936.7**
Compact Engines	292.2	241.4	817.5	710.6
DEUTZ Power Systems	59.9	71.6	179.6	226.1
Operating profit (EBIT before one-off items)	**16.1**	**10.4**	**50.2**	**33.1**
Compact Engines	16.4	11.3	48.4	35.1
DEUTZ Power Systems	1.8	0.0	2.2	1.6
Others	-2.1	-0.9	-0.4	-3.6

DEUTZ share

	1–9/2006	1–9/2005
Number of shares (30 September)	113,126,696	95,003,511
Number of shares (average)	105,039,138	91,910,239
Share price (30 September) in €	8.34	4.39
Share price (high) in €	8.50	4.68
Share price (low) in €	6.15	2.86
Market capitalisation (30 September) in € million	943.5	417.1

Based on Xetra closing prices

Performance of the DEUTZ share
in %



Dear shareholders

In Q3, we were once again able to notch up growth in the business. After nine months, we are well on the way to achieving our targets for 2006. New orders, unit sales and operating profit saw double-digit increases. The strong growth in new orders established in the first six months continued. Orders for compact engines were even up by 25 per cent compared with the first nine months of 2005. On the back of strong growth, operating profit (EBIT before one-off items) for nine months rose by 52 per cent to €50.2 million. EBIT margin therefore reached 5 per cent, compared with 3.5 per cent for the equivalent period in 2005. A net income of €26.0 million is clear evidence of the strength of our performance.

New orders for our compact engines increased once more in Q3 and at €342.1 million are 32 per cent up on Q3 2005. Significant growth of 21 per cent was registered in both sales and unit sales. The ramp-up in production of the new commercial vehicle engine has now also manifested itself in the unit output figures for the third quarter. Monthly output will see a further increase in the final quarter. Sales of 166,954 engines in total equates to an increase of 16 per cent on 2005; the increase in sales is also into double digits at 15 per cent. Operating profit of €48.4 million after nine months is 38 per cent up on the equivalent period in 2005, resulting in an EBIT margin of just under 6 per cent.

In the last few months, we have implemented a number of important measures to expand our capacity. Examples are capital investment in the expansion of in-house manufacturing, the introduction of a third assembly shift at our plant in Cologne-Porz, together with additional development of external support manufacturing and contractual agreements to expand capacity at suppliers. These improvements will allow us to satisfy the very high level of global demand for DEUTZ engines.

In the DEUTZ Power Systems segment, the strong demand for gas engines was also sustained in Q3. After nine months, new orders for gas engines had increased by 35 per cent to roughly €153 million. This means that gas engines account for around 95 per cent of new orders for engines in this segment, whereas in 2005 the equivalent figure was 83 per cent, with diesel engines still accounting for 17 per cent. Sales from gas engines rose significantly in the first nine months of 2006 and accounted for roughly 85 per cent of new engine sales. The segment was able to achieve an operating profit of €1.8 million in Q3 2006, which is significantly more than in the equivalent period in 2005 when it was only able to reach break-even. EBIT margin for Q3 was 3 per cent.

Given the strong performance in the first nine months of the year, we restate the raised outlook made at the end of Q2. We expect that 2006 will see double-digit percentage growth in sales. The EBIT margin will show a noticeable improvement on 2005. The number of orders on hand ensures that capacity will be secured during both Q4 and the first few months of 2007.

Kind regards

GRiske

Gordon Riske

Chairman of the Management Board

Interim Report 1st to 3rd Quarter 2006

Introduction

Comparability of figures after the sale of the marine service business in 2005 The figures for the first nine months 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 nine-month prior-year figures for these items. In contrast, the reported figures for Q3 are comparable.

Economic environment

The upturn in the global economy was sustained in the third quarter of 2006, although it has slowed down a little over the year as a whole. The critical factor was that cyclical growth in the USA slackened off as a result of increasing interest rates and high energy prices. Even in Japan, economic growth weakened slightly. This could not be offset by the strong pace of growth in the euro zone which did continue in the third quarter. Growth in Europe is driven mainly by Germany, France and Italy.

The upward trend in the German economy was also further reinforced in Q3. Industrial output and export demand indicated robust growth in the economy. The upturn is supported by further growth in exports and also, increasingly, by domestic demand. As a result, the German engineering industry managed to post a production record. The main drivers for the brisk economic activity in Germany were a significant rise in capital spending on plant and equipment, an acceleration in consumer spending and a noticeable expansion of investment in construction projects.

