Taking advantage of the opportunities of the future

» Interim Report
1st Quarter 2009

DEUTZ

The 1st Quarter at a Glance

DEUTZ Group: Key figures

	1–3/ 2009	1–3/ 2008
Continuing operations		
€ million		
New orders	205.9	433.3
Unit sales (units)	30,589	72,786
Revenue	220.6	397.0
thereof excluding Germany (%)	69.6	76.1
EBITDA	–4.1	34.3
EBIT	–19.9	17.0
EBIT margin (%)	–9.0	4.3
Net loss/income	–23.7	13.5
Basic earnings per share (€)	–0.20	0.11
Total assets (31 March)	1,159.6	1,387.5
Non-current assets	543.8	509.7
Equity	486.4	570.1
Equity ratio (%)	41.9	41.1
Cash flow from operating activities	–23.0	–20.4
Free cash flow	–47.8	–51.3
Net financial position[1]	–69.2	50.1
Working capital[2]	240.3	276.3
Working capital as percentage of revenue (31 March)	18.2	17.5
Capital expenditure (excluding capitalisation of R&D)	8.7	15.1
Depreciation and amortisation	15.8	17.3
Research and development	23.2	16.6
Employees (31 March)	4,555	4,909

1) Net financial position: cash and cash equivalents less current and non-current interest-bearing financial liabilities
2) Working capital: inventories plus trade receivables minus trade payables

DEUTZ Group: Segments

	1–3/ 2009	1–3/ 2008
Continuing operations		
€ million		
New orders		
Compact Engines	152.8	344.6
DEUTZ Customised Solutions	53.1	88.7
Total	**205.9**	**433.3**
Unit sales (units)		
Compact Engines	26,159	64,777
DEUTZ Customised Solutions	4,430	8,009
Total	**30,589**	**72,786**
Revenue		
Compact Engines	161.5	318.1
DEUTZ Customised Solutions	59.1	78.9
Total	**220.6**	**397.0**
EBIT		
Compact Engines	–22.8	8.0
DEUTZ Customised Solutions	3.6	8.8
Other	–0.7	0.2
Total	**–19.9**	**17.0**

Foreword

DEAR SHAREHOLDERS,

We are all well aware that the economic situation has not improved at all in recent weeks. On the contrary, the adverse trend characterising the fourth quarter of last year has continued and even intensified. There are still no signs that the global economy is likely to recover any time soon. Instead, economic experts are outdoing each other with gloomy forecasts and predicting that Germany's economic output – measured in terms of its gross domestic product (GDP) – will contract by as much as 7 per cent this year.

The economic stimulus packages announced so far have noticeably failed to boost the construction equipment industry, which is a key market for DEUTZ. The commercial-vehicle sector continues to report weak or falling demand, while business activity is also slowing in agricultural machinery and in services. Although our total volume of new orders (€206 million) at least almost managed to stabilise at the very low level achieved in the previous quarter, the decrease of 53 per cent compared with the first quarter of 2008 is dramatic. Our unit sales were hit by the low volume of orders in the second half of 2008. We sold roughly 30,600 engines in the first quarter of 2009, which was almost 42,200 fewer than in the same quarter of 2008. Consequently, our revenue fell to €221 million and we incurred a significant operating loss of €19.9 million.

DEUTZ was quick to recognise the severity of the economic crisis and, since the autumn of last year, has been taking action to mitigate this trend by implementing its MOVE programme to secure its profitability and the future of its business. We have already reaped cost savings of €29 million since October 2008 – €19 million of which was in the first quarter of this year alone – and most of our savings are not expected to materialise until the second half of 2009. Despite this cost-cutting drive, we continue to invest heavily in the technological development of our engines. In April 2009 we showcased our new TIER 4 engines at the INTERMAT trade fair in Paris which, alongside Munich's Bauma and ConExpo in Las Vegas, is one of the largest and most important exhibitions for the construction industry. These engines will be used for power outputs of 130kW or more once the EU IIIB and US TIER 4 interim emissions standards come into effect from 2011.

Given the uncertainty surrounding the economy, it is still difficult to make forecasts for the year as a whole. What is clear is that our unit sales will not improve much in the first half of 2009 and at the present time it is virtually impossible to predict how the markets will fare in the second half of the year. Our new orders, unit sales, revenue and profitability will therefore be considerably lower than last year's. By launching our MOVE action programme we have laid the foundations for reducing our costs in the short term and delivering sustainable profitability improvements over the long term. We are working flat-out to ensure that we implement these measures effectively. Although we cannot influence general market trends, we can adjust our organisational and cost structures to bring them into line with existing and future changes in market conditions.

Kind regards from Cologne,

Dr Helmut Leube
Chairman of the Management Board

Interim management report 1st Quarter 2009

ECONOMIC ENVIRONMENT

Sharp contraction in the global economy [1)]

The effects of the global financial and economic crisis continue to reverberate in 2009, with business activity falling sharply around the world. Global economic output is expected to decrease by 1.9 per cent compared with last year. The forecasts range from a contraction of 8.7 per cent for Japan to growth of 7.0 per cent for China. Virtually all industrialised nations are currently in recession, with GDP for the G7 countries predicted to decline by 4.5 per cent in 2009. Growth in the emerging markets has slowed significantly. Growth in Asia (excluding Japan) is forecast to reach 3.6 per cent, which would be much lower than last year (2008: 6.8 per cent).

Economic output in the United States is expected to fall by 3.9 per cent. The euro zone is likely to share a similar fate, with experts forecasting a 3.4 per cent contraction in GDP. Having grown by 1.0 per cent in 2008, Germany's economic output is predicted to fall by 4.0 per cent this year despite the stimulus packages that have been introduced.

Engineering sector suffers sharp contraction [1)]

The German engineering sector contracted sharply at the beginning of the year in line with the general economic trend. According to the German Engineering Federation (VDMA), new orders in January 2009 fell by 42 per cent year on year in real terms, and in February they plummeted by as much as 49 per cent in real terms compared with the corresponding month of 2008. It should be noted, however, that the comparative prior-year figures were unusually high because new engineering orders had been at a record level until the spring of 2008. The fact that orders from abroad contracted by 47 per cent in January and by 50 per cent in February hit the strongly export-driven engineering sector particularly hard.

The VDMA expects engineering output for 2009 to decrease by between 10 per cent and 20 per cent, depending on sub-sector. It has therefore already had to revise the forecast for this year that it only submitted at the beginning of February. The sharp fall in new orders and revenue in the engineering sector illustrates that market participants continue to lack finance, liquidity and confidence.

