New Drive

Interim Report
1st Quarter 2010

The 1st Quarter at a Glance

DEUTZ Group: Key figures

	1–3/2010	1–3/2009
Continuing operations		
€ million		
New orders	312.0	205.9
Unit sales (units)	33,784	30,589
Revenue	236.4	220.6
thereof excluding Germany (%)	81.5	69.6
EBITDA	14.6	–4.1
EBIDTA (before one-off items)	16.3	–4.1
EBIT	–1.0	–19.9
EBIT (before one-off items)	0.7	–19.9
EBIT margin (%)	–0.4	–9.0
EBIT margin (before one-off items, %)	0.3	–9.0
Net income	–8.7	–23.7
Earnings per share (€)	–0.07	–0.20
Total assets (31 March)	1,080.9	1,159.6
Non-current assets	546.9	543.8
Equity	374.1	486.4
Equity ratio (%)	34.6	41.9
Cash flow from operating activities	–28.6	–23.0
Free cash flow [1]	–53.6	–47.8
Net financial position [2]	–61.9	–69.2
Working capital [3]	150.6	240.3
Working capital as percentage of revenue (%)	17.1	18.2
Capital expenditure (excluding capitalisation of R&D)	8.2	8.7
Depreciation and amortisation	15.6	15.8
Research and development	23.9	23.2
Employees (31 March)	3,850	4,555

1) Free cash flow: cash flow from operating and investing activities minus interest expense
2) Net financial position: cash and cash equivalents minus current and non-current interest-bearing financial liabilities
3) Working capital: inventories plus trade receivables minus trade payables

DEUTZ Group: Segments

	1–3/2010	1–3/2009
€ million		
New orders		
DEUTZ Compact Engines	240.2	152.8
DEUTZ Customised Solutions	71.8	53.1
Total	**312.0**	**205.9**
Unit sales (units)		
DEUTZ Compact Engines	30,538	26,159
DEUTZ Customised Solutions	3,246	4,430
Total	**33,784**	**30,589**
Revenue		
DEUTZ Compact Engines	183.1	161.5
DEUTZ Customised Solutions	53.3	59.1
Total	**236.4**	**220.6**
EBIT (before one-off items)		
DEUTZ Compact Engines	–4.1	–22.8
DEUTZ Customised Solutions	6.2	3.6
Other	–1.4	–0.7
Total	**0.7**	**–19.9**

Foreword

Dear Shareholders,

DEUTZ got off to a very powerful start in 2010. Powerful, due to our good start to the new financial year. DEUTZ has achieved a turnaround. The figures for the first quarter are pointing clearly upwards, and our forecasts for the coming months are also optimistic. New orders, unit sales and revenue not only well exceeded the prior-year's figures – they were also well over our forecasts! For instance, in the first quarter of 2010 we received new orders worth €312 million, a rise of more than 50 per cent over first quarter of 2009. Unit sales and revenue followed this trend after the obvious short delay. Here as well, figures rose sharply: Unit sales increased by 10 per cent (33,800 units), and revenue was up by 7 per cent (€236 million) compared to the first quarter of 2009.

Powerful – also thanks to our completely new engines, the TCD 2.9 L4 and the TCD 3.6 L4, which we presented at the bauma trade fair 2010 in Munich. These two engines represent a whole new generation of engines with capacities of less than 4 litres and have been designed to pick up where the legendary 2011 series left off. The new engines not only fulfil the next stage of emissions legislation. They are also suited for all application segments, whether mobile machinery, stationary equipment or agricultural machinery. As the innovative leader with our sights set on "best-in-class" performance, this new generation of technology, together with our improved engines with capacities of more than 4 litres, allows us to offer a comprehensive product portfolio of engines in the 25 to 520 kW power range. The portfolio combines increased power density with high efficiency and proven DEUTZ quality. New product names, which now also include key product information, serve to illustrate the technological lead that we have achieved.

But that was not all: The first quarter of 2010 was the first time since the start of the crisis that we generated positive EBIT, which is all the more impressive considering that for DEUTZ, the first quarter is usually the weakest due to the typical seasonal fluctuation in demand. We are thus seeing the results of our efforts, with long-term reductions in fixed costs becoming clearly evident.

The upturn is being driven by the economic revival. However, our MOVE initiative has also been paying off since the fourth quarter. While the rising economy is providing us with a substantial increase in demand for our engines, thanks to MOVE we are at the same time working more cost efficiently than ever before. What is more, our MOVE Fast follow-up initiative will allow us additionally to enhance our processes and our business model, bring down the break-even point even further, and continue to make ourselves fit for the future.

We are optimistic about the year as a whole. In 2010, we expect to see a clear increase in new orders, unit sales and revenue year-on-year. Assuming the good economic trend persists, we are forecasting positive EBIT and a clear increase in the number of engines sold.

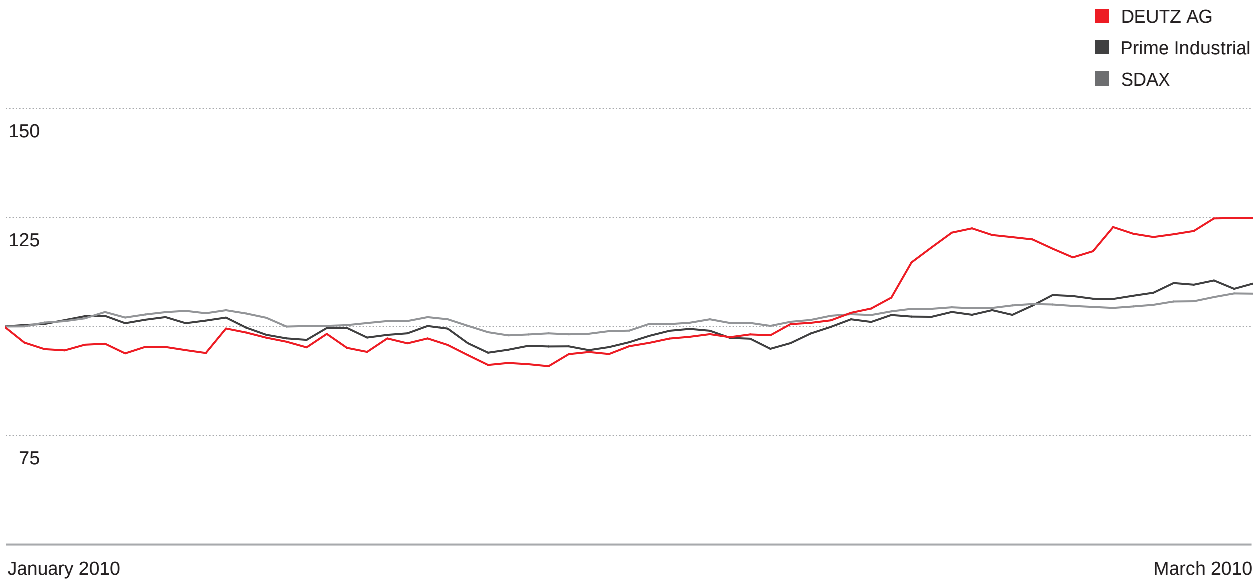
Dear shareholders, we are looking back on a difficult year. A year from which DEUTZ has nonetheless emerged stronger than before, and with new impetus. We would like to take this opportunity to thank you for having remained loyal to us in these difficult times – loyal to your company, DEUTZ.