According to the German Engineering Federation (VDMA), new orders in the German engineering industry from July to September 2006 were up 22 per cent on Q3 2005, with domestic and international new orders up 23 per cent and 21 per cent respectively.

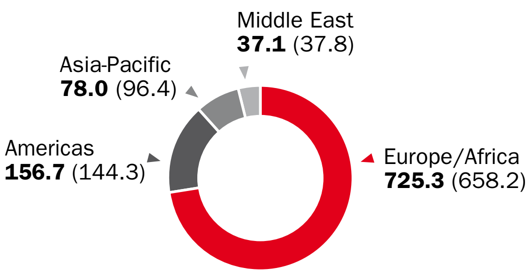
Business performance in the DEUTZ Group

Orders on hand up by more than 50 per cent In the first nine months of 2006, DEUTZ increased new orders by 19.3 per cent to €1,235.7 million (Q1–Q3 2005: €1,035.9 million). The contribution from the Compact Engines segment, where new orders were up 24.8 per cent, was particularly significant. 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 as high as 22 per cent. The orders on hand at 30 September 2006 increased to €472.5 million, up 54.4 per cent on the equivalent figure at 30 September 2005 (€306.0 million), and therefore ensured that capacity would be secured beyond the fourth quarter. With unit sales of 167,359 engines in the period under review, DEUTZ exceeded the equivalent unit sales figure of 145,056 engines in the third quarter of 2005 by 15.4 per cent.

Like-for-like, sales increase by 9 per cent Over the first nine months of 2006, consolidated sales reached €997.1 million, an increase of 6.4 per cent (Q1–Q3 2005: €936.7 million). The main contributing factor was the double-digit growth in the Compact Engines segment. As part of the strategic focus in DEUTZ Power Systems on gas engines, the diesel engines business has been deliberately scaled back. The result was a sharp drop in the sales figures for diesel engines, as planned. On a like-for-like basis, excluding the contribution from the marine service business up to March 2005, the increase in sales compared with the equivalent period in 2005 was roughly 9 per cent.

European sales show strongest growth Viewed geographically, the region Europe/Africa recorded the strongest growth with an increase of 10.2 per cent. The Americas also continued to experience strong growth with an increase of 8.6 per cent. Sales in the Asia-Pacific region declined in the period under review as a result of the withdrawal of DEUTZ Power Systems from the marine market segment, which began back in 2004. Remaining marine engine order commitments to Asian customers still had to be fulfilled during 2005.

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



EBIT margin rises to 5.0 per cent In Q1–Q3 2006, operating profit (EBIT before one-off items) improved from €33.1 million to €50.2 million, a rise of 51.7 per cent. This means that EBIT margin before one-off items rose from 3.5 per cent to 5.0 per cent. Disregarding the contribution from the marine service business up to March 2005, EBIT for the first nine months of 2005 would have been €24.8 million. On a like-for-like basis therefore, operating profit actually doubled.

After one-off items, EBIT after nine months was €50.2 million. After nine months in 2005 it was €100.1 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 €5.6 million compared with the same period in 2005, net income before income tax amounted to €32.7 million. The equivalent value for 2005 of €77.3 million included the one-off item described above. There was a significant drop in interest cost as a result of a further fall in net financial debt and the conversion of bonds into shares. Net income after nine months amounted to €26.0 million (Q1–Q3 2005: €65.6 million).

New orders up 26 per cent in Q3 In Q3 2006, DEUTZ managed to continue the strong growth experienced in the first six months. New orders, unit sales, sales and operating profit all saw growth rates in double digits. Compared with Q3 2005, new orders recorded a 26.1 per cent increase to €417.3 million (Q3 2005: €331.0 million) and unit sales climbed 20.4 per cent to 58,427 engines (Q3 2005: 48,546). This growth was mainly the result of a high level of sustained demand for mobile machinery engines, particularly in the North American market. The rise in output units associated with the ramp-up in production of the commercial vehicle engine also had a positive impact. Compared with Q3 2005, sales also rose significantly by 12.5 per cent to €352.1 million (Q3 2005: €313.0 million). Increases were counteracted to some extent by the fall in diesel engine sales in the DEUTZ Power Systems segment as a result of the withdrawal from the marine market.