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

Volume of new orders continues to decline

The weakness of the economy continued to severely impair the performance of DEUTZ's business in the first quarter of 2009, with the volume of new orders plummeting by more than half year on year. They fell by 52.5 per cent compared with the first quarter of 2008 (€433.3 million) to €205.9 million. New orders of engines and services in the Compact Engines segment plunged by 55.7 per cent to €152.8 million (Q1 2008: €344.6 million), while orders in the DEUTZ Customised Solutions segment contracted by 40.1 per cent from €88.7 million (Q1 2008) to €53.1 million (Q1 2009). The rate of decline in new orders slowed between the fourth quarter of 2008 and the first quarter of 2009, with the volume of new orders decreasing by 3.2 per cent over this period.

Total orders on hand as at 31 March 2009 amounted to €166.5 million, which was a year-on-year decline of 51.5 per cent (31 March 2008: €343.4 million).

1) Sources: Global economic data from Deutsche Bank Economic Research Bureau Frankfurt
Sectoral economic data from the German Engineering Federation (VDMA)

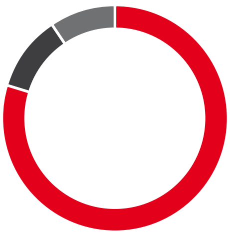
Sharp fall in unit sales

Unit sales of engines in the first quarter of 2009 fell significantly as a result of the low level of new orders won in previous quarters. The DEUTZ Group as a whole sold 30,589 engines compared with 72,786 units in the corresponding period of 2008, which was a year-on-year decrease of 58.0 per cent. Sales of virtually all engine series suffered double-digit percentage decreases; small engines of less than four litres were hit particularly hard. The plunge in unit sales affected the Compact Engines segment more than the DEUTZ Customised Solutions segment. Deliveries of compact engines fell by 59.6 per cent to 26,159 units (Q1 2008: 64,777 engines), while unit sales at DEUTZ Customised Solutions declined by 44.7 per cent to 4,430 engines (Q1 2008: 8,009). However, part of the decrease at DEUTZ Customised Solutions was attributable to the discontinuation of production of small air-cooled engines in Spain.

Revenue lower worldwide

The sharp fall in unit sales caused revenue to contract accordingly. It totalled €220.6 million in the first quarter of 2009 compared with €397.0 million in the corresponding period of 2008 – a decrease of 44.4 per cent. Revenue generated in Germany declined by 29.3 per cent to €67.1 million (Q1 2008: €94.9 million), while outside Germany it performed even worse, falling by 49.2 per cent to €153.5 million (Q1 2008: €302.1 million). The proportion of revenue generated outside Germany therefore came to 69.6 per cent compared with 76.1 per cent in the first quarter of 2008. The revenue earned by DEUTZ in European countries other than Germany in the first three months of 2009 fell by 51.9 per cent year on year from €206.2 million in the first quarter of 2008 to €99.1 million in the first quarter of 2009. Revenue generated in the Americas also declined sharply – especially in the Compact Engines segment – by 52.4 per cent from €50.6 million in 2008 to only €24.1 million in the first quarter of 2009. This decrease amounted to almost 60 per cent on a currency-adjusted basis. The fall-off in revenue was less pronounced in the Asia-Pacific region: revenue in the first quarter of 2009 amounted to €20.5 million compared with €25.9 million in the corresponding period of 2008, a decrease of 20.8 per cent. Whereas the revenue generated by the Compact Engines segment in this region fell significantly year on year, DEUTZ Customised Solutions reported an encouraging double-digit percentage increase in revenue.

DEUTZ Group: Revenue by region
€ million (2008 figures)



176.0	(320.5)	Europe/Middle East/Africa
24.1	(50.6)	Americas
20.5	(25.9)	Asia-Pacific
220.6	(397.0)	**Total**

Sharp deterioration in EBIT

The DEUTZ Group incurred an operating loss of €19.9 million in the first quarter of 2009 (Q1 2008: operating profit of €17.0 million), largely owing to the sharp and rapid decline in business volumes in the wake of the global economic and financial crisis. In addition, the Company did not manage to compensate for the significant fall in revenue by cutting its costs to the same extent, although it did lower its staff costs by €8.8 million to €67.3 million by introducing short-time working and reducing its headcount. The EBIT margin therefore came to minus 9.0 per cent (Q1 2008: plus 4.3 per cent).

The Compact Engines segment incurred a loss of €22.8 million (Q1 2008: profit of €8.0 million). By contrast, the DEUTZ Customised Solutions segment managed to earn a profit of €3.6 million, albeit much lower than in the previous year (Q1 2008: €8.8 million). The Other segment reported a loss of €0.7 million (Q1 2008: profit of €0.2 million).

The EBIT figure reported for the first quarter of 2009 includes the interest cost of defined benefit obligations as part of staff costs for the first time. These expenses are no longer shown as part of net finance costs so that effective interest is reported under net finance costs. This interest amounted to €2.5 million in the first quarter of 2009 (Q1 2008: €2.7 million). The comparative prior-year figures have been restated accordingly to improve comparability.

Net result significantly lower

The net interest expense deteriorated slightly by €0.8 million to €1.7 million owing to lower interest and similar income (Q1 2008: net interest expense of €0.9 million). Because of the operating loss incurred, the DEUTZ Group reported a net loss before taxes on continuing operations of €21.9 million compared with a net income of €15.8 million in 2008. Income taxes remained virtually unchanged year on year at €1.8 million owing to the effect of deferred, non-cash taxes (Q1 2008: €2.3 million). Including income taxes, the Company reported a net loss on continuing operations of €23.7 million (Q1 2008: net income of €13.5 million). This result is then adjusted for a loss on discontinued operations of €0.2 million, which was incurred by the restatement of tax provisions recognised in connection with the sale of DEUTZ Power Systems. The DEUTZ Group therefore reported a total net loss of €23.9 million for the first quarter of 2009 (Q1 2008: net income of €13.5 million).

BUSINESS PERFORMANCE IN THE COMPACT ENGINES SEGMENT

New orders continue to fall, albeit more slowly

The Compact Engines segment won new orders worth €152.8 million in the first three months of 2009, which was 55.7 per cent lower than in the corresponding period of 2008 (Q1 2008: €344.6 million). This decrease was attributable to business in both new engines and services, although the fall-off in demand was less pronounced here. The overall rate of decline in demand slowed: the volume of new orders fell by only 3.4 per cent between the fourth quarter of 2008 and the first quarter of 2009.

Sharp drop in unit sales

Unit sales in the first quarter of 2009 fell sharply compared with the corresponding period of 2008. Whereas 64,777 engines were sold in the first three months of 2008, only 26,159 units were sold during the same period of 2009, which represented a year-on-year decrease of 59.6 per cent. While unit sales of four to eight-litre engines halved, sales of small engines (of less than four litres) fell by more than two-thirds.

