

Interim Report 1st Half-year 2008



The 1st Half-year at a Glance

DEUTZ Group: Key figures

Continuing operations	4-6/ 2008	4-6/ 2007	1-6/ 2008	1-6/ 2007
€ million				
New orders	395.8	396.7	829.1	834.4
Unit sales (no.)	75,901	70,947	148,687	134,619
Revenue	428.5	382.3	825.5	717.7
thereof excl. Germany (in %)	75.6	79.1	75.8	79.5
EBITDA	42.5	41.7	79.5	72.8
EBIT	23.9	26.0	43.6	40.4
Operating profit (EBIT before one-off items)	23.9	26.0	43.6	40.4
EBIT margin before one-off items (in %)	5.6	6.8	5.3	5.6
Net income	16.8	20.6	30.3	26.4
thereof from continuing operations	16.8	18.5	30.3	26.5
thereof from discontinued operations	–	2.1	–	–0.1
Earnings per share, basic, in €	0.14	0.18	0.25	0.23
thereof from continuing operations	0.14	0.16	0.25	0.23
thereof from discontinued operations	–	0.02	–	–
Earnings per share, diluted, in €	0.14	0.17	0.25	0.22
thereof from continuing operations	0.14	0.15	0.25	0.22
thereof from discontinued operations	–	0.02	–	–
Total assets (30 June) ¹⁾	1,372.9	1,217.2	1,372.9	1,217.2
Equity (30 June)	540.6	391.6	540.6	391.6
Equity ratio (in %)	39.4	32.2	39.4	32.2
Cash flow from operating activities	71.1	12.0	50.7	15.0
Net financial position ²⁾	47.2	–74.1	47.2	–74.1
Capital expenditure (excl. capitalisation of R&D)	24.4	8.8	39.5	27.1
Research and development	22.5	11.6	39.1	23.3
Employees as at 30 June (no.)	4,930	4,835	4,930	4,835

¹⁾ 30 June 2007 with DEUTZ Power Systems.

²⁾ Net financial position: cash and cash equivalents less current and non-current interest-bearing financial liabilities.

DEUTZ Group: Segments

	4-6/ 2008	4-6/ 2007	1-6/ 2008	1-6/ 2007
€ million				
New orders				
Compact Engines	291.4	301.1	636.0	641.6
DEUTZ Customised Solutions	104.4	95.6	193.1	192.8
Continuing operations	395.8	396.7	829.1	834.4
Unit sales (no.)				
Compact Engines	67,346	62,396	132,123	119,525
DEUTZ Customised Solutions	8,555	8,551	16,564	15,094
Continuing operations	75,901	70,947	148,687	134,619
Revenue				
Compact Engines	334.4	299.0	652.5	568.2
DEUTZ Customised Solutions	94.1	83.3	173.0	149.5
Continuing operations	428.5	382.3	825.5	717.7
Operating profit (EBIT before one-off items)				
Compact Engines	10.7	10.5	20.8	19.5
DEUTZ Customised Solutions	13.1	12.6	22.3	17.8
Other	0.1	2.9	0.5	3.1
Continuing operations	23.9	26.0	43.6	40.4

Dear shareholders,

A cursory glance at our key financial data reveals that DEUTZ delivered a fine performance in the first six months of 2008. The 148,687 engines sold represented a year-on-year increase of 10.5 per cent, while revenue rose accordingly by 15 per cent to €825.5 million. Operating profit for the reporting period – including the projected start-up costs incurred by the DEUTZ Dalian joint venture in China – came to €43.6 million, which was an increase of 7.9 per cent on the first half of 2007.

Nonetheless, we are feeling the effects of demand having weakened significantly as a result of the ongoing credit crunch, the continuing deterioration in the economic outlook, persistently high commodity prices and a euro exchange rate at record levels. The volume of new orders received in the first half of 2008 was slightly lower year on year at €829 million; some of our customers seem to be increasingly reluctant to place new orders in view of the uncertain economic outlook. The aforementioned factors have made it necessary for us to revise the financial targets we set ourselves for 2008.

However, we believe that DEUTZ, your company, is excellently placed to generate future – and, in particular, profitable – growth. We are very clear about our strategic objectives. Apart from expanding its footprint in its core markets of Europe and the United States, DEUTZ's strategy of internationalisation is primarily aimed at making further inroads into China, which is a country with enormous potential and one of the fastest-growing markets in the world. The start-up of our DEUTZ Dalian joint venture is proceeding according to plan, and the fact that Karl Huebser – one of my Management Board colleagues who has many years' experience of this market – has taken on overall responsibility for coordinating this venture on the ground places us in an excellent position to take this business forward.

DEUTZ's engines can undoubtedly already claim to reduce noise emissions, fuel consumption and exhaust-gas emissions. We aim to maintain our clear technology leadership on the last point, in particular, and enhance our expertise in the field of exhaust-gas aftertreatment, in order to transform DEUTZ from a pure-play engine manufacturer into a fully integrated systems provider.

Continuous productivity improvements are essential for adequate profitability and sustained business success. We have already identified further potential for improving our production, processes and products, and intend to implement these improvements in stages. The realignment of the DEUTZ Group's organisational structures and the new product lines that we have created will help us achieve this goal.

And, last but not least, we will continue to grow our service business to ensure that we can offer our customers the best possible support once they have taken delivery of our engines.

The points I have outlined above will enable DEUTZ to differentiate itself even more clearly from its competitors. We are convinced that these key measures will allow us to attain a long-term position as one of the world's leading engine manufacturers, so that we are well-equipped to meet future challenges and overcome any short-term setbacks.

Yours sincerely,



Dr Helmut Leube

Chairman of the Management Board

Interim Management Report 1st Half-year 2008

INTRODUCTION

In the first half of 2007, the DEUTZ Group consisted of the Compact Engines, DEUTZ Customised Solutions, DEUTZ Power Systems and Other segments. The DEUTZ Power Systems segment was sold on 30 September 2007, and the income statement for the period ended 30 June 2007 has been restated accordingly; the figures for the reporting period can therefore be compared on a like-for-like basis.