Kind regards from Cologne

Dr Helmut Leube
Chairman of the Board of Management

DEUTZ Shares

Price performance of DEUTZ share
%



DEUTZ shares on the rise since March Despite the optimistic end to 2009, trading was hesitant on the stock exchanges in the first two months of 2010. The DAX, which was up to nearly 6,000 points at year-end 2009, slipped back below the 5,500 mark in February 2010. It then made a clear recovery and climbed to 6,153 points as of the end of the quarter.

DEUTZ shares also followed this trend. Our stock started the year at a price of €3.39 per share (2009 closing price), initially showed no noticeable rise, and then fell back to the quarterly low of €3.15 on 10 February. Starting in March, however, DEUTZ shares saw strong upward movement. The price of the stock rose steadily to reach €4.33 by the end of the quarter, which also represented the quarterly high. The daily high of €4.38 was achieved on the previous day. This means that the value of our stock rose by more than 25 per cent in the first quarter of 2010!

Moreover, DEUTZ shares proved their popularity by outperforming the indices they are listed on: While the SDAX was up less than 10 per cent, DEUTZ shares gained approximately 28 per cent. The stock showed a similar performance in relation to the Prime Industrial Index, which likewise rose only 12 per cent in the first quarter.

This performance translated into a market capitalization of €523.3 million (31 December 2009: €409.7 million) given the total number of shares of 120,861,783 as of 31 March 2010 (unchanged from the prior year).

Key figures for DEUTZ shares

	1–3/2010	1–3/2009
Number of shares (31 March)	120,861,783	120,861,783
Average number of shares	120,861,783	120,861,783
Share price (31 March, €)	4.33	2.30
Share price high (€)	4.33	2.40
Share price low (€)	3.15	1.59
Market capitalisation (31 March, € million)	523.3	278.0
Earnings per share (€)	–0.07	–0.20

Based on Xetra closing prices

Interim group management report

Business performance in the DEUTZ group

Economic environment

Global economy continues on a growth course[1] The recovery of the global economy, which began in the second half of 2009, is continuing apace. Experts are forecasting growth in gross domestic product (GDP) of 4.3 per cent worldwide. National economies are projected to experience varying growth rates, however. While growth of 6.5 per cent is projected for the emerging economies, the industrial nations will only expand by 2.6 per cent. In Asia, recovery will be driven by exports thanks in large part to fiscal stimulus programs in the US and Europe.

The US economy grew approximately 4 per cent in the second half of 2009 and is expected to initially maintain this rate of growth in 2010. The reason for this pace of expansion: US companies are making investments to increase their inventories, and exports are rising sharply. Economic experts expect this trend to lead to a notable rise in employment over the long term followed by an increase in private consumption.

By contrast, the euro zone grew a mere 1 per cent in the second half of 2009 – just one-fourth of the US growth rate. Forecasts for 2010 are not much better, with GDP expected to grow by 1.1 per cent. Production and exports will boost economic recovery, although in the future the domestic economies will have to make a greater contribution to growth in Europe.

In Germany, GDP rose by the projected 2 per cent in 2010. Growth was driven by exports given that domestic consumption is declining in spite of the relatively stable employment market. Experts anticipate a slight rise in capital expenditure. Since companies postponed making investments last year – investments in machinery and equipment fell by 20 per cent – capital expenditure will increase somewhat in 2010. The increase will be only slight as companies are still not producing at full capacity. Moreover, public infrastructure expansion will boost construction spending.

Engineering: February makes up for a weak January[2] While new orders in the engineering industry fell in January, the upward trend of the previous months returned in February thanks above all to demand for exports. The order backlog for the sector rose from 4.6 production months in October 2009 to 4.9 months in February 2010, and capacity utilization increased from 70.7 per cent in October 2009 to 72.3 per cent in January 2010. However, according to the German Engineering Association (VDMA) order levels are still well below the prior-year level. For 2010, the VDMA expects the German engineering industry to maintain production volumes at the previous year's level (€151 billion). Although production in January fell by 13.6 per cent year-on-year, the VDMA is forecasting a return to positive growth rates for the engineering sector over the course of the year.

Trends vary in the different industries, however. In the last three months for which statistics are available (December 2009–February 2010), agricultural machinery as well as process engineering machinery and equipment were still showing a negative growth rate of more than 20 per cent.

For manufacturers of industrial engines, however, order rates began rising again at the start of 2010 for the first time since the start of the crisis. Stable new order levels for engines in the higher power classes and a moderate increase for compact engines (mainly mobile machinery) lead to an overall increase of 9 per cent. This is an important indicator for the sector.

Further trend still uncertain The VDMA has warned against viewing these initial indicators as a turnaround, as the engine business frequently depends on projects of a limited duration.

We at DEUTZ also benefited from the general stabilization of the economy in the first quarter, particularly in our Mobile Machinery business.

Although new orders and orders on hand are at a high level, the current economic climate does not permit any sufficiently reliably projections to be made for the second half of 2010.

New orders

Strong increase in demand We are optimistic given the good new order situation. In the first three months of the year, DEUTZ received orders totalling €312.0 million. This puts demand at more than 50 per cent above the level for the prior-year quarter (Q1 2009: €205.9 million). Even compared to the last quarter of 2009 (Q4 2009: €230.5 million), new orders have risen by more than one-third. Thus the positive trend that began to emerge toward the end of last year is continuing. The value of new orders has exceeded revenue for the third quarter in succession – an outstanding indicator of a stable trend!