Agricultural Machinery segment raises revenue

Revenue fell accordingly, albeit less sharply in relative terms. The revenue generated by the Compact Engines segment in the first quarter of 2009 amounted to €161.5 million, which was a 49.2 per cent decrease compared with the €318.1 million earned in the corresponding period of 2008. The Mobile Machinery application segment – especially engines for construction equipment and materials-handling equipment – suffered the most dramatic decrease, with its revenue plummeting by 74.6 per cent from €136.6 million to €34.7 million. The revenue generated by the Automotive application segment – which almost exclusively consists of revenue earned from its customer Volvo in the commercial-vehicle segment – and by engines for stationary equipment (gensets, pumps and compressors) fell by 45.9 per cent to €34.4 million (Q1 2008: €63.6 million) and by 44.3 per cent to €25.9 million (Q1 2008: €46.5 million) respectively. Revenue earned from services – principally the trade in spare parts – declined by 12.1 per cent (Q1 2009: €21.7 million; Q1 2008: €24.7 million). In the first quarter of 2009 only the Agricultural Machinery application segment managed to increase its revenue, which rose by 7.7 per cent to €44.6 million compared with €41.4 million in the corresponding period of 2008, because many manufacturers of agricultural equipment were still benefiting from a high level of orders on hand from the previous year.

Compact Engines: Revenue by application segment
€ million (2008 figures)

44.6	(41.4)	Agricultural Machinery
34.7	(136.6)	Mobile Machinery
34.4	(63.6)	Automotive
25.9	(46.5)	Stationary Equipment
21.7	(24.7)	Service
0.2	(5.3)	Miscellaneous
161.5	(318.1)	**Total**

Operating loss caused by economic downturn

The operating performance of the Compact Engines segment deteriorated sharply in the first quarter of 2009 and resulted in an operating loss of €22.8 million for the first three months (Q1 2008: operating profit of €8.0 million). The principal reasons for this loss were the effects of the economic downturn and the corresponding plunge in sales of compact engines. The highly profitable service business also weakened as a result of the ailing economy. Profitability was further impaired by the loss of €3.5 million incurred by the DEUTZ Dalian joint venture in China (Q1 2008: loss of €3.2 million). This was mainly caused by the venture's persistent start-up losses and the adverse economic conditions because the Chinese market has also been hit hard by the global economic crisis.

BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS SEGMENT

Double-digit year-on-year decrease in new orders

The volume of new orders received by the DEUTZ Customised Solutions segment in the first three months of 2009 fell by 40.1 per cent from €88.7 million to €53.1 million compared with the first quarter of 2008. As in the Compact Engines segment, this decline was attributable to service and new engines, although the decrease in service-related orders was less pronounced in relative terms. The contraction in new orders between the fourth quarter of 2008 and the first quarter of 2009 was a much more moderate 2.4 per cent.

Lower unit sales across all engine series

Whereas 8,009 engines were sold in the first quarter of 2008, only 4,430 were sold during the corresponding period of 2009 (a decrease of 44.7 per cent). Sales of air-cooled engines fell particularly sharply, although it should be noted that the discontinuation of production of small air-cooled engines in Spain reduced the total number of engines by roughly 970. However, sales of larger engines of more than eight litres also suffered a double-digit percentage decline year on year.

Revenue down by a quarter

The revenue generated by the DEUTZ Customised Solutions segment between January and March 2009 fell by 25.1 per cent year on year to €59.1 million (Q1 2008: €78.9 million); virtually all application segments reported lower revenue. The revenue earned from engines for mobile machinery – primarily construction equipment and underground equipment – fell by 49.1 per cent from €15.9 million in the first quarter of 2008 to €8.1 million in the corresponding period of 2009. Revenue from services in the first three months of 2009 amounted to €20.1 million, which was 30.0 per cent less than in the first quarter of 2008 (Q1 2008: €28.7 million). It was noticeable that the persistent economic downturn had made customers highly reluctant to buy spare parts and reconditioned exchange engines in particular. The revenue generated by the Stationary Equipment and Automotive application segments declined by 18.4 per cent (Q1 2009: €14.6 million; Q1 2008: €17.9 million) and 9.6 per cent (Q1 2009: €7.5 million; Q1 2008: €8.3 million) respectively. Although the fall in revenue suffered by the Agricultural Machinery application segment was a relatively moderate 4.5 per cent, this business contributes the smallest amount of revenue in the DEUTZ Customised Solutions segment (Q1 2009: €2.1 million; Q1 2008: €2.2 million).

DEUTZ Customised Solutions: Revenue by application segment
€ million (2008 figures)

20.1	(28.7)	Service
14.6	(17.9)	Stationary Equipment
8.1	(15.9)	Mobile Machinery
7.5	(8.3)	Automotive
2.1	(2.2)	Agricultural Machinery
6.7	(5.9)	Miscellaneous
59.1	(78.9)	**Total**

Significant fall in operating profit

Because of the economic downturn, the operating profit reported by the DEUTZ Customised Solutions segment for the first quarter of 2009 was lower than the profit it had achieved in the corresponding period of 2008. The operating profit generated by DEUTZ Customised Solutions fell significantly year on year to €3.6 million (Q1 2008: €8.8 million). The main reasons for this trend were the sharp contraction in business volumes and the decline in the highly profitable service business. The economic crisis severely impaired the after-sales market and, in particular, the business in reconditioned exchange engines.

NET ASSETS AND FINANCIAL POSITION

The continued deterioration in the DEUTZ Group's operating performance in the first quarter of 2009 affected the key figures on its balance sheet accordingly.

Total assets reduced by 4 per cent

Total assets amounted to €1,159.6 million as at 31 March 2009, which was a reduction of roughly 4 per cent compared with their volume at the end of 2008 (31 December 2008: €1,206.3 million). Although there was an increase in non-current assets, largely as a result of the €6.1 million growth in intangible assets owing to the capitalisation of development costs, this growth and the increase in trade receivables were more than offset primarily by the decrease in inventories and, in particular, in cash and cash equivalents.

Working capital increases during the reporting period

Working capital (inventories plus trade receivables minus trade payables) increased by approximately 17 per cent to €240.3 million as at 31 March 2009 (31 December 2008: €205.0 million). The reasons for this trend were the lower volume of trade payables (down by €34.4 million) and a rise in trade receivables (up by €7.5 million) mainly as a result of lower sales of receivables.

Equity decreases; equity ratio of 42 per cent

Equity had decreased by €24.9 million to €486.4 million as at the balance sheet date on 31 March 2009 (31 December 2008: €511.3 million). The main reason for this reduction was the net loss reported for the period. The equity ratio changed only marginally: it ended the quarter under review at 41.9 per cent, which was 0.5 percentage points lower than the ratio as at 31 December 2008 (42.4 per cent).

Deterioration in net financial position

The net financial position as at 31 March 2009 came to minus €69.2 million (31 December 2008: minus €12.2 million). This decrease was attributable to the reduction in holdings of cash and cash equivalents. The net financial position is defined as the cash and cash equivalents available minus all current and non-current interest-bearing financial liabilities in the form of loans, bonds, notes and finance lease liabilities.