The information in this interim management report relates to the DEUTZ Group's continuing operations, i.e. the Compact Engines, DEUTZ Customised Solutions and Other segments.

ECONOMIC ENVIRONMENT

Gloomier economic outlook¹⁾

A number of negative factors, such as the ongoing subprime mortgage crisis, financial market turmoil, surging oil prices, sharply rising commodity prices and diminishing purchasing power, have had an adverse impact on the global economy in recent months. Although the US economy has been particularly badly hit by these developments, the economic outlook in other countries has taken a turn for the worse as well. Growth in the Western industrialised nations as a whole has slowed over the past few months and, even in the Asian emerging markets, whose expansion to date has been undiminished, the pace of growth has slackened. While experts are forecasting that the global economy will grow by 3.8 per cent this year (2007: 4.8 per cent), global Gross Domestic Product is expected to grow by only 3.4 per cent in 2009.

The German economy has proved resilient in the face of marked adverse trends, with capital spending and exports continuing to grow significantly. Eventually, however, even the German economy will succumb to the downturn.

Slowing business activity in the engineering sector

A slowdown in the German engineering sector is becoming apparent after several years during which it has boomed. According to the German Engineering Federation (VDMA), the volume of new orders received in May 2008 suffered an unexpectedly sharp drop of 12 per cent year on year in real terms, with domestic business and demand from abroad declining in equal measure.

Growth continues in global agricultural machinery sector²⁾

The agricultural machinery sector remained immune to these trends, with agricultural prices – and, consequently, incomes – rising for the first time in years. Revenue in this sector is, once again, expected to achieve double-digit growth in 2008 after jumping by 13 per cent in 2007. This is boosting the propensity to invest and fuelling demand for agricultural machinery, which in turn is benefiting suppliers.

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

DEUTZ's business continues to grow, albeit at a slower rate. Despite the ongoing turmoil in the financial markets and increasing signs of a slowing economy, its business continued to perform well in the first half of 2008, with unit sales and revenue achieving further significant year-on-year improvements.

¹⁾ Global economic data: Deutsche Bank Research.

²⁾ Sectoral economic data: VDMA Agricultural Machinery.

The DEUTZ Group continued to win a high level of new orders in the first half of 2008. Between January and June 2008, it received orders worth €829.1 million compared with €834.4 million in the corresponding period of 2007. Owing to the gloomier economic outlook, however, growth in new orders slackened considerably in the second quarter of 2008.

Slower growth in new orders

The volumes of new orders won by the Compact Engines and DEUTZ Customised Solutions segments remained fairly consistent year on year. The Compact Engines segment received total new orders worth €636.0 million in the first half of 2008 compared with €641.6 million in the first six months of 2007, while the DEUTZ Customised Solutions segment won orders amounting to €193.1 million in the first half of 2008 compared with €192.8 million in the corresponding period of 2007. The increase of around 10 per cent in the service business orders received by both segments was gratifying.

DEUTZ significantly raised its unit sales in the first half of 2008. The DEUTZ Group as a whole sold 148,687 engines in the first six months of 2008, which was a year-on-year increase of 10.5 per cent (H1 2007: 134,619 engines). This growth was attributable to both segments in equal measure. The Compact Engines segment sold 132,123 engines, which represented a rise of 10.5 per cent on the first six months of 2007 (119,525 engines), with four to eight-litre engines generating particularly strong demand (up 17 per cent). The DEUTZ Customised Solutions segment sold 16,564 engines, which was a year-on-year increase of 9.7 per cent (H1 2007: 15,094 engines).

Encouraging trend in unit sales

DEUTZ increased its revenue by 15 per cent year on year to €825.5 million (H1 2007: €717.7 million) on the back of the growth in unit sales. This trend was especially attributable to the new TCD 2013 4V engine, which is primarily used in commercial vehicles.

Growth in revenue

Revenue generated in Germany rose by more than a third year on year from €147.4 million to €199.5 million. This increase was largely driven by business with customers in the agricultural machinery and construction equipment sectors.

DEUTZ continued to generate most of its revenue outside Germany. Revenue from abroad came to €626.0 million (H1 2007: €570.3 million), which equates to 75.8 per cent of its total revenue (H1 2007: 79.5 per cent). Revenue earned from customers in other European countries rose by 11.3 per cent year on year, from €380.3 million in the first half of 2007 to €423.4 million. The level of growth achieved in the Asia-Pacific region was once again highly promising, with revenue jumping by roughly 20 per cent from €50.4 million to €60.6 million. The Chinese market continued to act as the growth driver. Although the volume of business generated in the Americas remained largely consistent, revenue fell by 3.8 per cent from €106.6 million to €102.5 million owing to exchange rates, despite the fact that unit sales increased.

DEUTZ Group: Revenue by regions
 € million (2007 figures)



- **662.4** (560.7): Europe/Middle East/Africa
- **102.5** (106.6): Americas
- **60.6** (50.4): Asia-Pacific

Operating profit advances to €43.6 million

In the first half of 2008, DEUTZ reported an operating profit (EBIT) of €43.6 million, which was 7.9 per cent more than in the corresponding period of 2007 (€40.4 million), mainly on the back of higher revenue. The EBIT margin of 5.3 per cent was slightly lower year on year (H1 2007: 5.6 per cent). It should be remembered here that the operating profit earned in the first half of 2008 was depressed by the start-up losses of €4.7 million incurred by the DEUTZ Dalian joint venture, whereas the EBIT figure for the first half of 2007 was boosted by further one-off income totalling €7.2 million from the disposal of the Marine Service business and the settlement of pension claims; the EBIT margin for the first half of 2007 would have been 4.6 per cent on an adjusted basis.

This trend remained positive on a quarterly comparison, with an EBIT margin of 5.6 per cent in the second quarter of 2008, compared with 5 per cent in the first quarter of this year.

While the DEUTZ Customised Solutions segment achieved highly encouraging growth in its operating profit to €22.3 million (H1 2007: €17.8 million), the Compact Engines segment raised its operating profit slightly from €19.5 million in the first six months of 2007 to €20.8 million in the first half of 2008 (allowing for the cost of setting up the DEUTZ Dalian joint venture).