Operating profit for the quarter increased to €16.1 million, a rise of 54.8 per cent compared with Q3 2005 (Q3 2005: €10.4 million). The contributing factors were the clear improvement in operating profit in the Compact Engines segment and a positive operating profit for the quarter in DEUTZ Power Systems. After a rise of €2.6 million in net interest expenses for Q3, net income attributable to the Group amounted to €8.7 million, reflecting the upward trend in performance.

Business performance in the Compact Engines segment

- **Strong Q3 growth in new orders, unit sales, sales and operating profit**

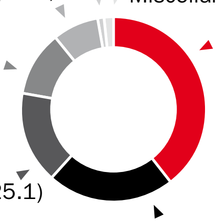
- **Operating profit for nine months up 38 per cent**

	7–9/ 2006	7–9/ 2005	1–9/ 2006	1–9/ 2005
€ million				
New orders	342.1	259.4	982.9	787.7
Unit sales (units)	58,269	48,361	166,954	144,535
Sales	292.2	241.4	817.5	710.6
Operating profit (EBIT before one-off items)	16.4	11.3	48.4	35.1

Growth in new orders, unit sales and sales continues Over the first nine months of 2006, the Compact Engines segment experienced a high level of demand in Germany, the rest of Europe and North America. Growth was focussed on engines for mobile machinery, stationary equipment and automotive applications. New orders amounted to €982.9 million, an increase of 24.8 per cent (Q1–Q3 2005: €787.7 million). Both the new engine business (28.5 per cent) and the service business (5.5 per cent) contributed to the sharp increase. Unit sales increased by 15.5 per cent to 166,954 engines (Q1–Q3 2005: 144,535). This included double-digit 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 at 18.7 per cent. Unit sales for engine series in the category below 4 litres grew by 14.0 per cent.

In the reporting period, segment sales rose to €817.5 million (Q1–Q3 2005: €710.6 million), an increase of 15.0 per cent. The demand for engines to be used in construction equipment and materials handling equipment, and for engines used in power generation equipment and pump drives, was a particular contributing factor to the high level of sales. Sales were also boosted over the nine-month period by the first deliveries of the new commercial vehicle engine, most of these deliveries taking place in Q3. Intensive marketing was also employed to generate further growth in the service business for Compact Engines.

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



Operating profit up by 38 per cent Operating profit for the segment improved in the period under review from €35.1 million to €48.4 million, an increase of 37.9 per cent. This improvement was the result of a significant increase in volume, ongoing activities to enhance productivity and an improved contribution from the service business. The change in the product mix also had a positive impact. Compared with the first nine months of 2005, EBIT margin rose from 4.9 per cent to 5.9 per cent.

Q3 new orders up by 32 per cent New orders reached €342.1 million, an increase of 31.9 per cent on the figure for the third quarter of 2005 (€259.4 million). 58,269 engines were sold in the period July to September 2006, representing growth of 20.5 per cent (Q3 2005: 48,361). The most significant rise in unit sales was recorded in the 4 to 7-litre engine series. Sales registered significant growth to €292.2 million, up 21.0 per cent on 2005 (Q3 2005: €241.4 million). Operating profit climbed to €16.4 million, a rise of 45.1 per cent compared with the previous year's third quarter (Q3 2005: €11.3 million).

Business performance in the DEUTZ Power Systems segment

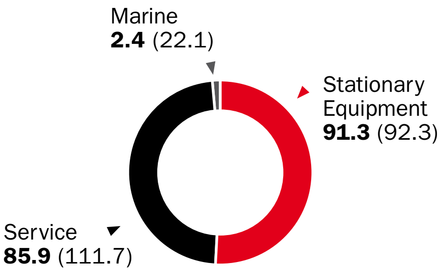
- **Significant rise in gas engine unit sales and sales**
- **New orders like-for-like up 12 per cent**

	7–9/ 2006	7–9/ 2005	1–9/ 2006	1–9/ 2005
€ million				
New orders	75.2	71.6	252.8	248.2
Unit sales (units)	158	185	405	521
Sales	59.9	71.6	179.6	226.1
Operating profit (EBIT before one-off items)	1.8	0.0	2.2	1.6

Strong demand for engines for biogas applications continues In the DEUTZ Power Systems segment, new orders after nine months of 2006 were €252.8 million, slightly above the equivalent figure for 2005 (Q1–Q3 2005: €248.2 million). On a like-for-like basis, excluding the contribution from the marine service business up to March 2005, this represents significant growth of roughly 12 per cent. Increases in new orders were the result of a higher level of sustained demand from commercial greenhouses in Benelux countries and biogas projects in Germany, mainly for engines below 1MW power output. Orders for engines in the 4MW power output category were also received from European countries outside Germany.