Negative cash flow

Cash flow from operating activities in the first quarter of 2009 amounted to minus €23.0 million, which was €2.6 million less than the cash flow of minus €20.4 million generated in the corresponding period of 2008. This figure was adversely affected by the deterioration in earnings before interest and tax (EBIT) from a profit of €17.0 million in the first quarter of 2008 to an operating loss of €19.9 million, although this trend was partly offset by a year-on-year decrease of €45.8 million in the amount of working capital needed.

Cash flow from investing activities of continuing operations improved to minus €18.2 million (Q1 2008: minus €24.3 million) mainly as a result of lower capital spending on property, plant and equipment, which was partly offset by higher capital expenditure on development.

Cash flow from financing activities of minus €8.0 million (Q1 2008: minus €7.1 million) arose largely from the repayment of loans.

Free cash flow from continuing operations (cash flow from operating and investing activities minus interest expense) amounted to minus €47.8 million in the reporting period compared with minus €51.3 million in the corresponding period of 2008.

CAPITAL EXPENDITURE

Capital expenditure in the first quarter of 2009 fell slightly year on year to €20.1 million (Q1 2008: €22.1 million). €11.4 million of this total (Q1 2008: €7.0 million) was attributable to capitalised development costs in connection with the development of new and existing engines in line with current and future exhaust-gas emission standards. Most of these costs incurred during the reporting period were spent on the future TIER 4 interim emissions standard for industrial and agricultural applications and on the introduction of the Euro 5 emissions standard for the 2013 4V Automotive engine. €6.6 million was invested in property, plant and equipment (Q1 2008: €13.2 million). This expenditure largely related to manufacturing and assembly capacities at the Cologne site and to component production at Zafra in Spain.

The vast majority of the total capital expenditure was allocated to the Compact Engines segment, on which €17.1 million (Q1 2008: €20.6 million) was spent, while €3.0 million was invested in DEUTZ Customised Solutions (Q1 2008: €1.5 million). Capital spending in both segments focused mainly on development.

RESEARCH AND DEVELOPMENT

Spending on research and development (R&D) in the first quarter of 2009 totalled €23.2 million, which was 39.8 per cent higher than in the corresponding period of 2008 (Q1 2008: €16.6 million). The ratio of R&D costs to revenue also rose and is now 10.5 per cent (Q1 2008: 4.2 per cent). More than two-thirds of this amount (67.7 per cent) was spent on the development of new and existing engines and a further 16.4 per cent was allocated to research and preliminary development; 15.9 per cent of the R&D budget was spent on support for existing engine series.

€20.2 million (Q1 2008: €14.1 million) was spent on research and development in the Compact Engines segment, while €3.0 million was invested in the DEUTZ Customised Solutions segment (Q1 2008: €2.5 million).

DEUTZ employed a total of 486 people in research and development as at 31 March 2009 (31 March 2008: 441[1)]). They were mainly working to develop engines that meet Europe's IIIB emissions standards and the US TIER 4 interim standards, which will apply as from 2011, and also focused on the development of exhaust-gas aftertreatment systems. At the same time they were working on the introduction of the Euro 5 emissions standard for the 2013 4V Automotive engine. The hybrid drive was a further focus of DEUTZ's R&D activities.

1) To improve comparability, the figure for 2008 has been adjusted in line with the current allocation of R&D staff.

EMPLOYEES

We continued to adjust our headcount in response to the further deterioration in economic conditions and the resultant fall-off in new orders and unit sales.

The DEUTZ Group's total workforce as at the reporting date on 31 March 2009 comprised 4,555 people, which was a year-on-year reduction of 354, or 7.2 per cent (31 March 2008: 4,909). At our Cologne sites in particular we brought our production-related headcount into line with the falling level of new orders and unit sales. We also reduced staffing levels at our Zafra plant in Spain by adjusting our components manufacturing capacities in line with the lower production figures throughout the DEUTZ Group and by discontinuing the assembly of small air-cooled engines. To invest in our future and prepare for the forthcoming introduction of new exhaust-gas emission standards we continued to raise our R&D staffing levels; the number of people working in this area rose by 45 from 441[1] as at 31 March 2008 to 486 as at 31 March 2009.

The average number of temporary workers fell by 300 from 354 in the first quarter of 2008 to 54 in the corresponding period of 2009. The number of temporary staff was reduced to zero in production-related areas and most of those remaining are working in research and development.

In the first quarter of 2009 we continued to use short-time working as a way of introducing further flexibility in manufacturing and assembly-related areas whose capacities were not being fully utilised. In addition, short-time working was extended to all areas of the Company with the exception of research and development in February 2009. The sites at Ulm and Übersee in southern Germany have also been on short-time working since March 2009. The number of staff on short-time working in the first quarter of 2009 was the equivalent of approximately 500 full-time employees.

Of the DEUTZ Group's total workforce as at the reporting date (4,555 employees), 3,683 people (31 March 2008: 3,773) worked in Germany and 872 (31 March 2008: 1,136) were employed outside Germany, mainly at Zafra in Spain and at Deutz Corporation in Atlanta, USA. The total headcount in the Compact Engines segment was 3,653 employees at the end of March 2009 (31 March 2008: 3,925[1)]), while 902 people worked in the DEUTZ Customised Solutions segment (31 March 2008: 984[1)]).

DEUTZ SHARES

DEUTZ's share price affected by volatility

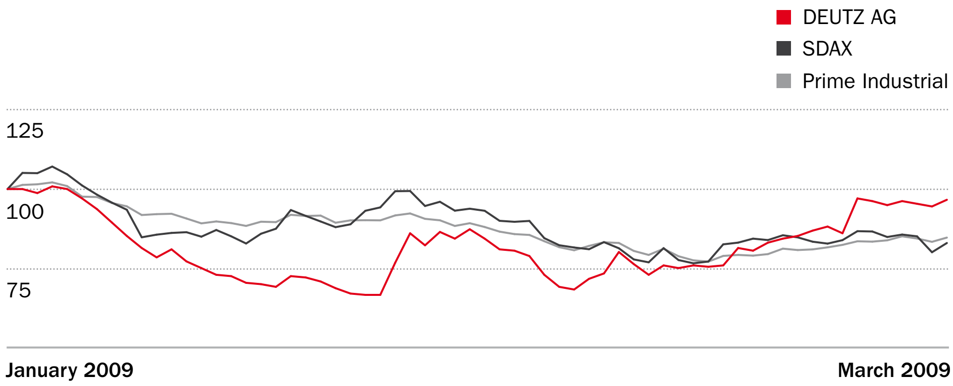
The first quarter of 2009 was characterised by the continued uncertainty and considerable reluctance to invest in the international financial markets; despite brief rallies there were no signs of a sustained reversal in market fortunes. The SDAX index fell by over 15 per cent in the first three months of 2009 to 2,373 points on 31 March 2009 (31 December 2008: 2,801 points). The Prime Industrial index delivered a similar performance, shedding almost 17 per cent in the first quarter of 2009 to close at 1,552 points at the end of March (31 December 2008: 1,868 points).