The Other segment generated an operating profit of €0.5 million compared with €3.1 million in the first half of 2007; the figure for 2007 was boosted by additional income of €5.0 million from the disposal of the Marine Service business.

Net income improved

Owing to higher interest income and a lower interest expense in respect of provisions for pensions and other post-retirement benefits, net interest expenses improved by €3.9 million compared with the corresponding period of 2007. Net income (from continuing operations) after income taxes, therefore, amounted to €30.3 million, which was a year-on-year increase of 14.3 per cent (H1 2007: €26.5 million). Income taxes for the first half of 2008 totalled €5.6 million (H1 2007: €2.7 million), which represented a tax rate of 15.6 per cent.

Second quarter of 2008: unit sales and revenue remain strong

DEUTZ received new orders worth €395.8 million between April and June 2008 (Q2 2007: €396.7 million). Unit sales generated further year-on-year growth, rising by 7 per cent to 75,901 engines. All of this increase was attributable to the Compact Engines segment, which raised its unit sales by 7.9 per cent to 67,346 engines, while the DEUTZ Customised Solutions segment's unit sales remained virtually unchanged year on year at 8,555 engines. Revenue rose accordingly from €382.3 million to €428.5 million, an improvement of 12.1 per cent. Operating profit came to €23.9 million compared with €26.0 million in the second quarter of 2007, which was influenced by the aforementioned one-off income.

BUSINESS PERFORMANCE IN THE COMPACT ENGINES SEGMENT

Subdued demand

The Compact Engines segment won new orders for engines and services worth €636.0 million between January and June 2008, compared with €641.6 million in the first half of 2007, although the volume of orders received fell short of forecasts. The value of orders on hand amounted to €208.5 million at the end of June 2008, which was almost one-third less than in the middle of 2007 (€286.7 million). While the Agricultural Machinery business generated encouraging growth, demand in the Mobile Machinery application segment – especially for materials-handling equipment – was much more subdued.

Unit sales grew by 10.5 per cent from 119,525 engines to 132,123 in the first half of 2008, with four to eight-litre engines generating particularly strong growth of 17 per cent. The TCD 2013 4V engine made a significant contribution to this positive trend with an increase of 25.7 per cent.

**Unit sales up
 10.5 per cent**

Compact Engines: Revenue by application segments
 € million (2007 figures)



- **271.9** (250.7): Mobile Machinery
- **133.2** (123.5): Automotive
- **97.2** (90.5): Stationary Equipment
- **91.7** (52.5): Agricultural Machinery
- **50.7** (42.5): Service
- **7.8** (8.5): Miscellaneous

Revenue in the Compact Engines segment continued to rise on the back of higher unit sales. Revenue grew by 14.8 per cent to €652.5 million in the first half of 2008. The Agricultural Machinery application segment and service business performed particularly well. The Agricultural Machinery business generated revenue of €91.7 million, which was a sharp year-on-year increase of roughly 75 per cent. Services reported revenue of €50.7 million, a rise of 19.3 per cent on the first half of 2007. Revenue in the Mobile Machinery application segment – especially construction equipment – advanced by 8.5 per cent. While the Automotive application segment raised its revenue by 7.9 per cent, revenue in the Stationary Equipment segment – especially engines for gensets – increased by 7.4 per cent.

Sharp rise in revenue

Operating profit in the Compact Engines segment for the first half of 2008 – including the start-up costs of €4.7 million incurred by the DEUTZ Dalian joint venture (H1 2007: start-up costs of €1.0 million) – rose further to €20.8 million, a year-on-year improvement of 6.7 per cent (2007: €19.5 million). This increase was mainly attributable to the much higher level of revenue and the improvement in cost structures owing to productivity increases.

**Further improvement in
 operating profit**

Although the Compact Engines segment continued to grow in the second quarter of 2008, the pace of this growth slowed in some areas. The volume of new orders received fell by 3.2 per cent on the corresponding period of 2007 to €291.4 million. Unit sales of engines rose by 7.9 per cent to 67,346. Revenue advanced by 11.8 per cent to €334.4 million. Operating profit for the segment remained virtually unchanged year on year at €10.7 million (Q2 2007: €10.5 million). It should be pointed out, however, that the figure for 2007 was boosted by one-off income of €2.2 million from the settlement of pension claims.

**Slowing growth in the
 second quarter of 2008**

BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS SEGMENT

The level of demand in the DEUTZ Customised Solutions segment remained consistent in the first six months of 2008. The segment won new orders worth €193.1 million (H1 2007: €192.8 million), with the large volume of orders received in the second quarter of 2008 (up 9.2 per cent) compensating for the decrease in the first quarter. The value of orders on hand grew by 13 per cent year on year to €102.5 million.

**New orders in line
 with 2007**

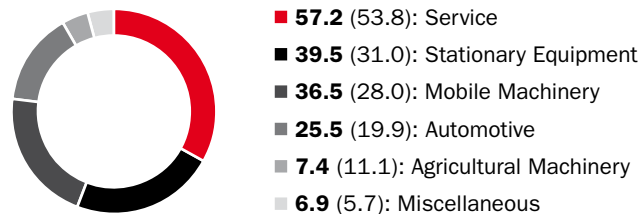
The DEUTZ Customised Solutions segment sold 16,564 engines during the reporting period, which represented a year-on-year increase of 9.7 per cent. Unit sales of new engines, therefore, improved considerably once production of air-cooled engines had been fully relocated from Cologne to Ulm.

**Significant rise in unit
 sales**

Double-digit revenue growth

Revenue rose by 15.7 per cent to €173.0 million owing to a change in the product mix (H1 2007: €149.5 million), with almost all application segments achieving high growth rates. The Stationary Equipment segment generated strong revenue growth of 27.4 per cent, although other application segments such as Mobile Machinery (up 30.4 per cent) and Automotive (up 28.1 per cent) also reported significant double-digit increases. Only the Agricultural Machinery segment reported a year-on-year decrease owing to the additional revenue in 2007. Service revenue rose by 6.3 per cent mainly on the back of the strong Xchange business.