The total number of engines sold fell as planned to 405 engines (Q1–Q3 2005: 521 engines) owing to reduced deliveries of diesel engines. However, unit sales of gas engines rose by 23.0 per cent compared with Q1–Q3 2005. This means that, in the first nine months of 2006, gas engines accounted for 84 per cent of the engines sold by DEUTZ Power Systems compared with 53 per cent in the equivalent period in 2005. At €179.6 million, segment sales were down on 2005 (Q1–Q3 2005: €226.1 million). Even if the marine service business is stripped out for the period to March 2005, sales were down by almost 12 per cent. The reason for the drop in unit sales and sales was, in particular, the specific strategic withdrawal from the marine market segment in favour of a focus on gas engines for decentralised power generation. Strong demand in Euro-

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



pean countries outside Germany was the driver for growth in the gas engines business for new plants enabling the Company to achieve an increase in sales of 6.6 per cent in this regard. As a result, gas engines accounted for roughly 85 per cent of new engine sales (Q1–Q3 2005: 65 per cent). The drop in service business of 23.1 per cent was down to the contribution to sales from the marine service business still included in the figures for the first quarter of 2005. Like-for-like, service business declined by 3.0 per cent. This is because, in part, it is only after a number of years that the growth in the number of gas engines will lead to a requirement for maintenance services and a corresponding increase in service sales.

Operating profit improves on like-for-like basis With 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 operating profit for the first nine months of 2006 compared with the equivalent period in 2005 – disregarding the marine service business up to March 2005 – by €8.9 million to €2.2 million. Improvements were achieved both in the new engine business and the service business.

Operating profit in Q3 confirms positive trend Compared with Q3 2005, new orders rose by 5.0 per cent to €75.2 million and thereby exceeded expectations. Demand also resulted in orders for biogas engines, in particular. 158 engines were sold (Q3 2005: 185). As a result of withdrawal from certain diesel applications, in particular in the marine market, sales declined to €59.9 million (Q3 2005: €71.6 million). Given that only break-even could be achieved in Q3 2005, the operating profit of €1.8 million achieved in Q3 2006 represents a significant improvement. The EBIT margin for Q3 2006 was 3.0 per cent.

Net assets and financial position

Equity ratio rises to 29 per cent Following the significant increase in business volume and the associated expansion of inventories, total assets at 30 September 2006 rose by €30.5 million (2.9 per cent) to €1,094.3 million (31 December 2005: €1,063.8 million). The high sustained level of orders resulted in a planned increased in inventories of €76.8 million to €291.4 million. Mainly as a result of this increase in inventories, working capital rose after the first nine months of 2006 to €297.8 million, an increase of €59.7 million on the end of 2005. However, this figure was roughly €28 million lower than the equivalent figure at 30 September 2005. This is the result of consistent management of working capital. The considerable increase of €73.5 million in equity at 30 September 2006 to €320.5 million (31 December 2005: €247.0 million) is attributable to the excellent level of net income and the conversion of bonds and profit-sharing rights. These items alone produced an increase in issued capital of roughly €46 million. Compared with the end of 2005, the equity ratio therefore increased from 23.2 per cent to 29.3 per cent. Given the good level of orders and the related increase in working capital, net financial debt increased from €15.7 million at 31 December 2005 to €42.9 million. However, this figure is around €8 million lower than the equivalent figure at 30 September 2005.

Cash flow from operating activities reflects expansion in inventories As a result of the expansion in inventories, cash flow from operating activities after the first nine months of 2006 was down on the equivalent period in 2005 at €23.0 million (Q1–Q3 2005: €35.4 million). Given an increase in investing activities, net cash used in investing activities amounted to minus €44.0 million. The positive net cash generated figure of €45.9 million for the equivalent period in 2005 arose because of the proceeds from the sale of the marine service business; an adjustment for these proceeds results in a figure for net cash used in investing activities of minus €47.7 million. Net cash used in financing activities after nine months of 2006 was minus €14.9 million and mainly comprised interest payments and the redemption of bank loans. The high level of net cash used in financing activities at 30 September 2005 of minus €65.9 million was the result of the redemption of bank loans using the cash received from the sale of the marine service business.

