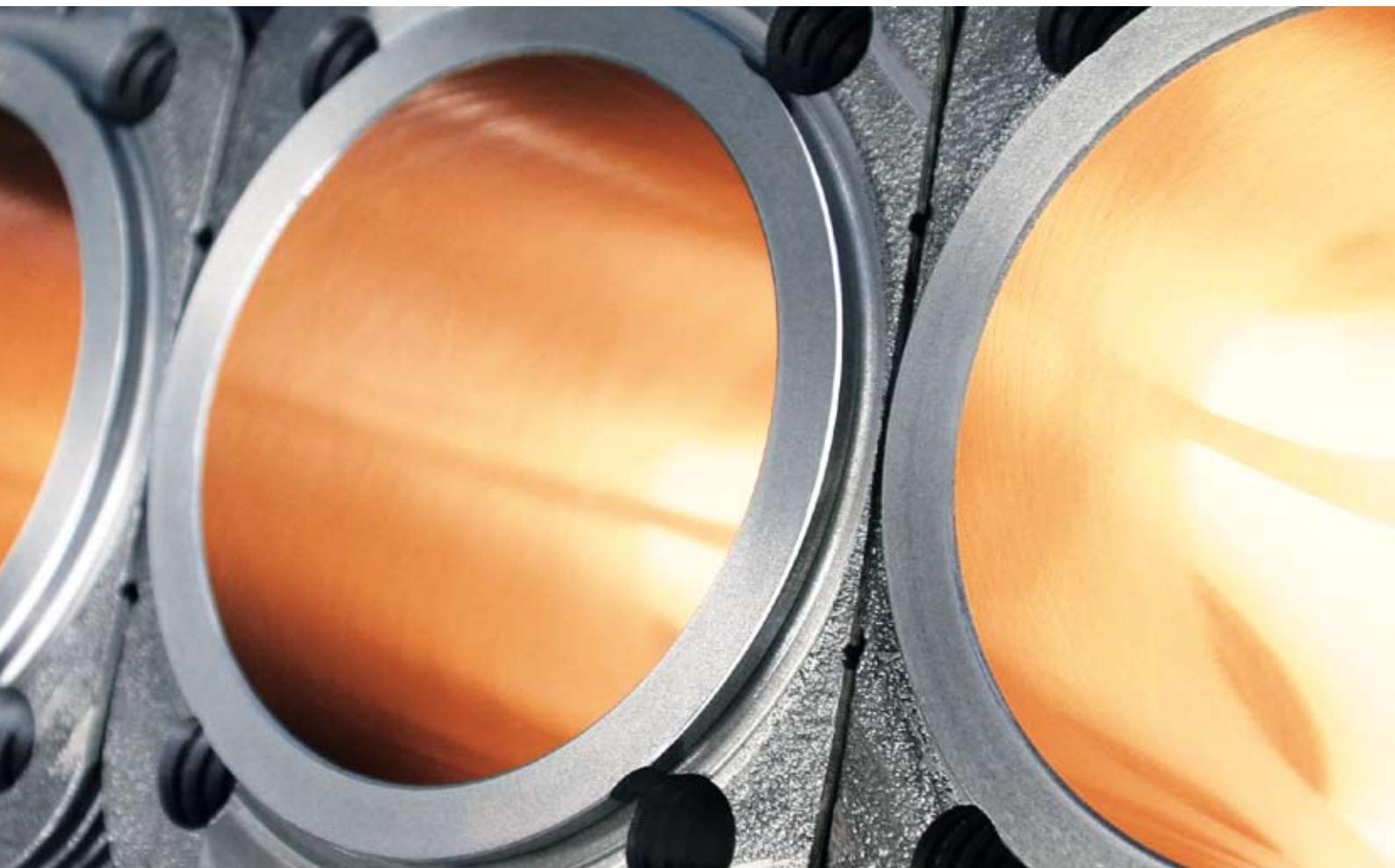


Interim Report 1st Quarter 2007



- Good start to 2007
- New orders up 30 per cent
- Net income sees rise of almost 50 per cent