We are especially pleased at the good trend in our most important segment: In the first quarter of 2010, new orders at DEUTZ Compact Engines increased approximately 57 per cent year-on-year to €240.2 million (Q1 2009: €152.8). DEUTZ Customised Solutions received orders amounting to €71.8 million, an increase of more than one-third year-on-year (Q1 2009: €53.1 million).

Orders on hand at DEUTZ amounted to €231.3 million as at 31 March 2009, some 40 per cent over the prior-year level (31 March 2009: €166.5 million).

1) Source: Deutsche Bank Economic Research Bureau Frankfurt
2) Source: for the above section: VDMA April Bulletin

UNIT SALES

Unit sales rise from month to month DEUTZ is selling more engines each month: As at 31 March 2010, units sold in the first quarter added up to 33,784 units, a rise of approximately 10 per cent year-on-year (Q1 2009: 30,589 units).

However, the Group's two segments performed quite differently. While DEUTZ Compact Engines (DCE) increased sales figures in the first quarter of 2010, unit sales declined at DEUTZ Customised Solutions (DCS). Specifically, the DCE segment sold 30,538 engines in the first three months of the year, up 16.7 per cent on the prior-year quarter (Q1 2009: 26,159 units). The sale of engines for mobile machinery made an especially quick recovery in this segment. DEUTZ Customised Solutions, however, was subject to the typical time delay that occurs in this segment based on the long throughput times following DCE sales. In the first three months of 2009, DCS benefited from order spillover from 2008, though this meant that the segment remained below the prior-year level in the first quarter of 2010: Only 3,246 engines were sold, down 26.7 per cent year on year (Q1 2009: 4,430 engines). However, we reported an excellent new order level in the first three months of €71.8 million, an increase of 35.2 per cent on the previous year and evidently the start of a turnaround for DCS, too.

Results of operations

Revenue

DEUTZ Group: Revenue by region
€ million (2009 figures)

■	**198.1**	(176.0)	Europe/Middle East/Africa
■	**22.4**	(24.1)	Americas
■	**15.9**	(20.5)	Asia-Pacific
	236.4	(220.6)	Total

Rise in quarterly revenue Revenue performance was extremely encouraging in the first quarter. Revenues for the first three months rose by 7 per cent year-on-year to a total of €236.4 million (Q1 2009: €220.6 million).

Like unit sales, the growth in revenue also stemmed from DEUTZ Compact Engines. While this segment reported a significant gain, revenue at DEUTZ Customised Solutions continued to decline. DCE revenues came to €183.1 million in the first quarter, up more than 13 per cent year-on-year (Q1 2009: €161.5 million). DCS revenues, however, decreased by €5.8 million on the prior year to €53.3 million (Q1 2009: €59.1 million). Even though we sold 27 per cent fewer units, the decline in revenue was only 10 per cent thanks to our improved product mix. Nonetheless, the good order level is a clear sign of recovery in this segment as well.

DEUTZ Group: Revenue by application segment
€ million (2009 figures)

■	**70.4**	(42.8)	Mobile Machinery
■	**46.7**	(41.9)	Automotive
■	**46.4**	(41.8)	Service
■	**36.5**	(40.5)	Stationary Equipment
■	**30.0**	(46.7)	Agricultural Machinery
■	**6.4**	(6.9)	Miscellaneous
	236.4	(220.6)	Total

EBIT

Upward earnings trend in first quarter The most important indication that a turnaround has occurred, however, is the slight operating profit (EBIT before one-off items) of €0.7 million that we achieved as at the end of the first quarter of 2010. This is the first quarter in which we have generated a profit since the start of the crisis in the second half of 2008. This achievement is all the more significant in light of the fact that the first quarter is generally the most difficult for us due to typical seasonal fluctuations. In the first quarter of 2009, DEUTZ registered a loss of €19.9 million. The upward earnings trend was not only the result of the significant rise in unit sales and therefore in revenue. Also contributing to the improvement was our MOVE initiative, which we introduced at the end of 2008 to secure our profitability and which has allowed us to permanently lower our break-even point.

Production increased due to the good order situation with a corresponding rise in total output, which rose by €24.5 million in the first quarter of 2010 to €252.4 million (Q1 2009: €227.9 million). By contrast, the cost of materials in relation to total output[1] fell significantly, dropping 3.7 percentage points. The primary cause of the upward earnings trend was our success in implementing cost-cutting measures and the positive impact of lower prices for foundry steel scrap, our most important raw material.

Staff costs continue to decrease Staff costs decreased even further, despite the fact that the use of short-time work was reduced. The workforce reduction measures carried out in 2009 resulted in an additional decrease in expenses of €5.0 million in the quarter under review to €62.3 million (Q1 2009: 67.3 million). The ratio of staff costs to total output improved by approximately 5 percentage points.

After one-off items in the amount of €1.7 million, EBIT for the first quarter of 2010 came to a net loss of €1.0 million (Q1 2009: net loss of €19.9 million). The one-off items related to expenses for renegotiating a funding facility.

Net interest expense increased by €1.8 million year-on-year to €3.5 million in the first three months (Q1 2009: €1.7 million) as a result of the increase by 2 percentage points in interest paid on the US private placement since the conclusion of a suspension agreement in the fourth quarter of 2009 as part of the renegotiation of financial covenants. Income taxes rose to €3.9 million in the first quarter of 2010, up from €1.8 million in the first quarter of 2009. The increase resulted in particular from higher deferred tax liabilities given the increase in capitalized development expenditure. The net loss reported by the DEUTZ Group totalled €8.7 million in the first quarter of 2010 (Q1 2009: net loss of €23.9 million).

Segment performance

Business performance in the DEUTZ Compact Engines segment

New orders increase by 57 per cent In the DEUTZ Compact Engines segment, new orders amounted to €240.2 million in the first three months of 2010. This represents a rise in incoming orders of around 57 per cent compared to the prior-year period (Q1 2009: €152.8 million). In general, business in new engines rose more than the service business, though the latter had suffered less from the downturn. Small engines with capacities of up to 4 litres recovered particularly well, with new orders increasing nearly 180 per cent year-on-year to €38.3 million (Q1 2009: €13.8 million). New orders for the higher revenue and margin engines in the 4-liter to 8-liter range also increased, rising approximately 50 per cent year-on-year to €174.6 million (Q1 2009: €115.8 million).