DEUTZ Customised Solutions: Revenue by application segments € million (2007 figures)



Significant improvement in operating profit

The DEUTZ Customised Solutions segment reported a highly encouraging operating profit of €22.3 million for the first six months of 2008, which represented a year-on-year rise of 25.3 per cent (H1 2007: €17.8 million). The main reasons for this trend were the higher level of revenue and the absence of the start-up costs that had been incurred by the relocation of production from Cologne to Ulm in the corresponding period of 2007. With revenue increased, the proportion of service business remained very high and consequently made a valuable contribution to operating profit.

Continued growth in the second quarter of 2008

The DEUTZ Customised Solutions segment continued to grow in the second quarter of 2008, increasing its new orders (€104.4 million; up 9.2 per cent), revenue (€94.1 million; up 13 per cent) and operating profit (€13.1 million; up 4 per cent). Although its unit sales of 8,555 engines (Q2 2007: 8,551) were virtually unchanged year on year, it sold a greater proportion of higher-value engines.

NET ASSETS AND FINANCIAL POSITION

The total assets of €1,372.9 million at the end of the first half of 2008, remained virtually unchanged on the €1,378.6 million reported at the end of 2007. Non-current assets (before deferred tax assets) increased by €12.0 million, largely as a result of higher capital expenditure on property, plant and equipment. This increase, in conjunction with the growth in inventories and receivables, caused cash and cash equivalents to decrease by a corresponding amount.

Increase in working capital

The level of inventories increased by €20.6 million since the beginning of the year to €234.8 million, in response to the large volume of orders on hand. At the same time, there was an increase in trade receivables and a decrease in the volume of factoring while the volume of business remained high. Consequently, working capital grew by €48.8 million to €245.7 million compared with 31 December 2007. This total was roughly €62.0 million higher than the corresponding figure for the first half of 2007.

Equity had decreased by €16.5 million to €540.6 million at the balance sheet date on 30 June 2008 (31 December 2007: €557.1 million), primarily as a result of the dividend payment of €48.0 million, which was not quite covered by DEUTZ's net income of €30.3 million.

Equity ratio almost 40 per cent despite dividend payment

The equity ratio of 39.4 per cent was therefore roughly 1 percentage point lower than at the end of 2007.

Even after it had paid a dividend, DEUTZ had a positive net financial position of €47.2 million as at 30 June 2008 (31 December 2007: €89.7 million). The corresponding figure as at 30 June 2007 was still negative (minus €74.1 million) before the proceeds from the sale of DEUTZ Power Systems had been received.

Net financial position remains positive

Cash flow from operating activities amounted to €50.7 million in the first half of 2008. This represented a year-on-year increase of roughly €36 million for continuing operations (2007: €15.0 million) owing to the improvement in a number of key figures.

Cash flow improved

Cash flow from investing activities for continuing operations rose to minus €48.6 million, owing to higher capital expenditure (H1 2007: minus €33.9 million).

Cash flow from financing activities came to minus €56.8 million (H1 2007: €11.6 million). This figure includes interest payments, loan repayments and dividend payments of €48.0 million to shareholders.

CAPITAL EXPENDITURE

DEUTZ increased its level of capital expenditure further to €59.3 million in the first half of 2008, having spent €35.4 million in the first six months of 2007. A total of €19.8 million of this expenditure was accounted for by capitalised development costs (H1 2007: €8.3 million), which related to the production of engines in compliance with TIER 3 emissions standards and, in particular, products being developed to meet the future TIER 4 emissions standard.

Sharp rise in capital expenditure

The main focus of capital spending in the first half of 2008 was on the Compact Engines segment, in which DEUTZ invested €56.0 million, primarily in the further expansion of capacities at the Cologne plant and in the production of components at Zafra in Spain. A total of €3.3 million was spent on the expansion of capacities in the DEUTZ Customised Solutions segment in the first half of 2008 (H1 2007: €5.8 million); the main focus of investment here is on the Xchange business, which DEUTZ plans to expand by building state-of-the-art production facilities in Übersee, in southern Germany, and in the United States.

RESEARCH AND DEVELOPMENT

Research and development forms an integral part of the foundations underpinning the DEUTZ Group's business and creates a sound basis for its long-term success. DEUTZ therefore invests huge sums in this area. Its research and development costs for the first half of 2008 amounted to €39.1 million, which was 67.8 per cent more than in the first six months of 2007 (H1 2007: €23.3 million). The ratio of R&D costs to revenue also continued to rise and is now 4.7 per cent (H1 2007: 3.2 per cent). A total of 67 per cent of this amount was spent on new engine development and the refinement of existing products, while a further 14 per cent was allocated to research and preliminary development; 19 per cent of the total budget was spent on support for existing engine series.

DEUTZ steps up development of new products and refinement of existing engines

During the reporting period, DEUTZ spent €33.9 million on engine research and development in the Compact Engines segment (H1 2007: €19.1 million) and €5.2 million on R&D in the DEUTZ Customised Solutions segment (H1 2007: €4.2 million). The company employed 408 people in research and development at its Cologne plant and at Dursley in the United Kingdom at the end of June 2008 (H1 2007: 375 people). While the introduction of the 2009 and 2011 series, in compliance with TIER 3 emissions standards, has now been successfully completed, DEUTZ is working to develop products that meet Europe's III B emissions standard, which will apply as from 2011, and the US TIER 4 interim standard, and is pressing ahead with the development of exhaust-gas aftertreatment systems. At the same time, it is working on the introduction of the Euro 5 emissions standard for the 2013 4V Automotive engine. A further focus of its research and development activities is hybrid drive systems. DEUTZ used the "bauma" construction-equipment trade fair in 2007 as an opportunity to exhibit the world's first hybrid drive for construction equipment; the drive was installed in a wheel loader. It has now also started development of a production model, which it plans to have ready to exhibit at "bauma" in 2010.

EMPLOYEES

Headcount fairly consistent

The strong order situation in the first half of 2008 is reflected in the slight increase in headcount. DEUTZ employed a total of 4,930 people worldwide on 30 June 2008, which was 2 per cent more than on the same date in 2007.