The 1st Quarter at a Glance

DEUTZ Group: Key figures

	1-3/ 2007	1-3/ 2006
€ million		
New orders	515.7	397.1
Unit sales	63,770	51,996
Revenue	390.9	309.5
thereof excl. Germany (in %)	79.2	74.7
EBITDA	31.2	28.6
EBIT	13.1	13.0
Operating profit (EBIT before one-off items)	13.1	13.0
EBIT margin before one-off items (in %)	3.4	4.2
Net income before taxes	7.2	5.6
Net income	5.8	3.9
Earnings per share, basic, in €	0.05	0.04
Earnings per share, diluted, in €	0.05	0.04
Total assets (31 March)	1,177.1	1,057.1
Equity (31 March)	364.9	251.8
Equity ratio (in %)	31.0	23.8
Cash flow from operating activities	-10.7	-25.7
Net financial debt ¹⁾	49.3	51.3
Capital expenditure (excl. capitalisation of R&D)	19.1	9.7
Research and development	15.5	15.7
Employees as at 31 March (number)	5,633	5,125

¹⁾ Net financial debt: bank debt minus cash and cash equivalents.

DEUTZ share

	1-3/2007	1-3/2006
Number of shares (31 March)	114,742,151	95,261,916
Number of shares (average)	114,633,214	95,090,011
Share price (31 March) in €	11.27	6.98
Share price (high) in €	12.02	6.98
Share price (low) in €	9.92	4.00
Market capitalisation (31 March) in € million	1,293.1	664.9

Based on Xetra closing prices

DEUTZ Group: Segments

	1-3/ 2007	1-3/ 2006
€ million		
New orders		
Compact Engines	340.5	226.0
DEUTZ Customised Solutions	97.2	87.7
DEUTZ Power Systems	78.0	83.4
Total	515.7	397.1
Unit sales		
Compact Engines	57,129	43,204
DEUTZ Customised Solutions	6,543	8,701
DEUTZ Power Systems	98	91
Total	63,770	51,996
Revenue		
Compact Engines	269.2	184.5
DEUTZ Customised Solutions	66.2	70.9
DEUTZ Power Systems	55.5	54.1
Total	390.9	309.5
Operating profit (EBIT before one-off items)		
Compact Engines	9.0	8.5
DEUTZ Customised Solutions	5.2	5.2
DEUTZ Power Systems	-1.3	-2.2
Other	0.2	1.5
Total	13.1	13.0

Performance of the DEUTZ share

in %



Dear shareholders,

We have made a good start to 2007. The level of new orders increased by around 30 per cent and unit engine sales reached a total of 63,770, up almost 23 per cent. Consequently, consolidated revenue rose to €391 million, a rise of over 26 per cent. Q1 operating profit (EBIT before one-off items) amounted to €13.1 million. At €5.8 million, net income in the first quarter of 2007 was almost 50 per cent higher than the equivalent figure in 2006. In 2006, we had already initiated a capacity expansion investment programme to enable us to satisfy the sharp rise in demand. Capital expenditure will continue to rise in 2007, the total amount involved exceeding €100 million, of which around €23 million was invested during the first quarter.

Production of commercial vehicle engines in the new assembly hall in Cologne-Porz commenced on schedule in 2006. The resulting impact on the Automotive application segment will become very clear during the course of this year, as already demonstrated by the growth in revenue in Q1. We are expecting the hall to operate at full capacity of around 30,000 engines a year.

From the first quarter of 2007, DEUTZ Customised Solutions is reported as an individual segment for the first time. In 2006, this business area was separated out from the Compact Engines segment. The new segment comprises, in particular, all air-cooled series, together with liquid-cooled engines with a capacity greater than 8 litres. A significant step in this process was the concentration of these activities at the Ulm facility, which will be the air-cooling competence centre in our group of production sites. At the start of 2007, we relocated the assembly of air-cooled series from Cologne-Deutz to Ulm. Production at Ulm then commenced on schedule.

DEUTZ Power Systems also enjoyed a successful start to the year in Q1. Compared with the first three months of 2006, unit sales of gas engines were up by around 18 per cent. The proportion of new power generation plant revenue accounted for by gas engines is now 92 per cent compared with around 77 per cent in the equivalent period in 2006. The timing of revenue and profit recognition over the year is normal for gas engines project business in this sector.

The Management Board confirms the outlook for 2007 with target unit sales of around 260,000 engines and planned revenue growth of 6 to 10 per cent. Operating profit will see a further improvement in 2007, the EBIT margin is to reach around 7 per cent. A further improvement will also be possible in 2007 in net income before taxes. However, net income in the second half of the year will feel the impact of the forecast expenditure in connection with the joint venture in China. Nevertheless, we are expecting that net income will show an increase in 2007 of a double-digit million euro amount.