Higher first-quarter unit sales In the first three months of 2010, the DEUTZ Compact Engines segment increased unit sales by 16.7 per cent year-on-year to 30,538 units (Q1 2009: 26,159 units). The increase was driven above all by engines for mobile machinery (up 79.2 per cent on the prior year), particularly engines the construction machinery application segment (up 119.9 per cent). In this segment, we are benefiting greatly from the recovery of Volvo, our biggest customer.

Revenue up more than 13 per cent year-on-year The DEUTZ Compact Engines segment registered year-on-year growth of more than 13 per cent to €183.1 million in the first quarter of 2010 (Q1 2009: €161.5 million).

We have seen the greatest growth in our most important application segment – mobile machinery, which rose by 80.7 per cent. Revenue rose from €34.7 million to €62.7 million, driven above all by the revenue increase in engines for construction machinery.

DEUTZ Compact Engines: Revenue by application segment
€ million (2009 figures)

62.7	(34.7)	Mobile Machinery
40.2	(34.4)	Automotive
29.0	(44.6)	Agricultural Machinery
25.5	(25.9)	Stationary Equipment
24.1	(21.7)	Service
1.6	(0.2)	Miscellaneous
183.1	(161.5)	Total

DCE segment earnings approaching break even We significantly reduced the operating loss (EBIT before one-off items) in the DEUTZ Compact Engines segment by a total of €18.7 million to a loss of €4.1 million in the first quarter of 2010 (Q1 2009: loss of €22.8 million). Increased demand for our products contributed to this improved performance, as did reduced staff costs and lower commodities prices. In addition, the considerable decrease in start-up losses for our Chinese joint venture, DEUTZ Dalian – which reduced losses by €2.1 million to €1.4 million (Q1 2009: loss of €3.5 million) – made a positive contribution.

1) Total output: Revenues plus changes in inventories and other own work capitalized

Business performance in the DEUTZ Customised Solutions segment

Orders up 35 per cent year-on-year New orders in the DEUTZ Customised Solutions segment rose more than 35 per cent year-on-year to €71.8 million in the first three months of 2010 (Q1 2009: €53.1 million). In the DCS segment as well, the new engine business increased more than the less volatile service business (engines: up 42.7 per cent; service: up 22.6 per cent). Performance was thus similar to that of DEUTZ Compact Engines.

Unit sales improve after time lag Figures for unit sales of DEUTZ Customised Solutions remained under the prior-year level in the first three months of 2010. Unit sales declined by 26.7% to 3,246 units in this segment, down from 4,430 units in the first quarter of 2009. Longer order throughput times for DEUTZ Customised Solutions lead to ups and downs in the economic cycle becoming evident later than for DEUTZ Compact Engines. However, the good order situation indicates that we have achieved a turnaround here as well.

Increase in service revenues The first-quarter revenue trend in the DEUTZ Customised Solutions segment was similar to the trend in unit sales: Revenue in the DCS segment dropped nearly 10 per cent year-on-year to €53.3 million (Q1 2009: €59.1 million). While revenues in the engine business fell by 20.4 per cent to €31.0 million (Q1 2009: €39.0 million), the revenue-stabilizing service business saw encouraging growth of 10.9 per cent to €22.3 million (Q1 2009: €20.1 million).

DEUTZ Customised Solutions:
Revenue by application segment
€ million (2009 figures)

■	**22.3**	(20.1)	Service
■	**11.0**	(14.6)	Stationary Equipment
■	**7.7**	(8.1)	Mobile Machinery
■	**6.5**	(7.5)	Automotive
■	**4.8**	(6.7)	Miscellaneous
■	**1.0**	(2.1)	Agricultural Machinery
	53.3	(59.1)	Total

Further increase in operating profit for DCS Operating profit (EBIT before one-off items) in the DEUTZ Customised Solutions segment rose by €2.6 million in the first quarter of 2010 to €6.2 million, up from €3.6 million in the first quarter of 2009. The high-margin service area made a key contribution to the increase.

Financial position

Finance

In mid-March 2010, we secured our financing basis by reaching general agreement with the creditors of the US private placement in the amount of US$ 274 million to modify financial covenants and by receiving financing commitments from our bankers for a credit facility of €76 million. At present, work is underway to prepare the contract documents as quickly as possible. We have concluded a suspension agreement with our US creditors, which leaves sufficient time for drafting the final agreement.

Net cash used for operating activities amounted to €28.6 million in the first quarter of 2010 (Q1 2009: €23.0 million). The good business trend led to a significant increase in working capital, especially in light of the higher receivables and the moderate rise in inventories. The positive effect of a more or less balanced EBIT compared to the previous year was only able to partially compensate for the increase in working capital.

Net cash used for investing activities (continuing operations) decreased to €17.0 million (Q1 2009: €18.2 million), mainly as a result of capitalized development costs associated with the upcoming exhaust emissions standards and development of our two new engines in the below-4-liter capacity range.

Net cash used for financing activities amounted to €8.6 million (Q1 2009: €8.0 million), largely due to the payment of interest, as in the previous year.

Capital expenditure and the increase in working capital were financed – as planned – from our existing high liquidity reserves. For this reason, our net financial position[1] decreased by €64.8 million to minus €61.9 million as at 31 March 2010 (31 December 2009: plus €2.9 million).

All in all, free cash flow[2] from continuing operations amounted to minus €53.6 million compared to minus €47.8 million in the prior-year period.

Capital expenditure

Capital expenditure amounted to €22.6 million in the first quarter of 2010, up slightly from the prior-year level (Q1 2009: €20.1 million). Nearly two-thirds of the investments (€14.6 million) represented capitalized development costs (Q1 2009: €11.4 million). The focus was again on development costs related to the upcoming exhaust emissions standards and development of our two completely new engines in the below-4-liter capacity range. The €6.3 million spent on property, plant and

1) Net finance position: cash and cash equivalents less current and non-current interest-bearing financial liabilities
2) Free cash flow: Net cash from operating activities and investing activities less interest expense

equipment (Q1 2009: €6.6 million) was likewise primarily attributable to new product developments and refinement of existing products, for example production facilities and tools.

The greatest portion of total capital expenditure by far (€21.7 million) fell to the Compact Engines segment (Q1 2009: €17.1 million). In the DEUTZ Customised Solutions segment, the volume of capital expenditure declined to €0.9 million (Q1 2009: €3.0 million).