A regional breakdown reveals that the headcount in Germany rose by 4 per cent to 3,782 employees. This increase largely relates to the expansion of research and development activities at the Cologne site and the development of the Ulm plant into the centre of competence for air-cooled engines. By contrast, the number of employees working outside Germany fell by 4.1 per cent to 1,148. Whereas the US subsidiary hired an extra 43 members of staff to handle the launch of its Xchange business, the workforce in Spain was reduced by 105 employees as the assembly of small air-cooled engines was discontinued.

A breakdown by segment reveals that the number of employees in the Compact Engines segment rose by 1.3 per cent to 4,028, while the headcount in the DEUTZ Customised Solutions segment grew by 5.1 per cent to 902. A total of 385 people were hired under temporary employment agreements with agencies during the first half of 2008 (H1 2007: 395 people).

DEUTZ SHARES

Investors in the international capital markets were extremely unsettled in the first half of 2008. The main causes of this sentiment were the fall-out from the credit crunch and fears that it might spread to the real economy, the sharp rise in commodity prices and the continued weakness of the US dollar.

The turmoil in the financial markets fuelled volatility on the world's stock markets and impacted negatively overall on all the major share indices. The MDAX index fell by 8.4 per cent in the first half of 2008, closing at 9,035 points on 30 June 2008 (28 December 2007: 9,865 points). The Prime Industrial index performed much worse, shedding 27.2 per cent of its value and closing at 2,862 points at the end of June 2008 (28 December 2007: 3,930 points).

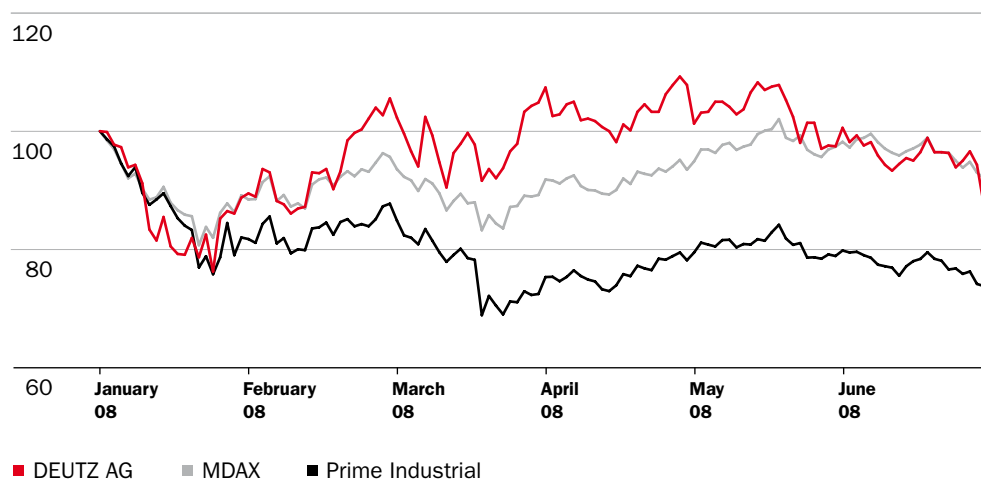
DEUTZ's share price also suffered in this challenging environment. After outperforming both the MDAX and the Prime Industrial index in the first quarter of 2008, it fell in the second quarter of 2008. It closed at €5.84 on 30 June 2008, which was 16 per cent below its price of €6.95 at the end of 2007. Consequently, DEUTZ's market capitalisation had fallen to €705.8 million by 30 June 2008 (28 December 2007: €834.6 million). Its shares reached a high of €7.60 on 28 April 2008 and hit their low of €5.28 on 23 January 2008.

The Annual General Meeting held in Cologne on 21 May 2008, decided that the company should pay its first dividend in over 20 years. The total dividend amounted to €0.40 per share (€0.20 of which constituted a special dividend from the proceeds of the disposal of DEUTZ Power Systems) and marked a milestone in DEUTZ's history. The dividend yield at the relevant balance sheet date was 5.8 per cent.

Following the exercise of 776,753 bond and profit-sharing conversion rights, the number of DEUTZ shares increased to 120,861,783 (31 December 2007: 120,085,030). Since the outstanding volume of convertible bonds at the end of 2007 represented less than 10 per cent of the original 19,792,998 convertible bonds issued, DEUTZ made use of the option to call the bond. The effective date of this call was 8 March 2008; until 3 March 2008, bondholders still had the option of converting each bond into one DEUTZ share. The 68,070 bonds that had not been exchanged by that date were redeemed at a price of €3.40 per bond by way of a total cash payment to bondholders of €0.2 million.

Performance of the DEUTZ share

in %



Key share data of the DEUTZ share

	1-6/2008	1-6/2007
Number of shares (30 June)	120,861,783	117,296,343
Number of shares (average)	120,725,234	115,013,543
Share price (30 June) in €	5.84	9.62
Share price (high) in €	7.60	12.02
Share price (low) in €	5.28	9.40
Market capitalisation (30 June) in € million	705.8	1,128.4

Based on Xetra closing prices.

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. These risks were described in detail in the 2007 Annual Report.

The ongoing deterioration in the economic outlook in key regions in which DEUTZ operates, the sustained shift in the relationship between the US dollar and the euro, and the recent surge in commodity prices – especially for steel scrap – have increased unit sales-related, procurement and exchange-rate risks, in particular, since the publication of the company's interim report on the first quarter of 2008.

There are no risks that, in themselves or in combination with other risks, have jeopardised or could jeopardise the DEUTZ Group as a going concern in the year under review or thereafter.

EVENTS AFTER THE BALANCE SHEET DATE

Reorganisation of Management Board responsibilities since 1 July 2008

Because new challenges necessitate new structures, we are supporting our growth strategy by modifying the DEUTZ Group's organisational structures. The Management Board and Supervisory Board have therefore decided to realign the Management Board's executive responsibilities.

In addition to his existing remit of sales, corporate strategy, quality management, marketing and communications, Dr Helmut Leube, the Chairman of the Management Board, has now assumed responsibility for the company's newly created product lines. Product line A comprises engines with capacities of less than four litres, product line B contains four to eight-litre engines and product line C corresponds to the DEUTZ Customised Solutions segment.