With kind regards,



Gordon Riske

Chairman of the Management Board

Interim Report

1st Quarter 2007

INTRODUCTION

2006 saw the creation of the new DEUTZ Customised Solutions segment. This segment specifically covers all air-cooled series activities, together with those involving liquid-cooled engines with a capacity greater than 8 litres. Previously, these activities still formed part of the Compact Engines segment. From the first quarter of 2007, a major change was made to the reporting structure allowing DEUTZ Customised Solutions to be reported as a separate segment. The prior year figures affected by this new segment structure have been broken down and assigned to Compact Engines and DEUTZ Customised Solutions accordingly. Also from Q1 2007, revenue in the Marine application segment has been aggregated under „Other“ because of the low values involved. Figures for the corresponding prior-year period have also been adjusted accordingly.

ECONOMIC ENVIRONMENT

Economic environment continues to be positive

The first quarter of 2007 again saw a continuation of growth in the global economy, albeit at a slower pace than in 2006. This was particularly true for the USA. Whereas growth in gross domestic product from 2005 to 2006 was significantly in excess of 3 per cent, experts are predicting that the rate for 2007 will be just 2 per cent. Asia remains the most important driver of growth. Gross domestic product in euro zone countries is forecast to grow at a rate of more than 2 per cent.

In the spring report published by the five leading economic research institutes, growth in Germany is expected to reach 2.4 per cent compared with the 1.4 per cent achieved during the autumn of 2006. This forecast is based on excellent growth in the construction industry, rising capital investment and flourishing exports.

The boost to recovery has also been felt in the German engineering industry. According to the German Engineering Federation (VDMA), in the first three months of 2007, new orders increased by 29 per cent compared with the same period in 2006, with domestic orders up 28 per cent, and international orders up by 29 per cent.

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

New orders up 30 per cent, orders on hand up 53 per cent

In the first quarter of 2007, DEUTZ increased new orders by 29.9 per cent to €515.7 million (Q1 2006: €397.1 million). Orders for new engines in Compact Engines and DEUTZ Customised Solutions exceeded expectations by a significant margin. At 31 March 2007, orders on hand had swollen to €491.7 million, an increase of 52.9 per cent on the same period in 2006 (Q1 2006: €321.6 million).

Growth of over 20 per cent in unit sales and revenue

With Q1 unit sales of 63,770 engines, DEUTZ exceeded the unit sales figure of 51,996 engines achieved in the corresponding period in 2006 by 22.6 per cent. Given the growth in new orders and unit sales, DEUTZ was able to increase revenue in the first quarter of 2007 to €390.9 million (Q1 2006: €309.5 million), 26.3 per cent up on the corresponding period in 2006. This substantial growth was almost entirely the result of a sharp increase in demand from European export markets across all segments. The increase in revenue in Germany was 4 per cent.

DEUTZ-Group: Revenue by regions

€ million (2006 figures)



- **312.7** (231.0): Europe/Africa/Middle East
- **51.9** (52.6): Americas
- **26.3** (25.9): Asia-Pacific

Operating profit (EBIT before one-off items) in Q1 2007 was roughly at the same level as in the corresponding period in 2006 at €13.1 million (Q1 2006: €13.0 million). Over this quarter, in particular higher-than-planned logistics costs and higher expenditure to secure the supply of parts had an adverse impact on operating profit. The EBIT margin before one-off items fell from 4.2 per cent to 3.4 per cent.

The segment breakdown of the consolidated operating profit was as follows: Compact Engines, €9.0 million (Q1 2006: €8.5 million); DEUTZ Customised Solutions, €5.2 million (Q1 2006: €5.2 million); DEUTZ Power Systems, minus €1.3 million (Q1 2006: minus €2.2 million). Other operating profit amounted to €0.2 million (Q1 2006: €1.5 million).

Income before taxes increased from €5.6 million to €7.2 million, an increase of 28.6 per cent, with net interest expenses increasing by €1.4 million compared with the corresponding period in 2006. DEUTZ generated Q1 net income of €5.8 million, as against €3.9 million in the first quarter of 2006, which equates to an increase of 48.7 per cent.