Capital expenditure

Capital expenditure up 18 per cent Capital expenditure for the period Q1–Q3 2006, including the capitalisation of development costs, amounted to €56.5 million (Q1–Q3 2005: €47.9 million). This equates to an increase of roughly 18 per cent compared with the corresponding period in 2005. The capitalised development costs of €13.3 million (Q1–Q3 2005: €12.4 million) included in the capital expenditure are attributable in full to the Compact Engines segment.

The Compact Engines segment accounted for €55.1 million of this capital expenditure (Q1–Q3 2005: €44.9 million). This included a partial amount for the administrative building currently under construction at the Cologne-Porz facilities. As a result of the increasing business volume, further capital expenditure was approved for the expansion of production capacity and this will be available from Q4 2006. This mainly concerns manufacturing activities in the Compact Engines segment.

Capital expenditure in the DEUTZ Power Systems segment amounted to €1.4 million (Q1–Q3 2005: €3.0 million).

Research and development

Total expenditure on research and development (R&D) in the first nine months of 2006 was €48.3 million, roughly equivalent to the corresponding figure for 2005 (Q1–Q3 2005: €49.0 million). As a result of the increase in sales, R&D expenditure as a proportion of new engine sales fell from 7.0 per cent to 6.2 per cent.

R&D expenditure in the Compact Engines segment amounted to €39.3 million (Q1–Q3 2005: €41.0 million). Much of this expenditure was concentrated on series 2013 engines with the launch of the Euro 4 version for commercial vehicles alongside the Stage 3 version for industrial applications. In addition, R&D services were supplied to support preparation for series production of the new AgriPower engine. DEUTZ also pushed ahead on schedule with 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 €9.0 million (Q1–Q3 2005: €8.0 million). Development in this segment focussed on specific adaptations of the engines to accommodate operation using different types of gas.

Employees

At 30 September 2006, DEUTZ employed 5,479 people worldwide. Compared with 30 September 2005 (5,247), this represents an increase of 232 employees (4.4 per cent). This increase resulted from the expansion in component manufacturing capacity to support the overall increase in output and from the start of series production for the new commercial vehicle engine.

At 30 September 2006, DEUTZ had a total of 4,238 employees in Germany (Q3 2005: 4,059) and 1,241 elsewhere (Q3 2005: 1,188). On the same date, 4,477 people (Q3 2005: 4,158) were employed in the Compact Engines segment, and 1,002 (Q3 2005: 1,089) in the DEUTZ Power Systems segment.

In the period under review, an average of 227 persons were employed under temporary contracts, 113 more than in the corresponding period in 2005.

DEUTZ shares

DEUTZ shares join the MDAX DEUTZ AG joined Deutsche Börse's MDAX index with effect from 18 September this year. The key criteria for membership of this index are stock market turnover and the market capitalisation of the company's free float. At the end of September, free float accounted for 52.6 per cent of DEUTZ shares with the remainder split between SAME DEUTZ-FAHR (40.2 per cent) and AB Volvo (7.2 per cent). Excellent business performance during the first six months of the year and admission to the MDAX had a positive impact on the share price movement in Q3. Up to the report for the first six months of 2006 on 15 August, the share price fluctuated between €6 and €7. The excellent figures for the first half of the year were rewarded by the markets: from mid-August the share price rose initially above €7 and in mid-September it even broke through the €8 mark. The low for Q3 was the price of €6.21 on 18 July, with the nine-month low being €6.15 at the end of June. The high for both Q3 and the first nine months of 2006 was the €8.50 achieved on 19 September. At the end of September 2006, the share price stood at €8.34 having somewhat more than doubled since the end of 2005. DEUTZ shares therefore clearly outperformed the MDAX, the index having climbed by only 16.9 per cent over the same period. The Prime Industrial sector index managed a rise of only 6.2 per cent over the same period.

In Q3, Bankhaus Lampe KG began coverage of DEUTZ shares with the recommendation "hold". In November UBS Deutschland AG and Cazenove commenced as well their coverage. UBS recommended "buy" and Cazenove "outperform".