Net assets

Total assets recovered somewhat in the first quarter of 2010. As at 31 March 2010, total assets had risen to €1,080.9 million, up from €1,071.1 million at year-end 2009.

Non-current assets Non-current assets rose by a total of €4.2 million to €566.0 million (31 December 2009: €561.8 million). In the case of non-current assets before deferred tax assets, the increase was due in particular to capital spending on development costs, which was offset in part by higher deferred tax liabilities.

Current assets Current assets also increased slightly by a total of €5.6 million to €514.4 million (31 December 2009: €508.8 million).

Working capital[1] increased by approximately 53 per cent to €150.6 million as at 31 March 2010 (31 December 2009: €98.3 million). The increase reflects the upward trend in unit sales and revenue. Due to the high order level, inventories increased by €22.0 million to €149.5 million as of 31 March 2010 (31 December 2009: €127.5 million), while the increase in business volume led to a rise in trade receivables. The success of working capital management is evident in a year-on-year comparison. Although revenue increased by 7.2 per cent year-on-year in the first quarter of 2010, working capital decreased by approximately 37 per cent to €150.6 million (31 March 2009: €240.3 million).

High equity ratio Equity decreased slightly as of 31 March 2010, declining by €5.1 million to €374.1 million (31 December 2009: €379.2 million). The equity ratio remained at a high level of approximately 35 per cent (31 December 2009: €35.4 per cent).

Current and non-current liabilities Non-current liabilities were nearly unchanged from year-end at €409.4 million (31 December 2009: €410.5 million). The rise of financial liabilities resulted solely from the foreign currency valuation of the US private placement, which is denominated in US dollars. The cross-currency swap taken out to hedge this foreign currency liability decreased accordingly and offset the increase.

Current liabilities rose by €16.0 million to €297.4 million (31 December 2009: €281.4 million), primarily due to provisions in connection with cost deferrals over the course of the year.

Events after the balance sheet date

Suspension agreements were concluded between DEUTZ and its creditors for the period during which the extensive contract documents for the renegotiated funding facility provided by the US private placement are being prepared. The suspension agreements allow us to waive adherence to financial covenants and postpone the dates on which compliance with these covenants is checked. An agreement dated 23 April 2010 extended the existing standstill agreement until 31 May 2010.

Research and development

Focus on R&D: Development of a new generation of engines We continued working at high speed on the development of a new generation of engines in the period under review, which led to an increase in R&D expenditure of 3 per cent over the already high level of the prior-year period to €23.9 million (Q1 2009: €23.2 million). By maintaining research and development at this high level, we are underlining our objective of technological and quality leadership notwithstanding the difficult economic climate.

The ratio of research and development spending to revenue of the DEUTZ Group stayed in the double-digit range at 10.1 per cent (Q1 2009: 10.5 per cent). The majority of the expenditure – 82.9 per cent – was attributable to new engine developments and refinements to existing engines, another 7.1 per cent flowed into research and preliminary development, and support for existing engines series accounted for 10.0 per cent.

When looking at the segments individually, €21.1 million was spent on research and development in the DEUTZ Compact Engines segment (Q1 2009: €20.2 million), and DEUTZ Customised Solutions accounted for €2.8 million (Q1 2009: €3.0 million).

Employees

Further reduction in number of employees Despite the clear increase in demand, DEUTZ again reduced the number of employees. As of the 31 March 2010 reporting date, 3,850 persons were employed in the DEUTZ Group (31 March 2009: 4,555 persons). We continued to scale back employee levels at all domestic locations. In Cologne, the number of employees was reduced by 14 per cent to 2,437, in Ulm by 22.3 per cent to 405, and at all other locations combined by 18.8 per cent to 267. The situation at our international locations was similar, with jobs being cut at all plants.

1) Working capital: inventories plus trade receivables less trade payables

In terms of the individual units, DEUTZ has only added personnel in research and development during the past twelve months. A total of 501 individuals are currently employed in R&D, whereas this figure amounted to 486 as of 31 March 2009. Not only do these new hires further the development of the new, highly innovative generation of engines in line with the coming European and US emissions standards; in adding R&D personnel DEUTZ has set a clear signal for the future of the Company.

The number of temporary workers rose once again compared to the previous year. Whereas only 47 people were temporarily employed at the end of March 2009, at the end of the reporting period this figure had increased to 62 people, all of whom were deployed in the research department.

Some employees remained on short-time work, though the numbers declined sharply. While at the end of March 2009, 2,259 DEUTZ employees were on short-time work, by the end of March 2010 this figure had declined by 90 per cent to only 187 employees, mainly in the service business and mechanical fabrication. We plan to eliminate short-time work entirely in the coming months.

As at the reporting date 3,109 persons were employed in Germany compared to 3,683 a year earlier. A total of 741 persons worked at our international locations – mainly Zafra, Spain and the Deutz Corporation in Atlanta, GA, USA (31 March 2009: 872). Headcount at DEUTZ Compact Engines totalled 3,127 employees at the end of March 2010 (31 March 2009: 3,653), and 723 at DEUTZ Customised Solutions (31 March 2009: 902).

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 risks of significance to our financial position and financial performance as well as the structure of our risk management system were portrayed in our annual report for financial year 2009. The risks portrayed still exist. No other significant risks going beyond those portrayed in the annual report for financial year 2009 were identified in the first three months of financial year 2010. We would also refer you to the Outlook at the end of this interim group management report.

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) that 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 18 of the notes to the consolidated financial statements.

Outlook

The general economic upturn is also benefiting our business. We are still forecasting figures well above the prior-year level in new orders, unit sales and revenue. Our MOVE initiative has succeeded in bringing down the break-even point significantly. Moreover, most of the cost benefits of the staff reductions already implemented will become apparent in the current year. We also anticipate initial benefits from the follow-up to the MOVE initiative – MOVE Fast, aimed at increasing efficiency and earnings.

Capital expenditure will remain at around the previous year's level.

We believe that new orders will secure the forecasts made during the first half of 2010 at the least. Some uncertainty remains with respect to the question of whether the overall economic recovery will continue worldwide at the current pace, or whether we might still be faced with unpleasant surprises due to long-term consequences of the financial crisis.

We are therefore forecasting an operating profit for 2010 as a whole – a significant improvement compared to the previous year.