Operating profit in line with expectations

Net income up almost 50 per cent

BUSINESS PERFORMANCE IN THE COMPACT ENGINES SEGMENT

- New orders up 51 per cent
- Revenue up 46 per cent

	1-3/ 2007	1-3/ 2006
€ million		
New orders	340.5	226.0
Unit sales	57,129	43,204
Revenue	269.2	184.5
Operating profit (EBIT before one-off items)	9.0	8.5

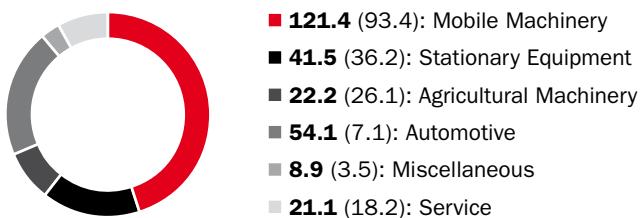
The Compact Engines segment saw a significant upturn in demand in European export markets during the first quarter of 2007. In consequence, the level of new orders rose to €340.5 million (Q1 2006: €226.0 million), an increase of 50.7 per cent. Both new engines business and service business contributed to this sharp increase.

Excellent development in unit sales and revenue

Engine unit sales could be increased by 32.2 per cent to 57,129 engines (Q1 2006: 43,204 engines). This included significant unit sales growth in liquid-cooled engine series with capacities of less than 4 litres and in series with capacities of 4 to 8 litres. The very sharp 50 per cent rise in unit sales of larger-capacity engines was mainly attributable to the ramp-up in production of the new commercial vehicle engine.

In the reporting period, segment revenue rose significantly to €269.2 million (Q1 2006: €184.5 million), a rise of 45.9 per cent. Engines to be used in construction equipment and materials handling equipment were a particular contributing factor to the sharp rise in revenue. The growth in gen sets engine business was also encouraging. In addition, the very significant increase in deliveries of the new commercial vehicle engine compared with the corresponding period in 2006 had a positive impact on Q1 revenue. The segment was also able to boost service revenue by increasing sales of spare parts.

Compact Engines: Revenue by application segments
€ million (2006 figures)



Rise in operating profit despite increase in cost base

In the first three months of 2007, operating profit rose from €8.5 million to €9.0 million, an increase of 5.9 per cent. In this reporting period, bottlenecks in the supply of components meant higher-than-planned logistics costs and there was a need to increase expenditure to secure the supply of parts. This situation will return to normal during the second half of the year as the capital expenditure in capacity expansion in both 2006 and 2007 takes effect.

BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS SEGMENT

- Production of air-cooled engines at the Ulm facility commenced on schedule
- New orders up 11 per cent

	1-3/ 2007	1-3/ 2006
€ million		
New orders	97.2	87.7
Unit sales	6,543	8,701
Revenue	66.2	70.9
Operating profit (EBIT before one-off items)	5.2	5.2

The separate DEUTZ Customised Solutions segment was created in 2006 with the strategic objectives of establishing clearer product differentiation and developing more intensive customer relationships. The segment comprises all activities related to air-cooled engines and engines with a capacity greater than 8 litres; hitherto, these activities formed part of the Compact Engines segment. At the start of 2007, the production of air-cooled engines was relocated from Cologne to Ulm. Ulm has therefore become the company's competence centre for air-cooled engine activities. DEUTZ Customised Solutions focusses on individual customer solutions.

**Ulm becomes
competence centre for
air-cooled engines**

In Q1 2007, DEUTZ Customised Solutions experienced high demand as orders were brought forward in the Agricultural Machinery application segment. The reason behind this placement of orders is that the next emission standard stage for engines in the 37-75 kW category will come into force on 1 January 2008. As a result, new orders increased to €97.2 million (Q1 2006: €87.7 million), a rise of 10.8 per cent.

**Double-digit increase
in demand**

As a consequence of the relocation of the production of air-cooled engines from Cologne to Ulm in the first half of January 2007, unit engine sales fell as expected to 6,543 engines (Q1 2006: 8,701 engines), a drop of 24.8 per cent. Production commenced in Ulm on schedule in the second half of January. As a result of the drop in unit sales, Q1 segment revenue fell to €66.2 million (Q1 2006: €70.9 million). The loss of revenue in the first half of January will be recovered during the course of the year. The trend in service business in the first quarter of 2007 was encouraging with growth of around 8 per cent. Contributing factors were the overall expansion in the service offering and the exchange engines and exchange parts business (DEUTZ Xchange).

**Relocation of production
facilities impacts on unit
sales and revenue**

DEUTZ Customised Solutions: Revenue by application segments € million (2006 figures)



- **11.1** (11.5): Mobile Machinery
- **14.1** (19.1): Stationary Equipment
- **4.1** (4.9): Agricultural Machinery
- **5.3** (8.0): Automotive
- **5.0** (2.8): Miscellaneous
- **26.6** (24.6): Service

Despite lower revenue in the reporting period, operating profit remained at the level of the corresponding period in 2006 at €5.2 million (Q1 2006: €5.2 million).