On a relative comparison, DEUTZ's shares performed better than both their SDAX and Prime Industrial benchmarks, especially from mid-March 2009 onwards. Although the share price hit a new low of €1.59 at the beginning of February, its rally in March almost compensated for the losses it had suffered at the start of the year. The Company's shares closed at €2.30 on 31 March 2009, which was only 3.4 per cent down on their closing price at the end of last year (31 December 2008: €2.38).

DEUTZ had a total of 120,861,783 shares in issue as at 31 March 2009 – a number that had not changed since the previous balance sheet date of 31 December 2008 – and a market capitalisation of €278.0 million (31 December 2008: €287.7 million).

1) To improve comparability, the figure for 2008 has been adjusted in line with the current allocation of staff to the segments Compact Engines and DEUTZ Customised Solutions.

Price performance of DEUTZ share
in %



Key figures for DEUTZ shares

	1–3/2009	1–3/2008
Number of shares (31 March)	120,861,783	120,861,513
Number of shares (average)	120,861,783	120,588,711
Share price (31 March, €)	2.30	7.29
Share price high (€)	2.40	7.34
Share price low (€)	1.59	5.28
Market capitalisation (31 March, € million)	278.0	881.1
Basic earnings per share (€)	–0.20	0.11
Diluted earnings per share (€)	–0.20	0.11

Based on XETRA closing price

RISK REPORT

The DEUTZ Group operates on a global basis in various market segments and application segments. Consequently, the Company is exposed to a variety of risks specific to its business and to the regions in which it operates. Certain material risks were described in detail in the 2008 annual report. For further information on significant developments with respect to the impact of the global economic crisis on the DEUTZ Group's financial position and financial performance please refer to our comments on the Company's business performance and financial position. We would also refer you to the "Outlook" on page 10 of this interim group management report.

EVENTS AFTER THE BALANCE SHEET DATE

No events occurred after the balance sheet date that had a material impact on the financial position or financial performance of the DEUTZ Group.

RELATED-PARTY DISCLOSURES

In addition to its consolidated subsidiaries, the DEUTZ Group maintains relationships with related parties. These include the business relationships between the DEUTZ Group and its associates and subsidiaries as well as the following DEUTZ AG shareholders (including their subsidiaries), which are in a position to exert a significant influence over the DEUTZ Group. These shareholders are

- SAME DEUTZ-FAHR Holding & Finance B.V., Amsterdam, Netherlands, (Group) and
- AB Volvo Power (publ), Gothenburg, Sweden, (Group).

Further information on related-party disclosures is given starting on page 19 of the notes to the consolidated financial statements.

OUTLOOK

Against the background of the global recession we must assume that our new orders, unit sales, revenue and profitability for the current year as a whole will be significantly below the levels achieved in 2008. Given the considerable economic uncertainty, it is still difficult to make reliable forecasts. We are therefore factoring various sales scenarios into our projections and are currently assuming that our unit sales will not improve significantly in the first half of 2009. At present is it impossible to predict how the markets will fare in the second half of the year.

The expected decline in unit sales will feed through into our operating earnings. The aim of our MOVE action programme is to enable us to react flexibly to continually changing economic circumstances in 2009. The measures already defined as part of our MOVE programme and any further action that may need to be taken aim at a positive earnings contribution during the current year.

In 2009 we are planning to maintain capital expenditure (excluding research and development costs) at the level of 2008, although our spending will be aligned with market trends. Our expenditure on research and development, i.e. our investment in projects affecting the Company’s future, will be continued at the high level of 2008.

Short-time working will continue throughout the entire Company – with the exception of research and development – for the time being in 2009 to ensure that our capacities are further adjusted in line with requirements. We will continue to align the structure of our workforce with the changes in our situation, and our headcount will be reduced compared with its level in 2008.

DISCLAIMER

This publication includes certain statements about future events and developments, together with disclosures 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 2009

INCOME STATEMENT FOR THE DEUTZ GROUP

	1–3/2009	1–3/2008
€ million		
Revenue	**220.6**	**397.0**
Change in inventories and other own work capitalised	7.3	13.6
Other operating income	15.8	16.7
Cost of materials	–151.1	–275.3
Staff costs	–67.3	–76.1
Depreciation and amortisation	–15.8	–17.3
Other operating expenses	–26.6	–39.2
Net result from equity-accounted investments	–2.8	–2.4
EBIT	**–19.9**	**17.0**
thereof one-off items	–	–
thereof operating profit (EBIT before one-off items)	–19.9	17.0
Interest expenses, net	–1.7	–0.9
thereof finance costs	–5.9	–5.9
Other taxes	–0.3	–0.3
Net loss/income before taxes on continuing operations	**–21.9**	**15.8**
Income taxes	–1.8	–2.3
Net loss/income on continuing operations	**–23.7**	**13.5**
Net loss on discontinued operations	–0.2	–
Net loss/income	**–23.9**	**13.5**
thereof attributable to owners of the parent	–23.9	13.5
thereof attributable to non-controlling interests	–	–
Earnings per share		
Basic earnings per share (€)	**–0.20**	**0.11**
thereof from continuing operations	–0.20	0.11
thereof from discontinued operations	–	–
Diluted earnings per share (€)	**–0.20**	**0.11**
thereof from continuing operations	–0.20	0.11
thereof from discontinued operations	–	–

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

€ million	1–3/2009	1–3/2008
Net income	**–23.9**	**13.5**
Currency translation differences	5.3	–4.8
Effective portion of change in fair value from cash flow hedges	–6.2	1.7
Change in fair value of available-for-sale financial assets	–0.1	–0.1
Other comprehensive income, net of tax	**–1.0**	**–3.2**
Comprehensive income	**–24.9**	**10.3**
thereof attributable to owners of the parent	–24.9	10.3
thereof attributable to non-controlling interests	–	–

BALANCE SHEET FOR THE DEUTZ GROUP

Assets

€ million	31/3/2009	31/12/2008
Property, plant and equipment	338.3	342.1
Intangible assets	131.8	125.7
Equity-accounted investments	55.4	55.1
Other financial assets	18.3	16.8
Non-current assets (before deferred tax assets)	543.8	539.7
Deferred tax assets	34.4	33.1
Non-current assets	**578.2**	**572.8**
Inventories	215.4	222.0
Trade receivables	128.6	121.1
Other receivables and assets	78.3	82.0
Cash and cash equivalents	158.2	207.5
Current assets	**580.5**	**632.6**
Non-current assets held for sale	0.9	0.9
Total assets	**1,159.6**	**1,206.3**