Karl Huebser, who had been the Management Board member responsible for production and technology since 2001, assumed overall responsibility for all of DEUTZ's operations in China on 1 July 2008. This key strategic function is intended to fast-track the development of the rapidly growing Chinese market, which is of huge importance going forward.

In addition to his existing remit of procurement and logistics, Management Board member Gino M. Biondi has now taken charge of Karl Huebser's former responsibilities of production and technology.

Helmut Meyer will retain responsibility for finance and human resources on the Management Board. He will also take charge of investor relations and the Supporthouse function, which includes order processing, technical sales support and spare-parts management.

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 on page 19 of the notes to the consolidated financial statements.

OUTLOOK FOR 2008

Given the prevailing economic conditions and the less upbeat outlook for our customers, we now expect our unit sales for 2008 to remain in line with last year's high figure. Building on its improved product mix, DEUTZ aims to generate revenue growth of around 5 per cent. The Compact Engines and DEUTZ Customised Solutions segments should contribute equally to achieving this target.

Our staffing levels will reflect our revised forecast for unit sales, which will enable us to utilise our spare capacity. In addition, we are already taking further measures to improve our cost structures. Our planned growth-related capital expenditure to increase our production capacities will be lower than originally projected, to take account of the changing situation.

DEUTZ now expects to report an EBIT margin of around 6 per cent, in line with its revenue growth. Despite the cost savings and productivity improvements we have achieved, we are unable to keep pace with our rapidly falling unit sales, the consequent decline in revenue and the spiralling cost of raw materials. Our EBIT forecast still includes research and development costs of €80.0 million for the advancement of projects going forward. This will enable us to comply with future emissions legislation while putting in place the measures needed to generate further growth.

DEUTZ expects to report a net income in line with last year's figure.

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 Half-year 2008

INCOME STATEMENT FOR THE DEUTZ GROUP

	4-6/2008	4-6/2007	1-6/2008	1-6/2007
€ million				
Revenue	428.5	382.3	825.5	717.7
Changes in inventories and other own work capitalised	11.1	10.9	24.7	29.1
Other operating income	14.2	23.0	30.9	34.8
Cost of materials	-298.4	-266.7	-573.7	-499.0
Staff costs	-77.1	-70.4	-150.5	-136.3
Depreciation and amortisation	-18.6	-15.7	-35.9	-32.4
Other operating expenses	-35.4	-37.9	-74.6	-74.3
Profit/loss on equity-accounted investments	-0.4	0.3	-2.8	0.6
Reversal of impairment losses on non-current financial assets	-	0.2	-	0.2
EBIT	23.9	26.0	43.6	40.4
thereof operating profit (EBIT before one-off items)	23.9	26.0	43.6	40.4
Interest expenses, net	-3.1	-5.4	-6.7	-10.6
thereof financial costs	-8.8	-5.8	-17.4	-11.6
Other taxes	-0.7	-0.4	-1.0	-0.6
Net income before income taxes on continuing operations	20.1	20.2	35.9	29.2
Income taxes	-3.3	-1.7	-5.6	-2.7
Net income after income taxes on continuing operations	16.8	18.5	30.3	26.5
Net income after income taxes on discontinued operations	-	2.1	-	-0.1
Net income	16.8	20.6	30.3	26.4
thereof minority interest	-	-	-	-
thereof attributable to the shareholders of the parent enterprise	16.8	20.6	30.3	26.4
Earnings per share				
Earnings per share, basic, in €	0.14	0.18	0.25	0.23
thereof from continuing operations	0.14	0.16	0.25	0.23
thereof from discontinued operations	-	0.02	-	-
Earnings per share, diluted, in €	0.14	0.17	0.25	0.22
thereof from continuing operations	0.14	0.15	0.25	0.22
thereof from discontinued operations	-	0.02	-	-

BALANCE SHEET FOR THE DEUTZ GROUP

Assets

	30/6/2008	31/12/2007
€ million		
Property, plant and equipment	343.5	334.6
Intangible assets	116.9	100.6
Equity-accounted investments	54.5	57.6
Other financial assets	8.4	8.5
Non-current assets (before deferred tax assets)	523.3	511.3
Deferred tax assets	46.0	49.4
Non-current assets	569.3	560.7
Inventories	234.8	214.2
Trade receivables	212.8	188.8
Other receivables and assets	100.4	102.9
Cash and cash equivalents	254.7	311.1
Current assets	802.7	817.0
Non-current assets and disposal groups held for sale	0.9	0.9
Total assets	1,372.9	1,378.6

Equity and liabilities

Issued capital	309.0	307.0
Additional paid-in capital	28.8	28.1
Other reserves	-6.8	-5.3
Retained earnings	79.1	79.1
Accumulated income	130.5	148.2
Equity attributable to the shareholders of the parent enterprise (DEUTZ Group's interest)	540.6	557.1
Equity	540.6	557.1
Provisions for pensions and other post-retirement benefits	171.4	176.7
Other provisions	48.8	46.5
Financial liabilities	202.2	216.0
Other liabilities	16.6	10.0
Non-current liabilities	439.0	449.2
Provisions for pensions and other post-retirement benefits	16.7	16.7
Provision for current income taxes	10.5	11.3
Other provisions	76.6	63.7
Financial liabilities	5.3	5.4
Trade payables	201.9	206.1
Other liabilities	82.3	69.1
Current liabilities	393.3	372.3
Total equity and liabilities	1,372.9	1,378.6

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⁾
€ million					
Balance at 1 January 2007	292.3	24.1	0.4	1.0	-2.8
Increase from exercise of conversion rights on convertible bonds/ profit-sharing rights	7.6	2.2			
Accumulated other comprehensive income/loss (thereof reversal recognised in period income)				-2.3 (2.1)	-0.8
Net income					
Total of net income and accumulated other comprehensive income/loss in reporting period				-2.3	-0.8
Balance at 30 June 2007	299.9	26.3	0.4	-1.3	-3.6
Balance at 1 January 2008	307.0	28.1	79.1	4.1	-9.4
Dividend payment to shareholders					
Increase from exercise of conversion rights on convertible bonds/ profit-sharing rights	2.0	0.7			
Accumulated other comprehensive income/loss (thereof reversal recognised in period income)				1.5 (-1.5)	-3.0
Net income					
Total of net income and accumulated other comprehensive income/loss in reporting period				1.5	-3.0
Balance at 30 June 2008	309.0	28.8	79.1	5.6	-12.4

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.