BUSINESS PERFORMANCE IN THE DEUTZ POWER SYSTEMS SEGMENT

- Q1 runs to plan
- Gas engine unit sales up 18 per cent

	1-3/ 2007	1-3/ 2006
€ million		
New orders	78.0	83.4
Unit sales	98	91
Revenue	55.5	54.1
Operating profit (EBIT before one-off items)	-1.3	-2.2

Usual seasonal peak at start of year

In DEUTZ Power Systems, new orders in the first quarter of 2007, at €78.0 million, were 6.5 per cent down on the same period in 2006 (Q1 2006: €83.4 million). This drop was project-related. Unit sales rose by 7.7 per cent to 98 engines (Q1 2006: 91 engines), the critical factor in this case being an increase of around 18 per cent in unit sales of gas engines compared with the corresponding period in 2006.

At €55.5 million, segment revenue was slightly up on the previous year's figure (Q1 2006: €54.1 million). A boost to revenue was provided primarily by sales of gas engines for applications in commercial greenhouses in Benelux countries and for biogas applications in Germany. As a result, the growth in revenue from new gas engines business was over 24 per cent, with gas engines accounting for 92 per cent of total new engines business (Q1 2006: 77 per cent). Service revenue registered a slight increase on the equivalent period in 2006 and was therefore in line with our forecasts. DEUTZ Power Systems reduced its operating loss in the reporting period from €2.2 million to €1.3 million. The timing of revenue and profit recognition over the year is normal for gas engines project business in this sector.

DEUTZ Power Systems: Revenue by application segments

€ million (2006 figures)



NET ASSETS AND FINANCIAL STRUCTURE

Total assets almost unchanged

Despite the sharp increase in business volume, total assets at the end of the first quarter of 2007 hardly changed at €1,177.1 million compared with €1,162.9 million at the end of 2006. In parallel with the growth in orders on hand, inventory levels also rose by €51.9 million to €301.5 million. Mainly as a result of this increase in inventories, working capital rose in the first quarter of 2007 to €293.8 million, an increase of €58.7 million on the end of 2006. This value was approx. €14 million higher than the equivalent figure at the end of the first quarter of 2006. At 31 March 2007, equity was showing an increase of €6.4 million at €364.9 million (31 December

2006: €358.5 million), mainly as a result of positive net income for the period. The equity ratio at 31.0 per cent was therefore almost unchanged on the 2006 year-end figure of 30.8 per cent. Net financial debt increased from €10.8 million at 31 December 2006 to €49.3 million, primarily as a consequence of significantly lower cash levels at the end of the reporting period. However, this value is around €2 million lower than the value at the end of the equivalent period in 2006.

Compared with the corresponding period in 2006, cash flow from operating activities in Q1 2007 moved from minus €25.7 to minus €10.7 million, an improvement of €15.0 million. The main reason was an optimisation of payment terms in other receivables. Following a higher level of capital expenditure than in the corresponding period in 2006, cash flow from investing activities amounted to minus €25.3 million (Q1 2006: minus €7.5 million). Capital expenditure in capacity expansion, particularly in production capacity for compact engines, was stepped up in Q1 2007. Cash flow from financing activities amounted to minus €0.5 million (Q1 2006: minus €3.9 million). This figure includes interest payments in addition to a small level of repayments of loans.

Cash flow from operating activities improves

CAPITAL EXPENDITURE

In the first quarter of 2007, capital expenditure amounted to €22.8 million (Q1 2006: €13.7 million) including the capitalisation of development costs. Capital expenditure in the period under review included €3.7 million on capitalised development costs, compared with €4.0 million in the first quarter of 2006. €19.2 million was attributable to the Compact Engines segment (Q1 2006: €12.8 million), and €2.8 million to DEUTZ Customised Solutions (Q1 2006: €0.4 million). Both of these segments received capital investment in property, plant and equipment to expand capacity, in particular for the production of components at the facilities in Cologne and Spain. Capital expenditure in DEUTZ Power Systems amounted to €0.8 million (Q1 2006: €0.5 million).

RESEARCH AND DEVELOPMENT

Expenditure on research and development (R&D) in the first quarter of 2007 was €15.5 million (Q1 2006: €15.7 million). The ratio of R&D expenditure to revenue in the new engines business fell as planned from 6.6 per cent to 4.9 per cent.