Equity and liabilities

Issued capital	309.0	309.0
Additional paid-in capital	28.8	28.8
Other reserves	1.5	2.5
Retained earnings	79.1	79.1
Accumulated income	68.0	91.9
Equity attributable to owners of the parent	486.4	511.3
Equity	**486.4**	**511.3**
Provisions for pensions and other post-retirement benefits	167.5	169.3
Deferred tax provisions	0.1	0.1
Other provisions	44.4	45.7
Financial liabilities	222.0	214.1
Other liabilities	2.4	1.7
Non-current liabilities	**436.4**	**430.9**
Provisions for pensions and other post-retirement benefits	16.4	16.4
Provision for current income taxes	0.2	2.1
Other provisions	58.2	48.8
Financial liabilities	5.4	5.6
Trade payables	103.7	138.1
Other liabilities	52.9	53.1
Current liabilities	**236.8**	**264.1**
Total equity and liabilities	**1,159.6**	**1,206.3**

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	Total Group interest	Non-controlling interests	Total
€ million									
Balance at 1 Jan. 2008	**307.0**	**28.1**	**79.1**	**4.1**	**–9.4**	**148.2**	**557.1**	**–**	**557.1**
Increase from exercise of conversion rights on convertible bonds/on profit-sharing rights	2.0	0.7					2.7		2.7
Comprehensive income				1.6	–4.8	13.5	10.3	–	10.3
Balance at 31 March 2008	**309.0**	**28.8**	**79.1**	**5.7**	**–14.2**	**161.7**	**570.1**	**–**	**570.1**
Balance at 1 Jan. 2009	**309.0**	**28.8**	**79.1**	**9.5**	**–7.0**	**91.9**	**511.3**	**–**	**511.3**
Comprehensive income				–6.3	5.3	–23.9	–24.9	–	–24.9
Balance at 31 March 2009	**309.0**	**28.8**	**79.1**	**3.2**	**–1.7**	**68.0**	**486.4**	**–**	**486.4**

1) On the face of the balance sheet these items are aggregated under “Other reserves”.
2) Reserves from the measurement of cash flow hedges and reserves from the measurement of available-for-sale financial assets

CASH FLOW STATEMENT FOR THE DEUTZ GROUP

€ million	1–3/2009	1–3/2008
EBIT	**–19.9**	**17.0**
Interest income	3.6	3.2
Other taxes paid	–0.3	–0.3
Income taxes paid	–1.8	–3.2
Depreciation and amortisation	15.8	17.3
Net result from equity-accounted investments	2.8	2.4
Change in working capital	–28.3	–74.1
Change in inventories	9.1	–17.8
Change in trade receivables	–6.4	–54.7
Change in trade payables	–31.0	–1.6
Change in other receivables and other current assets	–1.9	–2.2
Change in provisions and other liabilities (excluding financial liabilities)	7.0	19.5
Cash flow from operating activities	**–23.0**	**–20.4**
Capital expenditure on intangible assets, property, plant and equipment	–17.8	–24.3
Capital expenditure on investments	–0.4	–
Cash flow from investing activities – continuing operations	**–18.2**	**–24.3**
Cash flow from investing activities – discontinued operations	–0.4	–0.9
Cash flow from investing activities – total	**–18.6**	**–25.2**
Interest expenses	–6.6	–6.6
Cash receipts from borrowings	0.3	0.5
Repayments of loans	–1.7	–1.0
Cash flow from financing activities	**–8.0**	**–7.1**
Cash flow from operating activities	–23.0	–20.4
Cash flow from investing activities	–18.6	–25.2
Cash flow from financing activities	–8.0	–7.1
Change in cash and cash equivalents	**–49.6**	**–52.7**
Change in cash and cash equivalents at 1 January	**207.5**	**311.1**
Change in cash and cash equivalents	–49.6	–52.7
Change in cash and cash equivalents related to exchange rates	0.3	–0.4
Change in cash and cash equivalents at 31 March	**158.2**	**258.0**

DEUTZ Group – Notes to the consolidated financial statements, 1st Quarter 2009

BASIC PRINCIPLES

Basis of preparation

The consolidated financial statements of DEUTZ AG for the year ended 31 December 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (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 Standing Interpretations Committee (SIC).

The consolidated financial statements for the year ended 31 December 2008 are consistent with the statutory obligations applicable to capital-market-oriented parent entities 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).

These interim financial statements for the period ended 31 March 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and the relevant interpretations of the International Accounting Standards Board (IASB) regarding interim financial reporting (IAS 34) as adopted by the European Union. Consequently, these interim financial statements do not contain all the information and notes required by the IFRSs for consolidated financial statements for a full financial year, and should therefore be read in conjunction with the IFRS consolidated financial statements published by the Company for the 2008 financial year.

The condensed interim consolidated financial statements for the period ended 31 March 2009 – consisting of the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selected notes to the consolidated financial statements – and the interim group management report for the period from 1 January to 31 March 2009 have not been reviewed by an auditor.

Significant accounting policies

With the exception of the new IFRS standards and interpretations as well as changes in presentation described below, the accounting policies used in the preparation of these interim consolidated financial statements are the same as those used in the most recent consolidated financial statements for the year ended 31 December 2008. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for the year ended 31 December 2008. If they are material, revenue-related and cyclical items are deferred during the year on the basis of annual business plans.

Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" and of IAS 27 "Consolidated and separate financial statements": This amendment relates to the measurement of investments at the time of transition to IFRS and the recognition of dividends from investments in single-entity financial statements. The amendments to IAS 27 have abolished the definition of the cost method. Consequently, dividends from jointly controlled entities, associates and subsidiaries must in future be recognised on the face of the income statement, regardless of whether or not the dividends are being paid out of profits earned before the date of acquisition. The investments thus recognised are subsequently tested for impairment in accordance with IAS 36. Since these amendments relate to the recognition and measurement of investments in single-entity financial statements, their first-time adoption has not impacted on these condensed interim consolidated financial statements.

Amendments to IFRS 2 "Share-based payment": One amendment adds a clarification by restricting the definition of vesting conditions to include only service conditions and performance conditions. Another amendment widens the scope of the accounting rules on cancellations of share-based arrangements to include cases where these arrangements are cancelled by employees. The transitional provisions require these amendments to be applied retrospectively. The first-time adoption of these amendments does not affect these condensed interim consolidated financial statements.

IFRS 8 "Operating segments": IFRS 8 requires the management approach to be applied in segment reporting. Under this approach, the classification of segments and the presentation of disclosures are based on the breakdown used internally by the most senior level of management for the purposes of allocating resources and assessing segment performance. Since its first-time adoption of IFRS 8 and in conformity with its ongoing reporting practices under IAS 14 "Segment reporting", the DEUTZ Group has continued to report on its Compact Engines and DEUTZ Customised Solutions operating segments and its Other segment. The way in which financial data on operating segments is published has been modified and its comparative prior-year figures restated accordingly. For further segment-related information please refer to the notes on segment reporting.