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 future performance, developments and results of the Company or those of the sectors important to the Company could be significantly different (especially in a negative respect) from those expressly or implicitly assumed in these statements. The Board of Management 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 in line with future developments.

Interim consolidated financial statements
1st Quarter 2010

INCOME STATEMENT FOR THE DEUTZ GROUP

	Note	1–3/2010	1–3/2009
€ million			
Revenue		**236.4**	**220.6**
Change in inventories and other own work capitalised		16.0	7.3
Other operating income	1	11.2	15.8
Cost of materials		–158.0	–151.1
Staff costs		–62.3	–67.3
Depreciation and amortisation		–15.6	–15.8
Other operating expenses	2	–28.1	–26.6
Net income from equity-accounted investments		–0.6	–2.8
EBIT		**–1.0**	**–19.9**
thereof one-off items		**–1.7**	**–**
thereof operating profit (EBIT before one-off items)		**0.7**	**–19.9**
Interest expenses, net		–3.5	–1.7
thereof finance costs		–6.4	–5.9
Other taxes		–0.3	–0.3
Net income before taxes on continuing operations		**–4.8**	**–21.9**
Income taxes	3	–3.9	–1.8
Net income on continuing operations		**–8.7**	**–23.7**
Net income on discontinued operations		**–**	**–0.2**
Net income		**–8.7**	**–23.9**
thereof attributable to owners of the parent		–8.7	–23.9
thereof attributable to non-controlling interests		–	–
Earnings per share (€)		**–0.07**	**–0.20**
thereof from continuing operations		–0.07	–0.20
thereof from discontinued operations		–	–

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

€ million	Note	**1–3/2010**	1–3/2009
Net income		**–8.7**	**–23.9**
Currency translation differences		4.8	5.3
Effective portion of change in fair value from cash flow hedges		–1.3	–6.2
Change in fair value of available-for-sale financial assets		0.1	–0.1
Other comprehensive income, net of tax	4	**3.6**	**–1.0**
Comprehensive income		**–5.1**	**–24.9**
thereof attributable to owners of the parent		–5.1	–24.9
thereof attributable to non-controlling interests		–	–

BALANCE SHEET FOR THE DEUTZ GROUP

ASSETS	Note	31/3/2010	31/12/2009
€ million			
Property, plant and equipment		331.0	335.5
Intangible assets		155.2	145.8
Equity-accounted investments		51.8	49.3
Other financial assets		8.9	8.8
Non-current assets (before deferred tax assets)		546.9	539.4
Deferred tax assets		19.1	22.4
Non-current assets		**566.0**	**561.8**
Inventories		149.5	127.5
Trade receivables		149.5	112.3
Other receivables and assets		55.8	54.3
Cash and cash equivalents		159.6	214.7
Current assets		**514.4**	**508.8**
Non-current assets held for sale		0.5	0.5
Total assets		**1,080.9**	**1,071.1**

EQUITY AND LIABILITIES	Note	31/3/2010	31/12/2009
Issued capital		309.0	309.0
Additional paid-in capital		28.8	28.8
Other reserves		–2.0	–5.6
Retained earnings		79.1	79.1
Accumulated income		–40.8	–32.1
Equity attributable to owners of the parent		374.1	379.2
Equity		**374.1**	**379.2**
Provisions for pensions and other post-retirement benefits		162.4	163.9
Deferred tax provisions		0.1	0.1
Other provisions	5	26.4	26.9
Financial liabilities		216.0	206.2
Other liabilities		4.5	13.4
Non-current liabilities		**409.4**	**410.5**
Provisions for pensions and other post-retirement benefits		16.1	16.1
Provisions for current income taxes		3.5	6.6
Other provisions	5	62.9	49.2
Financial liabilities		5.5	5.6
Trade payables		148.4	141.5
Other liabilities		61.0	62.4
Current liabilities		**297.4**	**281.4**
Total equity and liabilities		**1,080.9**	**1,071.1**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

€ million	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
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**
Balance at 1 Jan. 2010	**309.0**	**28.8**	**79.1**	**–0.1**	**–5.5**	**–32.1**	**379.2**	**–**	**379.2**
Comprehensive income				–1.2	4.8	–8.7	–5.1	–	–5.1
Balance at 31 March 2010	**309.0**	**28.8**	**79.1**	**–1.3**	**–0.7**	**–40.8**	**374.1**	**–**	**374.1**

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	**1–3/2010**	1–3/2009
EBIT	**–1.0**	**–19.9**
Interest income	0.4	3.6
Other taxes paid	–0.3	–0.3
Income taxes paid	–2.2	–1.8
Depreciation and amortisation	15.6	15.8
Net result from equity-accounted investments	0.6	2.8
Change in working capital	–45.8	–28.3
Change in inventories	–20.1	9.1
Change in trade receivables	–36.4	–6.4
Change in trade payables	10.7	–31.0
Change in other receivables and other current assets	–8.0	–1.9
Change in provisions and other liabilities (excluding financial liabilities)	12.1	7.0
Cash flow from operating activities	**–28.6**	**–23.0**
Capital expenditure on intangible assets, property, plant and equipment	–17.1	–17.8
Capital expenditure on investments	–	–0.4
Proceeds from the sale of non-current assets	0.1	–
Cash flow from investing activities – continuing operations	**–17.0**	**–18.2**
Cash flow from investing activities – discontinued operations	–1.0	–0.4
Cash flow from investing activities – total	**–18.0**	**–18.6**
Interest expenses	–8.0	–6.6
Cash receipts from borrowings	–	0.3
Repayments of loans	–0.6	–1.7
Cash flow from financing activities	**–8.6**	**–8.0**
Cash flow from operating activities	–28.6	–23.0
Cash flow from investing activities	–18.0	–18.6
Cash flow from financing activities	–8.6	–8.0
Change in cash and cash equivalents	**–55.2**	**–49.6**
Change in cash and cash equivalents at 1 January	**214.7**	**207.5**
Change in cash and cash equivalents	–55.2	–49.6
Change in cash and cash equivalents related to exchange rates	0.1	0.3
Change in cash and cash equivalents at 31 March	**159.6**	**158.2**

Notes to the interim consolidated financial statements 1st Quarter of 2010

Basic principles

Basis of preparation

These interim consolidated financial statements for the period ended 31 March 2010 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 for the 2009 financial year.

The condensed interim consolidated financial statements for the period ended 31 March 2010 – 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 2010 have not been reviewed by an auditor.