Segment R&D expenditure for new engine development, engine refinement and support for Stage 3 emission standard engine series in Compact Engines and DEUTZ Customised Solutions was €10.1 million (Q1 2006: €10.4 million) and €2.1 million (Q1 2006: €2.2 million) respectively. R&D expenditure in DEUTZ Power Systems was €3.3 million (Q1 2006: €3.1 million), up 6.5 per cent on the corresponding period in 2006.

EMPLOYEES

At 31 March 2007, DEUTZ employed 5,633 people worldwide. This amounts to 508 more employees (9.9 per cent) than at the end of March 2006 (5,125 employees). The increase is primarily attributable to the expansion in production capacity involving around an additional 460 employees for the enhanced production programme in the Compact Engines segment. In the period under review, an average of 376 persons were employed under temporary employment agreements, representing an increase of 228 over the corresponding period in 2006.

The number of employees in Germany rose by 338 to 4,368 (Q1 2006: 4,030), and in other countries by 170 to 1,265 (Q1 2006: 1,095). The increase in Germany was mainly brought about by the expansion in capacity at production sites; the rise in other countries is mainly attributable to the expansion of component production at Zafra in Spain. At the end of March, the Compact Engines segment had 3,818 employees (Q1 2006: 3,346), DEUTZ Customised Solutions 811 employees (Q1 2006: 765), and DEUTZ Power Systems 1,004 employees (Q1 2006: 1,014). The increase in DEUTZ Customised Solutions is the result of the expansion at the Ulm facilities in connection with the relocation of production of air-cooled engines from Cologne to Ulm.

DEUTZ SHARES

Encouraging start to 2007 for DEUTZ shares

DEUTZ shares started 2007 at a price of €10.90 and by 2 February had risen to €12.02, the high for the quarter. On the last trading day in March, the DEUTZ share price stood at €11.27, up 12.1 per cent on the price at the end of December 2006. Over the same period, the MDAX rose by 8.5 per cent and the Prime Industrial sector index by 11.1 per cent.

At 31 March 2007, the number of DEUTZ shares had increased to 114.7 million following conversions of bonds. During the period under review, 415,615 convertible bonds and 120 profit-sharing rights were converted into shares. On this basis, market capitalisation at the end of the quarter was €1,293.1 million, representing an increase of 12.6 per cent over the end of December 2006 (€1,148.9 million). At the end of March 2007, DEUTZ was therefore ranked at 54 (December 2006: 52) in the Deutsche Börse AG share rankings (which only take into account free float). In the rankings based on trading volume, compared to the end of December 2006 DEUTZ remained unchanged at the end of March 2007 at position 47.

During the first quarter of 2007, Deutsche Bank, Merck Finck & Co and BHF-Bank added DEUTZ to their analysis coverage.

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 2006 Annual Report. There were no subsequent changes to these risks during the first quarter of 2007.

OUTLOOK

DEUTZ planning assumptions for 2007 regarding changes in exchange rates are generally unchanged on 2006. As far as the cost of raw materials is concerned, DEUTZ is again assuming that the situation will be as in 2006 for the most part.

The DEUTZ target for unit sales in 2007 is around 260,000 engines. Consolidated revenue is expected to rise by 6 to 10 per cent. Operating profit will continue to show an improvement in 2007. The „7 up“ efficiency and growth programme, initiated at the start of 2006, will also make a contribution. Implementation of the programme already got underway in some areas during 2006. Among other things, this project includes the optimisation of internal processes and cost structures, improvements in procurement structures, reduction of material costs, optimisation of in-house production and the expansion of service support operations. 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.

Positive outlook for 2007

Given the expectations for unit sales, revenue and operating profit (EBIT before one-off items), DEUTZ will once again be able to generate an increase in income before tax in 2007. However, the expected interest expenses for the joint venture in China will impact on consolidated net interest expenses. The start-up costs will also be reflected in net investment income. Nevertheless, DEUTZ is expecting that net income will show an increase in 2007 of a double-digit million euro amount.

Cologne, Germany, May 2007

DEUTZ AG

The Management Board

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. The company gives no undertaking that it will update forward-looking statements to bring them into line with future developments.