IAS 1 (revised) "Presentation of financial statements": The amendments to this standard include material changes to the way in which financial information is presented and reported in financial statements. In particular they include the introduction of a statement of comprehensive income, which comprises both the profit or loss earned during the reporting period as well as the unrealised gains and losses previously recognised in equity. In addition to the balance sheet shown as at the reporting date and the balance sheet as at the previous year's reporting date, entities must now also prepare a balance sheet at the beginning of the comparative prior-year period if they are retrospectively adopting accounting policies, correcting misstatements or reclassifying items shown in financial statements. On adopting this standard the DEUTZ Group has modified accordingly the way in which it publishes its financial information.

IAS 23 (revised) "Borrowing costs": The DEUTZ Group is applying this standard prospectively in accordance with its transitional provisions. These require borrowing costs incurred on or after 1 January 2009 on qualifying assets to be capitalised. This standard has no effect on borrowing costs arising before this date, which were expensed as incurred.

Amendment to IAS 32 "Financial instruments: presentation" and IAS 1 "Presentation of financial statements": This amendment concerns the classification of puttable financial instruments as either debt or equity. In the past, entities have often been forced to report their share capital as financial liabilities owing to shareholders' legally enshrined termination rights. In future these financial instruments are generally to be classified as equity providing that certain conditions are met. This amendment alters neither the reporting nor the measurement of financial instruments in these condensed interim consolidated financial statements.

Improvements to the International Financial Reporting Standards (annual improvements process 2006-2008): Apart from editorial changes, these amendments concern changes in presentation, recognition and measurement in various standards. Because the DEUTZ Group is only partially affected by these amendments, their first-time adoption has not had a material impact on these condensed interim consolidated financial statements.

IFRIC 12 "Service concession arrangements": This interpretation stipulates how service concession operators should account for the obligations they undertake and the rights they receive under service concession arrangements. The first-time adoption of this interpretation has no impact on these condensed interim consolidated financial statements because the entities consolidated are not service concession operators within the meaning of IFRIC 12.

IFRIC 13 "Customer loyalty programmes": This interpretation requires award credits granted to customers to be recognised as a revenue component that is separately identifiable from the sales transaction in which they were granted. Part of the fair value of the consideration received is therefore allocated to the award credits granted and recognised as deferred revenue. This revenue is recognised in the period in which the award credits granted are either redeemed or expire. The first-time adoption of this interpretation has no impact on these condensed interim consolidated financial statements because the DEUTZ Group does not operate any customer loyalty programmes.

Changes in presentation The interest included in pension costs is now reported as part of staff costs instead of net finance costs in order to show the effective interest included in net finance costs. This interest amounted to €2.5 million in the first quarter of 2009 (Q1 2008: €2.7 million). The comparative prior-year figures have been restated accordingly to improve comparability.

FURTHER INFORMATION ON MATERIAL CHANGES IN THE BALANCE SHEET AND INCOME STATEMENT

Balance sheet

Capital expenditure of approximately €17.9 million (including investment grants) on property, plant and equipment and intangible assets was partly offset by depreciation and amortisation of €15.8 million. Of this total capital expenditure (including investment grants), €6.5 million related to property, plant and equipment and €11.4 million to intangible assets. Capital spending during the reporting period primarily consisted of capitalised development costs for the exhaust-gas emission standards due to be introduced from 2011. Part of the capital expenditure on property, plant and equipment related to manufacturing and assembly operations at the Cologne plant and the production of components at Zafra in Spain.

Inventories were reduced by €6.6 million to €215.4 million (31 December 2008: €222.0 million) as a result of the persistently low volume of business in the first quarter of 2009. By contrast, trade receivables increased by €7.5 million to €128.6 million (31 December 2008: €121.1 million) mainly owing to lower sales of receivables.

The reduction of €49.3 million in cash and cash equivalents to €158.2 million (31 December 2008: €207.5 million) was largely attributable to the high level of capital spending on development costs that could not be financed from the Company's operating cash flow.

Equity at the balance sheet date of 31 March 2009 had decreased by €24.9 million to €486.4 million (31 December 2008: €511.3 million), primarily as a result of the net loss reported for the period. The equity ratio fell slightly from 42.3 per cent as at 31 December 2008 to 41.9 per cent at the balance sheet date.

The €7.9 million increase in non-current financial liabilities to €222.0 million (31 December 2008: €214.1 million) resulted from the currency translation of the dollar-denominated portion of the bond placed with US investors in 2007 at the reporting date.

Current and non-current provisions had grown by €4.4 million to €286.8 million as at 31 March 2009 (31 December 2008: €282.4 million). The most notable increase was in current provisions, which rose by €7.5 million, primarily as a result of cost accruals during the period. Provisions for pensions and other post-retirement benefits fell by €1.8 million owing to utilisations.

The fall of €34.4 million in trade payables to €103.7 million as at 31 March 2009 (31 December 2008: €138.1 million) was attributable to the ongoing downturn in new orders in the first quarter of 2009.

Income statement

The low level of economic activity severely impaired the performance of the DEUTZ Group's business in the first quarter of 2009.

Total revenue for the first quarter of 2009 fell sharply year on year to €220.6 million owing to a decline in unit sales (Q1 2008: €397.0 million), which was a decrease of 44.4 per cent. Revenue in the Compact Engines segment fell by 49.2 per cent, while in the DEUTZ Customised Solutions segment it contracted by 25.1 per cent.

The cost of materials was reduced in absolute terms by €124.2 million to €151.1 million (Q1 2008: €275.3 million), falling by a slightly larger proportion than total output mainly on the back of the better sales mix.

Staff costs fell in absolute terms by €8.8 million to €67.3 million (Q1 2008: €76.1 million) owing to the decline in headcount and the introduction of short-time working. However, the ratio of staff costs to total output jumped by 11.0 percentage points owing to the rapid deterioration in the DEUTZ Group's business. A provision of €10.2 million to cover the cost of adjusting staffing levels was recognised in the financial statements for 2008. The necessary measures are currently being implemented. The strength of the economy going forward will determine the extent to which any further measures need to be taken.

The decrease of €12.6 million in other operating expenses to €26.6 million (Q1 2008: €39.2 million) essentially related to the cost of general services such as logistics, IT and freight – which were reduced as a result of the lower volume of business – as well as the cost of temporary staff.

Despite the wide-ranging measures implemented as part of the MOVE cost-cutting programme, earnings before interest and tax (EBIT) deteriorated from a profit of €17.0 million to a loss of €19.9 million.

The legacy expenses incurred in connection with the closure of the DEUTZ Power Systems segment, which was sold in 2007, are reported separately in the consolidated income statement as net income/loss on discontinued operations.