Significant rise in market capitalisation By 30 September 2006, the number of DEUTZ shares had increased to 113,126,696, in particular as a result of the profit-sharing rights and bonds converted by SAME DEUTZ-FAHR in Q2 2006. Since the issue of the bond in July 2004, a total of 11,996,081 convertible bonds have been converted into shares, leaving 7,796,917 bonds outstanding. At 30 September 2006, the market capitalisation of DEUTZ was €943.5 million, around 140 per cent up on the figure 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 notable changes to these risks in the period up to 30 September 2006.

Outlook

2006 outlook confirmed Given the positive performance of the business for the first nine months, the Management Board expects double-digit growth in sales for 2006. The EBIT margin will show a noticeable improvement on 2005. The largest contribution to earnings will come from the Compact Engines segment. The Management Board is also forecasting further improvements in EBIT for 2006 in the DEUTZ Power Systems segment. Capital expenditure (excluding development costs) is expected to exceed €80 million.

Implementation of the action plan under the efficiency and growth programme (7 up) initiated at the start of 2006 is now under way. This includes optimisation of internal processes, improvement of purchasing structures, reduction in complexity of components, optimisation of in-house manufacturing and development of the DEUTZ Customised Solutions business area, the core of which is formed by the air-cooled engines business. In the current financial year, the costs and impact on results almost balance each other out. The objective of this initiative is to meet the target of a 7 per cent EBIT margin in 2007, rather than in 2008 as originally planned.

Cologne, November 2006

DEUTZ AG

The Management Board

Interim Consolidated Financial Statements 1st to 3rd Quarter 2006

Income statement of the DEUTZ Group

	7–9/2006	7–9/2005	1–9/2006	1–9/2005
€ million				
Sales	**352.1**	**313.0**	**997.1**	**936.7**
Changes in inventories and other own work capitalised	21.9	16.0	47.8	20.9
Other operating income	8.5	16.6	35.2	106.4
Cost of materials	-227.6	-205.0	-636.2	-574.0
Staff costs	-79.1	-72.9	-228.5	-222.0
Depreciation and amortisation	-16.0	-14.8	-48.4	-43.3
Other operating expenses	-44.1	-42.9	-118.1	-125.9
Gains on investments measured at equity	0.4	0.4	1.3	1.3
EBIT	**16.1**	**10.4**	**50.2**	**100.1**
thereof one-off items	**–**	**–**	**–**	**67.0**
thereof operating profit (EBIT before one-off items)	**16.1**	**10.4**	**50.2**	**33.1**
Interest expenses, net	-4.5	-7.1	-16.5	-22.1
thereof financial expenses	-4.9	-7.5	-17.3	-23.1
Other taxes	-0.2	-0.3	-1.0	-0.7
Net income before income taxes	**11.4**	**3.0**	**32.7**	**77.3**
Income taxes	-2.7	0.3	-6.7	-11.7
Net income	**8.7**	**3.3**	**26.0**	**65.6**
thereof minority interest	0.1	–	–	–
thereof attributable to the shareholders of the parent enterprise	8.6	3.3	26.0	65.6
Earnings per share				
Earnings per share, undiluted, in €	0.08	0.03	0.25	0.71
Earnings per share, diluted, in €	0.07	0.03	0.21	0.56

Balance sheet of the DEUTZ Group

Assets

	30/9/2006	31/12/2005
€ million		
Property, plant and equipment	355.4	360.5
Intangible assets	95.6	94.9
Financial assets measured at equity	13.2	13.1
Other financial assets	10.8	10.7
Fixed assets	**475.0**	**479.2**
Deferred tax assets	56.1	56.5
Non-current assets	**531.1**	**535.7**
Inventories	291.4	214.6
Non-current assets held for sale	2.4	2.4
Trade receivables	179.1	189.2
Other receivables and assets	78.2	73.5
Cash and cash equivalents	12.1	48.4
Current assets	**563.2**	**528.1**
Total assets	**1,094.3**	**1,063.8**