Interim consolidated financial statements

1st Quarter 2007

INCOME STATEMENT FOR THE DEUTZ GROUP

	1-3/2007	1-3/2006
€ million		
Revenue	390.9	309.5
Changes in inventories and other own work capitalised	31.7	18.0
Other operating income	8.5	16.8
Cost of materials	-274.9	-202.2
Staff costs	-82.2	-73.6
Depreciation and amortisation	-18.1	-15.6
Other operating expenses	-43.5	-40.4
Gains on financial assets measured at equity	0.7	0.5
EBIT	13.1	13.0
thereof operating profit (EBIT before one-off items)	13.1	13.0
Interest expenses, net	-5.7	-7.1
thereof financial costs	-6.4	-7.4
Other taxes	-0.2	-0.3
Net income before taxes	7.2	5.6
Income taxes	-1.4	-1.7
Net income	5.8	3.9
thereof minority interest	-	-0.1
thereof attributable to the shareholders of the parent enterprise	5.8	4.0
Earnings per share		
Earnings per share, basic, in €	0.05	0.04
Earnings per share, diluted, in €	0.05	0.04

BALANCE SHEET FOR THE DEUTZ GROUP

Assets

	31/3/2007	31/12/2006
€ million		
Property, plant and equipment	376.5	374.6
Intangible assets	100.7	100.3
Financial assets measured at equity	13.0	12.8
Other financial assets	11.4	11.4
Non-current assets before deferred tax assets	501.6	499.1
Deferred tax assets	56.2	56.2
Non-current assets	557.8	555.3
Inventories	301.5	249.6
Trade receivables	218.6	222.0
Other receivables and assets	84.0	84.2
Cash and cash equivalents	12.8	49.4
Current assets	616.9	605.2
Non-current assets held for sale	2.4	2.4
Total assets	1,177.1	1,162.9

Equity and liabilities

Issued capital	293.3	292.3
Additional paid-in capital	24.4	24.1
Other reserves	-2.5	-1.8
Retained earnings	0.4	0.4
Accumulated income	49.3	43.5
Equity attributable to the shareholders of the parent enterprise (DEUTZ Group's interest)	364.9	358.5
Minority interest	-	-
Equity	364.9	358.5
Provisions for pensions and other post-retirement benefits	267.4	271.2
Deferred tax provisions	0.5	0.5
Other provisions	51.3	52.0
Financial liabilities	65.1	69.5
Other liabilities	2.7	2.8
Non-current liabilities	387.0	396.0
Provisions for pensions and other post-retirement benefits	26.4	26.5
Provision for current income taxes	2.4	6.5
Other provisions	60.4	44.7
Financial liabilities	16.8	13.9
Trade payables	226.3	236.4
Other liabilities	92.9	80.4
Current liabilities	425.2	408.4
Total equity and liabilities	1,177.1	1,162.9

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ-GROUP

	Issued capital	Additional paid-in capital	Retained earnings	Fair value reserve^(1/2)	Currency translation reserve⁽¹⁾	Accumulated income/loss	Total Group interest	Minority interest	Total
€ million									
Balance at 1 January 2006	242.9	20.1	–	–1.3	2.9	–18.2	246.4	0.6	247.0
Increase from exercise of conversion rights on convertible bonds	0.6	0.2					0.8		0.8
Accumulated other comprehensive income/loss				1.3	–1.2		0.1		0.1
(thereof reversal recognised in period income)				(–0.4)			(–0.4)		(–0.4)
Net income						4.0	4.0	–0.1	3.9
Total of net income and accumulated other comprehensive income/loss in reporting period				1.3	–1.2	4.0	4.1	–0.1	4.0
Balance at 31 March 2006	243.5	20.3	–	–	1.7	–14.2	251.3	0.5	251.8
Balance at 1 January 2007	292.3	24.1	0.4	1.0	–2.8	43.5	358.5	–	358.5
Increase from exercise of conversion rights on convertible bonds	1.0	0.3					1.3		1.3
Accumulated other comprehensive income/loss				–0.2	–0.5		–0.7		–0.7
(thereof reversal recognised in period income)				(0.5)			(0.5)		(0.5)
Net income						5.8	5.8		5.8
Total of net income and accumulated other comprehensive income/loss in reporting period				–0.2	–0.5	5.8	5.1	–	5.1
Balance at 31 March 2007	293.3	24.4	0.4	0.8	–3.3	49.3	364.9	–	364.9

⁽¹⁾ These items are aggregated as "Other reserves" on the face of the balance sheet.