Significant accounting policies

With the exception of the new IFRS standards and interpretations 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 2009. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for financial year 2009. If they are material, revenue-related and cyclical items are deferred during the year on the basis of annual business plans.

Amendments to IFRS 3 "Business Combinations" The most significant changes involve introduction of an option for the measurement of non-controlling interests (formerly known as minority interests). The non-controlling interest may be measured on the basis of the proportionate share of the acquiree's identifiable net assets (purchased goodwill method) or by using the full goodwill method, i.e. the method based on the entire goodwill in the acquiree including the portion attributable to the non-controlling interest. Other changes involve the requirement in the case of a business combination achieved in stages for an acquirer to remeasure its pre-existing equity interest in an acquired entity at the point at which control is acquired and recognize any resulting gain or loss in profit or loss, the requirement for contingent consideration to be measured at the acquisition date, and the requirement to recognize transaction costs in profit or loss. The transitional provisions require these amendments to be applied prospectively. The amendments did not affect assets and liabilities arising from business combinations prior to the initial application of the new standard. Since no business combinations occurred in the Group during the first quarter, application of the standard has had no effect on the interim consolidated financial statements to date.

Amendments to IAS 27 "Consolidated and Separate Financial Statements" The changes primarily relate to the accounting treatment of non-controlling interests (minority interests), to which entities will be required to attribute their full share of group losses in the future, and the accounting treatment of transactions in which an entity loses control of a subsidiary, any gain or loss from which must be recognized in profit or loss. However, any gains or losses from a disposal of equity interests that do not result in a loss of control must be recognized in other comprehensive income. The transitional provisions, which generally require retrospective application of amendments, call for prospective application of the aforementioned provisions. For this reason, assets and liabilities arising from such transactions prior to initial application of the new standard are not affected. Since none of the transactions specified occurred and no new losses were incurred among controlling interests in the first quarter of 2010, initial application of the standard did not affect the interim consolidated financial statements.

Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" The amendment resolves the issue of which sub-risks can be hedged with which instruments in hedge accounting and provides guidance on the designation of purchased options as a hedging instrument and the hedging of inflation risk. Since the DEUTZ Group does not currently hedge inflation risk or use options as hedging instruments, these changes did not impact the interim consolidated financial statements on initial application.

Amendment to IAS 32 "Financial Instruments: Presentation" The changes resolve the issue of the accounting treatment for certain subscription rights if the issued instruments are not denominated in the functional currency of the issuer. The changes did not affect the interim consolidated financial statements.

Amendment to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement" The changes require an entity to reassess whether an embedded derivative should be separated from its host contract if the entity intends to redesignate a structured contract classified as at fair value through profit or loss to another category. Since no such redesignations were carried out during the first quarter of 2010, initial application of the revised standard did not affect the interim consolidated financial statements.

IFRIC 15 "Agreements for the Construction of Real Estate" The interpretation provides guidance on how to determine whether an agreement for the construction or sale of real estate is within the scope of IAS 11 or IAS 18. Since this interpretation applies to the real estate industry, it had no impact on the DEUTZ Group.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" IFRIC 16 resolves a number of issues. These issues include how to designate risk arising from foreign currency exposure and the maximum amount that may be designated as a hedged risk. They also include clarification of which entity within a group may hold the hedging instrument and clarification of the accounting treatment in connection with the disposal of an investment in a foreign operation. The DEUTZ Group does not currently hedge any net investments in foreign operations. The interpretation therefore did not affect the interim consolidated financial statements on initial application.

IFRIC 17 "Distributions of Non-cash Assets to Owners" The interpretation governs the accounting treatment for distributions of non-cash assets to owners. Under IFRIC 17, an entity must measure a liability to distribute non-cash assets as a dividend at the fair value of the assets to be distributed; when the entity settles the dividend payable it must recognize the difference, if any, between the carrying amount of the dividend payable in profit or loss. Initial application of this interpretation did not affect the interim consolidated financial statements.

IFRIC 18 "Transfers of Assets from Customers" This interpretation includes guidance that clarifies the recognition and measurement of assets and that resolves revenue recognition issues in connection with the transfer of assets from customers. Since DEUTZ's operating activities do not currently include any transfers of this kind, initial application of this interpretation did not affect the interim consolidated financial statements.

Amendments to IFRS 2 "Share-based Payments" The changes clarify the accounting treatment of share-based payments settled in cash. Since these changes are not currently relevant to the DEUTZ Group, initial application of the revised standard did not affect the interim consolidated financial statements.

Improvements to International Financial Reporting Standards (2008) The changes are primarily intended to clarify certain provisions. Because the DEUTZ Group is only partially affected by these amendments, their initial application did not have a material impact on the consolidated interim financial statements. The clarification with respect to IFRS 8 to the effect that the total of cumulative assets for each reportable segment is not a minimum disclosure for segment reporting and that this disclosure only needs to be made if information on total segment assets is regularly included in internal reporting to the chief operating decision-maker in the entity did not affect the presentation of segment reporting because the DEUTZ Group already interpreted this provision accordingly in its initial application of IFRS 8.

Significant estimates and assumptions The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires making estimates and assumptions that have an impact on the recognition, measurement and reporting of assets and liabilities as well as the disclosure of contingent assets and liabilities at the reporting date and the reporting of income and expenses during the period under review.

Additional disclosures In addition to the information required by IFRS, the DEUTZ Group reports a figure for EBIT before one-off items, which it uses for internal purposes to gauge the profitability of its business. One-off items are defined as significant income generated or expenses incurred outside the scope of the Company's ordinary business activities.

Notes to the interim consolidated financial statements

1. Other operating income

€ million	1–3/2010	1–3/2009
Income from recharged costs and services	9.2	9.5
Exchange rate gains	1.5	3.5
Income from the measurement of commodities	0.2	0.1
Rentals and leases	0.1	0.2
Income from charged-off liabilities	–	1.4
Income from the reversal of provisions	–	0.9
Sundry other income	0.2	0.2
Total	**11.2**	**15.8**

2. Other operating expenses

€ million	1–3/2010	1–3/2009
Expenses for general services	9.5	9.8
Special selling expenses	3.8	4.5
Cost of fees, contributions and consultancy services	3.1	2.6
Cost of rentals and leases	2.4	3.0
Office, postal, telecommunications, advertising and other administrative expenses	1.8	2.3
Exchange rate losses	0.9	2.2
Temporary staff	0.8	1.1
Expenses in connection with the measurement of currency forwards	0.2	0.8
Sundry other expenses	5.6	0.3
Total	**28.1**	**26.6**

The increase in sundry other expenses resulted from expenses associated with the renegotiation of a funding facility, among other things.