Equity and liabilities

Issued capital	289.2	242.9
Additional paid-in capital	22.5	20.1
Other reserves	0.4	1.6
Net income	26.0	71.6
Loss carried forward	-18.2	-89.8
Equity attributable to the shareholders of the parent enterprise (DEUTZ Group's interest)	**319.9**	**246.4**
Minority interest	0.6	0.6
Equity	**320.5**	**247.0**
Provisions for pensions and other post-retirement benefits	275.5	283.6
Deferred tax provisions	0.7	0.7
Other provisions	41.1	42.4
Financial liabilities	63.9	114.2
Other liabilities	1.3	1.9
Non-current liabilities	**382.5**	**442.8**
Provisions for pensions and other post-retirement benefits	26.5	26.8
Provision for current income taxes	7.4	8.3
Other provisions	81.8	70.7
Financial liabilities	17.9	23.9
Trade payables	172.7	165.7
Other liabilities	85.0	78.6
Current liabilities	**391.3**	**374.0**
Total equity and liabilities	**1,094.3**	**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 income/ loss	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**
Increase due to exercise of conversion rights on convertible bonds	9.9	2.1				12.0		12.0
Accumulated other comprehensive loss			-1.4	5.2		3.8		3.8
Net income					65.6	65.6		65.6
Sum of net income and accumulated other comprehensive loss			-1.4	5.2	65.6	69.4		69.4
Balance at 30/9/2005	**242.9**	**20.1**	**-1.6**	**2.1**	**-24.2**	**239.3**	**0.8**	**240.1**
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	20.8	4.5				25.3		25.3
Increase due to exercise of conversion rights on profit-sharing rights	25.5	-2.1				23.4		23.4
Accumulated other comprehensive income			1.6	-2.8		-1.2		-1.2
thereof reversal in net income			(-0.1)			(-0.7)		(-0.7)
Net income					26.0	26.0		26.0
Sum of net income and accumulated other comprehensive income			1.6	-2.8	26.0	24.8		24.8
Balance at 30/9/2006	**289.2**	**22.5**	**0.3**	**0.1**	**7.8**	**319.9**	**0.6**	**320.5**

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

	1–9/2006	1–9/2005
€ million		
EBIT	**50.2**	**100.1**
Interest income	0.8	1.0
Other taxes paid	-1.0	-0.7
Income taxes paid	-7.4	-1.3
Depreciation, amortisation of non-current assets	48.4	43.3
Gains/losses on the sale of businesses	–	-67.0
Gains/losses on the sale of non-current assets	0.3	-0.1
Other non-cash income and expenses	-10.9	-11.8
Change in inventories	-80.4	-14.7
Change in receivables and other assets	2.6	6.8
Change in current provisions and liabilities (excl. financial liabilities)	29.9	-13.5
Change in non-current provisions and liabilities (excl. financial liabilities)	-9.5	-6.7
Cash flow from operating activities	**23.0**	**35.4**
Capital expenditure on intangible assets and property, plant and equipment	-44.3	-47.9
Capital expenditure on investments	0.1	–
Cash receipts from the sale of businesses	–	93.6
Proceeds from the sale of non-current assets	0.2	0.2
Cash flow from investing activities	**-44.0**	**45.9**
Interest expenses	-5.7	-8.5
Cash receipts from borrowings	29.8	111.1
Repayment of loans	-39.0	-168.5
Cash flow from financing activities	**-14.9**	**-65.9**
Cash flow from operating activities	23.0	35.4
Cash flow from investing activities	-44.0	45.9
Cash flow from financing activities	-14.9	-65.9
Change in cash and cash equivalents	**-35.9**	**15.4**
Cash and cash equivalents on 1 January	**48.4**	**7.8**
Change in cash and cash equivalents	-35.9	15.4
Exchange rate-related change in cash and cash equivalents	-0.4	0.4
Cash and cash equivalents on 30 September	**12.1**	**23.6**

DEUTZ Group – Notes to the Consolidated Financial Statements, 1st to 3rd 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 (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 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 nine months to 30 September 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 30 September 2006.

Events after the balance sheet date (30 September 2006)

There have been no events of particular importance since 30 September 2006.

Financial Calendar

Dates 2007	Event	Location
27 March	Annual Results press conference Publication Annual Report 2006	DEUTZ AG, Cologne
28 March	Analysts' meeting	Frankfurt/Main
10 May	Publication Interim Report 1st Quarter 2007 Conference call with analysts and investors	
24 May	Annual General Meeting 2007	Koelnmesse, Cologne
1 August	Publication Interim Report 1st Half-year 2007 Press conference Conference call with analysts and investors	DEUTZ AG, Cologne
8 November	Publication Interim Report 1st to 3rd Quarter 2007 Conference call with analysts and investors	

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) from 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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