⁽²⁾ Reserves 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

	1-3/2007	1-3/2006
€ million		
EBIT	13.1	13.0
Interest income	0.5	0.3
Other taxes paid	-0.2	-0.3
Income taxes paid	-5.5	-2.0
Depreciation, amortisation of non-current assets	18.1	15.6
Gains/losses on measurement at equity	-0.2	-
Other non-cash income and expenses	-3.4	-4.2
Change in inventories	-52.4	-28.3
Change in receivables and other assets	-0.7	-13.3
Change in current provisions and liabilities (excl. financial liabilities)	23.3	-4.4
Change in non-current provisions and liabilities (excl. financial liabilities)	-3.3	-2.1
Cash flow from operating activities	-10.7	-25.7
Capital expenditure on intangible assets and property, plant and equipment	-25.2	-7.5
Capital expenditure on investments	-0.2	-
Cash receipts from the sale of businesses	-0.4	-
Proceeds from the sale of non-current assets	0.5	-
Cash flow from investing activities	-25.3	-7.5
Interest expenses	-2.5	-1.7
Cash receipts from borrowings	7.2	6.9
Repayments of loans	-5.2	-9.1
Cash flow from financing activities	-0.5	-3.9
Cash flow from operating activities	-10.7	-25.7
Cash flow from investing activities	-25.3	-7.5
Cash flow from financing activities	-0.5	-3.9
Change in cash and cash equivalents	-36.5	-37.1
Cash and cash equivalents at 1 January	49.4	48.4
Change in cash and cash equivalents	-36.5	-37.1
Exchange rate-related change in cash and cash equivalents	-0.1	-0.2
Cash and cash equivalents at 31 March	12.8	11.1

DEUTZ Group – Notes to the consolidated financial statements, 1st Quarter 2007

PRINCIPLES

The consolidated financial statements of DEUTZ AG for the year ended 31 December 2006 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The standards comprise the IFRSs and International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB), together with the interpretations of both the International Financial Reporting Interpretations Committee (IFRIC) and the Standard Interpretations Committee (SIC).

The 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 Stock Corporation Act (AktG) have been applied.

The unaudited interim financial statements of the DEUTZ Group for the three months to 31 March 2007 have been prepared in accordance with the accounting policies applied in the 2006 consolidated financial statements. A detailed description of these policies is published in the notes to the consolidated financial statements included in the 2006 Annual Report.

CONSOLIDATED ENTERPRISES AND PRINCIPLES OF CONSOLIDATION

Following the deconsolidation of one of the Group's investments in Germany, the number of companies included in the consolidation has reduced since 31 December 2006. There have been no changes to the principles of consolidation.

CONTINGENT LIABILITIES

At 31 March 2007, contingent liabilities were €11.4 million, a decrease of €5.9 million on the figure at 31 December 2006.

EVENTS AFTER THE BALANCE SHEET DATE (31 MARCH 2007)

There have been no events of particular importance since 31 March 2007.

OTHER DISCLOSURES

In January, pursuant to sections 21 (1) and 22 (1) German Securities Trading Act (WpHG), FMR Corp., USA, gave notice that it now held 4.98 per cent of the voting rights in DEUTZ AG. In March, pursuant to section 21 (1) of the German Securities Trading Act (WpHG), JP Morgan Chase & Co., UK, gave notice that it now held 3.02 per cent of the voting rights in DEUTZ AG. In a further notification in April, JP Morgan gave notice that its share of voting rights in DEUTZ AG was now 2.9 per cent and had thereby fallen below the 3 per cent threshold.

In January 2007, there was a change to the Supervisory Board of DEUTZ AG. Gino Mario Biondi stepped down as a member of the Supervisory Board with effect from 12 January 2007. At the request of the Management Board of DEUTZ AG, the Cologne local court appointed Dr. Massimo Bordi as his successor with effect from 18 January 2007 until the Annual General Meeting to be held on 24 May 2007. Under agenda item 6 of the Annual General Meeting, the Supervisory Board is proposing to the Annual General Meeting that Dr. Massimo Bordi be elected as a shareholders' representative on the Supervisory Board for the remaining term of office of the other members of the Supervisory Board, i.e. until the end of the Annual General Meeting that formally approves the acts of the Supervisory Board for 2007.

Financial Calendar

Dates 2007	Event	Location
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	

Dates 2008

21 May	Annual General Meeting 2008	Koelnmesse, Cologne
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Imprint

Published by

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Concept and layout

Kirchhoff Consult AG, Munich

Lithography and print

Bacht, Grafische Betriebe
und Verlag GmbH

This is a complete translation
of the original German version
of the Interim Report.

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