RELATED-PARTY DISCLOSURES

In addition to its consolidated subsidiaries, the DEUTZ Group maintains relationships with related parties. These include the business relationships between the DEUTZ Group and its associates and subsidiaries as well as the following DEUTZ AG shareholders (including their subsidiaries), which are in a position to exert a significant influence over the DEUTZ Group. These shareholders are

- SAME DEUTZ-FAHR Holding & Finance B.V., Amsterdam, Netherlands, (Group), and
- AB Volvo Power (publ), Gothenburg, Sweden, (Group).

Related parties also include the Supervisory Board, the Management Board and other members of the management team.

The business relationships between the DEUTZ Group and its shareholders, including their subsidiaries, were as follows:

The DEUTZ Group's revenue from the Volvo Group arising from deliveries of engines and spare parts and from services rendered amounted to €50.8 million in the first three months of 2009 (Q1 2008: €124.4 million). Revenue from the companies of the SAME DEUTZ-FAHR Group arising from deliveries of engines and spare parts and from services rendered over the same period amounted to €16.2 million (Q1 2008: €14.9 million). At 31 March 2009 the DEUTZ Group's receivables from companies in the Volvo Group totalled €19.2 million (31 December 2008: €15.9 million), while its accounts receivable from companies in the SAME DEUTZ-FAHR Group amounted to €7.5 million (31 December 2008: €20.5 million). Existing receivables from companies in the SAME DEUTZ-FAHR Group were replaced by a three-month interest-bearing finance facility in the first quarter of 2009. The balance outstanding on this financial receivable came to €8.5 million as at 31 March 2009.

SEGMENT REPORTING

The table below gives a breakdown of the segments in the DEUTZ Group for the first quarter of 2009 and 2008. The segment reporting also reconciles the overall profit or loss generated by the segments to the DEUTZ Group's net income or loss for the period.

1–3/2009

€ million	Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Reconciliation	DEUTZ Group
External revenue	161.5	59.1	–	**220.6**	–	**220.6**
Intersegment revenue	–	–	–	**–**	–	**–**
Total revenue	161.5	59.1	–	**220.6**	–	**220.6**
Operating profit (EBIT before one-off items)	–22.8	3.6	–0.7	**–19.9**	–	**–19.9**

1–3/2008

€ million	Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Reconciliation	DEUTZ Group
External revenue	318.1	78.9	–	**397.0**	–	**397.0**
Intersegment revenue	–	–	–	**–**	–	**–**
Total revenue	318.1	78.9	–	**397.0**	–	**397.0**
Operating profit (EBIT before one-off items)	8.0	8.8	0.2	**17.0**	–	**17.0**

31/3/2009

€ million	Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon-ciliation	DEUTZ Group
Segment assets (Inventories/Trade receivables)	214.7	129.3	–	**344.0**	–	**344.0**
Segment liabilities (Trade payables)	85.9	17.8	–	**103.7**	–	**103.7**
Working capital	128.8	111.5	–	**240.3**	–	**240.3**

31/12/2008

€ million	Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon-ciliation	DEUTZ Group
Segment assets (Inventories/Trade receivables)	213.0	130.1	–	**343.1**	–	**343.1**
Segment liabilities (Trade payables)	118.5	19.6	–	**138.1**	–	**138.1**
Working capital	94.5	110.5	–	**205.0**	–	**205.0**

Reconciliation from result of total segments to net loss/income for the Group

€ million	1–3/2009	1–3/2008
Result of total segments	–19.9	17.0
Reconciliation	–	–
Operating profit (EBIT)	**–19.9**	**17.0**
Financial result	–1.7	–0.9
Other taxes	–0.3	–0.3
Net loss/income before taxes on continuing operations	**–21.9**	**15.8**
Income taxes	–1.8	–2.3
Net loss/income on continuing operations	**–23.7**	**13.5**
Net loss on discontinued operations	–0.2	–
Net loss/income	**–23.9**	**13.5**

External segment reporting is based on intra-group corporate management and internal financial reporting and, in line with the nature of the products and services offered, covers the following reportable operating segments:

Compact Engines
This segment comprises new business and the servicing of water- and oil-cooled diesel engines of less than four litres as well as four to eight-litre engines.

DEUTZ Customised Solutions
This segment focuses on air-cooled engines and large liquid-cooled engines with capacities exceeding 8 litres. It also includes customer-specific solutions (gensets) and service.

Other
This segment contains operations that do not belong in any other segment.

The classification of a business line as an operating segment is based in particular on the product line responsibility specified in the DEUTZ Group's organisational structure. The Compact Engines operating segment combines the product lines for diesel engines of less than four litres as well as four to eight-litre engines.

The reconciliation table shows the elimination of all intercompany relationships – where relevant – between the segments.

The measurement principles applied to the DEUTZ Group's segment reporting are based on the IFRS principles applied in the consolidated financial statements. The Management Board, in its capacity as the senior decision-making body, assesses the segments' performance in terms of their operating profit (EBIT before one-off items). If entities consolidated under the equity method are directly attributable to a particular segment, their share of the net income or loss for the period is reported there. Finance costs, financial income and income taxes are reported for the DEUTZ Group as a whole and are not allocated to individual operating segments. Revenue constitutes the revenue that the segments generate from their customers. Revenue generated between segments – where relevant – is reported as intersegment revenue. Transfers between segments are reported at fair value.

Internal financial reporting on assets and liabilities comprises working capital as well as its individual components of inventories, trade receivables and trade payables.

OTHER INFORMATION

Karl Huebser stepped down from the Management Board by mutual consent with effect from 31 March 2009. Now that he has managed to build up and strengthen the DEUTZ Group's operations in Asia, the Supervisory Board has decided not to replace him on the Management Board. Helmut Meyer also stepped down from the Management Board by mutual consent with effect from 31 March 2009. The Supervisory Board appointed Dr Margarete Haase to the Management Board, where she has been responsible for finance, human resources, investor relations and service since 1 April this year.

EVENTS AFTER THE BALANCE SHEET DATE (31 MARCH 2009)

There have been no events of particular importance since 31 March 2009.

Cologne, 4 May 2009

DEUTZ Aktiengesellschaft
The Management Board

Dr Helmut Leube	Gino Mario Biondi	Dr Margarete Haase

Financial calendar 2009/2010

Date	Event	Location
12 August 2009	Interim report on first half of 2009 Conference call with analysts and investors	
5 November 2009	Interim report on first three quarters of 2009 Conference call with analysts and investors	
18 March 2010	Annual results press conference Publication of annual report for 2009	Cologne
19 March 2010	Analysts' meeting	Frankfurt/Main
6 May 2010	Annual General Meeting	Cologne
12 May 2010	Interim report on first quarter of 2010 Conference call with analysts and investors	
12 August 2010	Interim report on first half of 2010 Conference call with analysts and investors	
10 November 2010	Interim report on first three quarters of 2010 Conference call with analysts and investors	

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