Accumulated income	Total Group interest	Minority interest	Total
43.5	358.5	–	358.5
	9.8		9.8
	–3.1		–3.1
	(2.1)		(2.1)
26.4	26.4		26.4
26.4	23.3	–	23.3
69.9	391.6	–	391.6
148.2	557.1	–	557.1
–48.0	–48.0		–48.0
	2.7		2.7
	–1.5		–1.5
	(–1.5)		(–1.5)
30.3	30.3		30.3
30.3	28.8	–	28.8
130.5	540.6	–	540.6

CASH FLOW STATEMENT OF THE DEUTZ GROUP

	1-6/2008	1-6/2007
€ million		
EBIT	43.6	40.4
Interest income	7.6	1.0
Other taxes paid	-1.0	-0.6
Income taxes paid	-4.9	-11.9
Depreciation, amortisation of non-current assets	35.9	32.2
Gains/losses of non-current assets	0.1	-
Gains/losses on measurement at equity	2.8	-0.5
Other non-cash income and expenses	-5.6	-7.5
Change	-47.2	-48.1
Change in inventories	-23.1	-44.0
Change in trade receivables	-25.4	-20.8
Change in trade payables	1.3	16.7
Change in other receivables and other current assets	-7.0	-1.4
Cash flow from operating activities before payment of compensation for vested company pension rights (continuing operations)	26.4	11.4
Cash flow from operating activities (continuing operations)	50.7	15.0
Cash flow from operating activities (discontinued operations)	-	-23.2
Cash flow from operating activities (total)	50.7	-8.2
Capital expenditure on intangible assets and property, plant and equipment	-48.8	-37.6
Capital expenditure on investments	0.1	-0.4
Cash receipts from the sale of businesses	-	3.6
Proceeds from the sale of non-current assets	0.1	0.5
Cash flow from investing activities (continuing operations)	-48.6	-33.9
Cash flow from investing activities (discontinued operations)	-1.4	-4.9
Cash flow from investing activities (total)	-50.0	-38.8
Dividend payment to shareholders	-48.0	-
Interest expenses	-7.6	-4.5
Cash receipts from borrowings	0.6	50.5
Repayments of loans	-1.8	-34.4
Cash flow from financing activities¹⁾	-56.8	11.6
Cash flow from operating activities	50.7	-8.2
Cash flow from investing activities	-50.0	-38.8
Cash flow from financing activities	-56.8	11.6
Change in cash and cash equivalents	-56.1	-35.4
Cash and cash equivalents at 1 January	311.1	49.4
Change in cash and cash equivalents	-56.1	-35.4
Consolidation- and exchange rate-related change in cash and cash equivalents	-0.3	-0.1
Cash and cash equivalents at 30 June	254.7	13.9

¹⁾ 1-6/2007 including cash flow from financing activities for discontinued activities.

DEUTZ Group – Notes to the consolidated financial statements, 1st Half-year 2008

BASIS OF PRESENTATION

The consolidated financial statements of DEUTZ AG for the year ended 31 December 2007 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 2007 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.

These interim financial statements for the period ended 30 June 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 2007 financial year. The accounting policies used in the preparation of these interim consolidated financial statements are essentially the same as those used in the most recent consolidated financial statements for the year ended 31 December 2007. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for the year ended 31 December 2007.

If material, revenue-related and cyclical items are deferred during the year on the basis of annual business plans.

The condensed interim consolidated financial statements for the period ended 30 June 2008 – consisting of the balance sheet, income statement, 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 30 June 2008, have been reviewed by an auditor pursuant to Section 37w of the German Securities Trading Act (WpHG).

BASIS OF CONSOLIDATION

Compared with 31 December 2007, the number of consolidated companies has been reduced by one company following the merger of the two Spanish companies DEUTZ DITER COMPONENTES S.A., Zafra and DEUTZ DITER S.A., Zafra.

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

Introduction

In 2007, the DEUTZ Power Systems segment was sold, with effect from 30 September 2007, and was consequently reclassified as a discontinued operation in accordance with IFRS 5. This segment's income and expenses are reported separately in the consolidated income statement as net income attributable to discontinued operations, and are explained in a separate note to the consolidated financial statements. The following notes relate to the continuing operations of the DEUTZ Group. Prior-year comparative figures have been restated accordingly in the income statement.

Balance sheet

Capital expenditure of approximately €52 million (including investment grants) on property, plant and equipment and intangible assets was partly offset by depreciation, amortisation and impairment of €35.9 million.

Financial assets decreased by €3.2 million, mainly as a result of the start-up losses incurred by DEUTZ Dalian.

The level of inventories increased by €20.6 million since the beginning of the year to €234.8 million, in order to process the large volume of orders on hand. At the same time there was an increase in trade receivables in line with the high business volumes, but also largely as a result of the significant reduction in factoring.

Equity had decreased by €16.5 million to €540.6 million at the balance sheet date of 30 June 2008 (31 December 2007: €557.1 million), primarily owing to the dividend payment of €48.0 million. The effect of the exercise of convertible bonds and profit-sharing rights amounted to €2.7 million. Net income totalled €30.3 million. The equity ratio of 39.4 per cent was, therefore, slightly lower year on year (31 December 2007: 40.4 per cent).

Current and non-current provisions as at 30 June 2008 had risen by €9.1 million to €324.0 million. The most notable increase was in current provisions, which rose by €12.9 million, primarily as a result of cost accruals during the period. Provisions for pensions and other post-retirement benefits fell by €5.3 million owing to drawdowns.

Current and non-current financial liabilities decreased by €13.9 million as a result of exchange-rate movements, mainly in connection with the US private placement.