3. Income taxes

€ million	**1–3/2010**	1–3/2009
Current tax expense	0.1	–0.2
Deferred taxes	3.8	2.0
Total	**3.9**	**1.8**

Tax expenses consist almost exclusively of expenses from deferred taxes. The increase resulted in particular from higher deferred tax liabilities due to the increase in capitalized development costs.

4. Other comprehensive income

Other comprehensive income comprises the elements of the statement of comprehensive income not reported in the income statement. The taxes resulting from other comprehensive income are shown in the following table:

	1–3/2010		
€ million	before taxes	taxes	after taxes
Currency translation differences	4.8	–	4.8
Effective portion of change in fair value from cash flow hedges	–1.9	0.6	–1.3
Change in fair value of available-for-sale financial assets	0.1	–	0.1
Other comprehensive income	**3.0**	**0.6**	**3.6**

	1–3/2009		
€ million	before taxes	taxes	after taxes
Currency translation differences	5.3	–	5.3
Effective portion of change in fair value from cash flow hedges	–9.1	2.9	–6.2
Change in fair value of available-for-sale financial assets	–0.1	–	–0.1
Other comprehensive income	**–3.9**	**2.9**	**–1.0**

5. Other provisions

€ million	**31/3/2010**	31/12/2009
Longterm	26.4	26.9
Shortterm	62.9	49.2
Total	**89.3**	**76.1**

The increase in other current provisions was due in particular to provisions recognized during 2009 for costs incurred.

Segment reporting

The following provides information on the segments of the DEUTZ Group in the first quarter of 2010 and 2009.

1–3/2010	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	183.1	53.3	–	236.4	–	236.4
Intersegment revenue	–	–	–	–	–	–
Total revenue	**183.1**	**53.3**	**–**	**236.4**	**–**	**236.4**
Operating profit (EBIT before one-off items)	–4.1	6.2	–1.4	0.7	–	0.7

1–3/2009	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
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

31/03/2010	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
Segment assets (Inventories/trade receivables)	202.9	96.1	–	299.0	–	299.0
Segment liabilities (Trade payables)	128.9	19.5	–	148.4	–	148.4
Working Capital	74.0	76.6	–	150.6	–	150.6

31/12/2009	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
Segment assets (Inventories/trade receivables)	152.3	87.5	–	239.8	–	239.8
Segment liabilities (Trade payables)	125.2	16.2	0.1	141.5	–	141.5
Working Capital	27.1	71.3	–0.1	98.3	–	98.3

Reconciliation from the total result for segments to the result of the DEUTZ Group

	1–3/2010	1–3/2009
€ million		
Total result for segments	**0.7**	**–19.9**
Reconciliation	–	–
Operating profit (EBIT before one-off items)	**0.7**	**–19.9**
One-off items	–1.7	–
EBIT	**–1.0**	**–19.9**
Financial result	–3.5	–1.7
Other taxes	–0.3	–0.3
Group result before taxes on continuing operations	**–4.8**	**–21.9**
Income taxes	–3.9	–1.8
Group result after taxes on continuing operations	**–8.7**	**–23.7**
Group result after taxes on discontinued operations	–	–0.2
Result of the DEUTZ Group	**–8.7**	**–23.9**

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) that 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 **Board of Management** and **other members of the management team.**

The following table shows the volume of material goods and services either provided for or received from entities in which the DEUTZ Group holds investments:

	Goods and services provided		Other expenses and services		Receivables		Liabilities	
	1-3/2010	1–3/2009	**1–3/2010**	1–3/2009	**31/3/2010**	31/12/2009	**31/3/2010**	31/12/2009
€ million								
Associates	–	–	–	–	–	0.4	–	–
Joint ventures	0.8	0.5	–	–	7.7	7.5	–	–
Other investments	0.1	–	1.0	0.9	0.2	0.1	5.5	4.6
Total	**0.9**	**0.5**	**1.0**	**0.9**	**7.9**	**8.0**	**5.5**	**4.6**

Impairment losses of €22.1 million (31 December 2009: €22.2 million) had been recognized on €25.4 million of the Company's receivables due from investments as of 31 March 2010 (31 December 2009: €25.2 million). Some of these receivables and liabilities resulted from loans. Taken together, neither the interest and similar income nor the interest expense and similar charges arising from the interest paid on these loans are material.

The following table gives a breakdown of the significant business relationships between the DEUTZ Group and its shareholders, including their subsidiaries:

	SAME DEUTZ-FAHR Group		Volvo Group	
	2010	2009	**2010**	2009
€ million				
Engines and spare parts supplied in the 1st quarter	11.9	15.4	67.4	41.7
Services in the 1st quarter	0.2	0.8	8.2	6.3
Receivables at 31 March/31 Dec.	8.5	2.3	50.1	43.8

Existing trade receivables from companies in the SAME DEUTZ-FAHR Group were replaced by a two- or three-month interest-bearing finance facility in 2009. The balance outstanding on this financial receivable came to €0.1 million as of 31 December 2009. DEUTZ has an agreement with the Volvo Group that grants Volvo companies extended credit periods in return for payment of a fee.

Events After The Balance Sheet Date (31 March 2010)

Suspension agreements were concluded between DEUTZ and its creditors for the period during which the extensive contract documents for the renegotiated funding facility provided by the US private placement are being prepared. The suspension agreements allow us to waive adherence to financial covenants and postpone the dates on which compliance with these covenants is checked. An agreement dated 23 April 2010 extended the existing standstill agreement until 31 May 2010. We are on schedule with processing the documentation. No further significant events occurred after the end of the first quarter.

Cologne, 5 May 2010

DEUTZ Aktiengesellschaft
The Board of Management

Dr Helmut Leube

Gino Mario Biondi

Dr Margarete Haase

Financial calendar

Date	Event	Location
5 August 2010	Interim report 1st Half-Year 2010 Conference call with Analysts und Investors	
10 November 2010	Interim report 1st to 3rd Quarter 2010 Conference call with Analysts und Investors	
5 May 2011	Annual General Meeting	Cologne

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