Income statement

The first half of 2008 was not yet significantly affected by the deteriorating economic outlook, although there were signs of a slowdown towards the end of the second quarter.

The DEUTZ Group's revenue in the first half of 2008 rose by 15 per cent year on year to €825.5 million. Both segments – Compact Engines and DEUTZ Customised Solutions – achieved double-digit growth rates.

Other operating income fell by €3.9 million year on year because the disposal of the Marine Service business in the first half of 2007 generated one-off income of €5.0 million.

The cost of materials rose by €74.7 million to €573.7 million in line with revenue. In addition, the launch of new engine models and the growing number of engines that meet TIER 3 emissions standards increased the cost of materials owing to the higher-value technological components they contain.

The €14.2 million rise in staff costs to €150.5 million stemmed largely from the recruitment of additional staff to generate revenue growth. The collectively agreed wage and salary increases from April 2007 also impacted fully on the year-on-year comparison.

The profit/loss on equity-accounted investments for the first half of 2008 includes the start-up losses incurred by the DEUTZ Dalian joint venture launched in China in August 2007.

The other operating expenses of €74.6 million remained virtually unchanged year on year.

The income and expenses of the DEUTZ Power Systems segment are reported separately in the consolidated income statement as net income on discontinued operations. No such Net income was reported for the first half of 2008.

	4-6/2008	4-6/2007	1-6/2008	1-6/2007
€ million				
Revenue	–	66.3	–	121.8
Changes in inventories and other own work capitalised	–	14.5	–	28.0
Cost of materials	–	–47.4	–	–90.0
Staff costs	–	–16.6	–	–32.9
Other income and expenses	–	–13.1	–	–24.5
EBIT on discontinued operations	–	3.7	–	2.4
Interest expenses, net/other taxes	–	–0.7	–	–1.2
Net income on discontinued operations	–	3.0	–	1.2
Income taxes	–	–0.9	–	–1.3
Net income/loss after income taxes on discontinued operations	–	2.1	–	–0.1

At the time the consolidated financial statements for the six months to 30 June 2008 were being prepared, the disposal of DEUTZ Power Systems, including the price adjustment mechanisms stipulated in the sale and purchase agreement, had not been completed. Any resulting changes could have either a positive or negative impact on the gain on the disposal.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The contingent liabilities shown as at 30 June 2008 had decreased by €15.5 million on the figure reported as at 31 December 2007. This reduction stemmed from the expiry of guarantees given by DEUTZ AG in respect of DEUTZ Power Systems.

Commitments to purchase property, plant and equipment and intangible assets amounted to €36.7 million as at 30 June 2008 (31 December 2007: €39.8 million).

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).

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 amounted to €251.3 million in the first half of 2008. 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 €37.8 million.

SEGMENT REPORTING

Continuing operations

	Compact Engines		DEUTZ Customised Solutions		Other		DEUTZ Group	
	1-6/ 2008	1-6/ 2007	1-6/ 2008	1-6/ 2007	1-6/ 2008	1-6/ 2007	1-6/ 2008	1-6/ 2007
€ million								
Revenue	652.5	568.2	173.0	149.5			825.5	717.7
Operating profit (EBIT before one-off items)	20.8	19.5	22.3	17.8	0.5	3.1	43.6	40.4

OTHER

This segment contains Group activities and consolidation adjustments that do not belong in any other segment. In the first half of 2007, this essentially comprised the legacy effects of the disposal of the Marine Service business.

EVENTS AFTER THE BALANCE SHEET DATE (30 JUNE 2008)

Reorganisation of Management Board responsibilities

In order to fully implement the DEUTZ Group's strategy of internationalisation in Asia and optimise its organisational structures, the Management Board and Supervisory Board of DEUTZ AG have decided to realign the Management Board's executive responsibilities.

In addition to his current remit of sales, corporate strategy, quality management, marketing and communications, Dr Helmut Leube, the Chairman of the Management Board, will, in future, be responsible for the company's newly created product lines.

Karl Huebser, who has been the Management Board member responsible for production and technology since 2001, will assume overall responsibility for all of DEUTZ's operations in China as from 1 July 2008. In addition to his existing remit of procurement and logistics, Management Board member Gino M. Biondi will take charge of Karl Huebser's current responsibilities of production and technology as from the same date.

Helmut Meyer will retain responsibility for finance and human resources on the Management Board. He will also take charge of investor relations and the Supporthouse function, which includes order processing, technical sales support and spare-parts management.

There have been no further material events of particular importance since 30 June 2008.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Cologne, August 6, 2008

DEUTZ Aktiengesellschaft
The Management Board



Dr Helmut Leube



Karl Huebser



Gino Mario Biondi



Helmut Meyer

REVIEW REPORT

To DEUTZ AG, Cologne

We have reviewed the condensed interim consolidated financial statements as at 30 June 2008 – comprising the income statement, the balance sheet, the statement of changes in equity, the cash flow statement as well as selected explanatory notes to the financial statements – and the interim management report of the group for the period from 1 January to 30 June 2008, which are components of the half-year financial report under § 37 WpHG (“German Securities Trading Act”) of DEUTZ AG.

The preparation of the condensed interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Management Board. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with moderate assurance, that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, August 6, 2008

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Crampton
Wirtschaftsprüfer
(German Public Auditor)

Signed: Lammers
Wirtschaftsprüferin
(German Public Auditor)

Financial Calendar

Dates 2008	Event	Location
7 November	Interim Report 1st to 3rd Quarter 2008 Conference call with analysts and investors	
<hr/>		
Dates 2009		
19 March	Annual Results press conference Publication Annual Report 2008	Cologne
20 March	Analysts' meeting	Frankfurt/Main
30 April	Annual General Meeting	Koelnmesse, Cologne
7 May	Interim Report 1st Quarter 2009 Conference call with analysts and investors	
12 August	Interim Report 1st Half-year 2009 Conference call with analysts and investors	
5 November	Interim Report 1st to 3rd Quarter 2009 Conference call with analysts and investors	

Imprint

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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.

DEUTZ AG

51057 Cologne, Germany

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