



Dear Shareholder,

we have completed the first quarter of 2002 with a substantial improvement in company profits of almost € 10 million and thus almost reached "break-even". This is all the more impressive when one realises that, as a result of economic factors, sales were in fact slightly below the corresponding figure of a year ago. The decisive point in the profit improvement is the increasing success of the DEUTZ Re-Launch/5-Point Programme. These results strengthen our conviction that we are on the right path.

This restructuring programme which we began to implement in 2001 already had a successful start in its first year with a profit improvement of € 19.7 million (plus 35 percent against the 2001 target of € 14.5 million). For 2002 we are expecting the Re-Launch programme to produce further profit improvements of € 35.0 million. In the first quarter of 2002 we have already achieved € 8.3 million of this even though the full impact is not expected until the second half of the year. We intend to follow this path unswervingly. Our costs trend is running in the right direction. The cost-run-rate improved from about 97.0 percent in the first quarter of 2001 to under 92 percent in the first quarter of this year.

The following figures will give an overview of the development of the business in the first quarter of 2002. For better comparability we have adjusted last year's figures to eliminate the Industrial Plant Business, which was sold off in the summer of 2001.

Development of the business. In the first quarter of 2002 the DEUTZ Group achieved sales of € 265.9 million, slightly lower as a result of the general economic situation than in the corresponding period a year earlier (€ 275.5 million). New orders declined to € 295.3 million (2001: € 332.5 million). The crucial factor here was anxiety in the energy markets following Enron's insolvency, which resulted in delay to the conclusion of a number of projects. On the other hand we were able to record an increasing level of new orders for small engines and in service.

In the segment of small engines (new equipment and service business) we achieved sales very close to the level of a year ago, € 190.0 million. Although sales of engines for mobile machinery continued to be affected by the weak state of the construction industry, we were successful with our small engines for agricultural and automotive applications where we achieved double-digit growth rates. We also achieved clear growth in service; sales of service on small engines rose by 8.6 percent to € 40.5 million.

In the segment of medium-sized and large engines sales came to € 75.9 million, compared with € 84.5 million in the corresponding period a year ago. The crucial factor here was the state of anxiety in the energy markets. On the other hand we made a better start than a year ago in the sales of medium-sized and large engines for marine applications, and were also able to increase sales of service on medium-sized and large engines by 13.2 percent to € 43.8 million.

Earnings. At € 7.4 million (2001: € 0.5 million) we have increased operating profits (EBIT) by a substantial € 6.9 million. On the one hand this reflects the success of the restructuring and the strict cost management, and on the other hand successful marketing work, especially in the service business, has also made its contribution.

DEUTZ Group earnings improved by € 9.8 million compared with the same period a year ago to a loss of € 1.8 million. In addition to the impact of operating profits net interest income improved by € 2.8 million, which also had a beneficial effect. This success was made possible by the continuation of the strict Asset Management Programme and lower interest rates on the market.

Investments / R&D. DEUTZ Group once again invested circumspectly in fixed and financial assets with a total of € 5.7 million (2001: € 6.4 million). We spent € 12.1 million in research activities compared with € 12.9 million a year earlier.

1st quarter Report 2002

- **substantial profit improvement**
- **DEUTZ Re-Launch/5-Point Programme continues to be successful**

Employees. As of 31st March 2002 the DEUTZ Group was employing 5,860 people (2001: 6,163), 4,561 of them in Germany and 1,299 abroad. Some 450 jobs in the so-called "overheads" area have already been eliminated since the start of the DEUTZ Re-Launch/5-Point Programme.

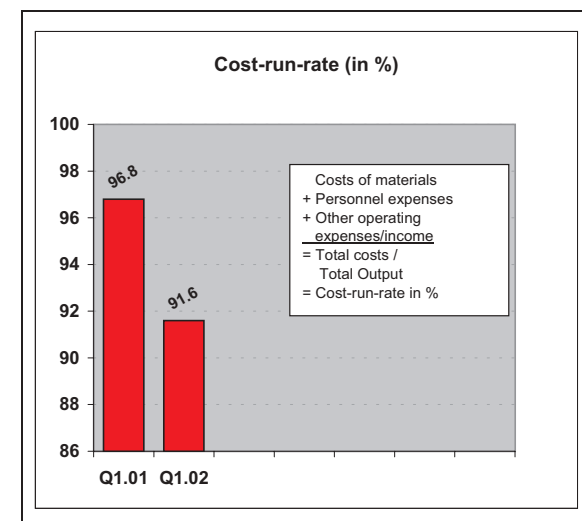
Prospects. Although we were able to record another increase in the rate at which new orders are coming in, particularly for new equipment in the small engines business and in service, in the first quarter 2002 when compared with the second half of 2001, we are still taking a cautious stance in our estimates of the overall economic recovery.

By further intensifying our DEUTZ Re-Launch/5-Point Programme, and by thus reducing our "break-even point", however, we have created the right conditions for being able to work profitably again even when the market situation is becoming more difficult. The reduction in numbers employed will continue. Provision was already made for the associated costs in the last financial year, so there will be no charge against profits in 2002. In view of the successes being achieved by the restructuring programme we are expecting to reach the "break even" point in 2002.

Cologne, May 2002
DEUTZ AG
The Management Board

DEUTZ Group : Overview		
	1-3/2002	1-3/2001
	€ Million	€ Million
Sales	265.9	275.5
New orders	295.3	332.5
Worldwide Unit sales	38,569	40,596
Numbers Employees (31 March)	5,860	6,163
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	23.3	17.6
Operating profit (EBIT)	7.4	0.5
Interest expense, net	-8.9	-11.7
Profit on ordinary activities	-1.5	-11.2
Quarterly loss	-1.8	-11.6

DEUTZ Group: Balance Sheet		
Assets	03-31-2002	12-31-2001
	€ Million	€ Million
Business expansion expenses	16.5	15.1
Intangible and tangible assets	473.6	484.6
Financial assets	36.5	36.2
Inventories (net)	283.6	271.4
Liquid assets	12.4	32.0
Other current assets	284.6	302.9
Total	1,107.2	1,142.2
Stockholders' equity and liabilities	03-31-2002	12-31-2001
	€ Million	€ Million
Stockholders' equity	91.2	93.0
Convertible profit-participation certificates	25.6	25.6
Provisions	482.6	488.4
Amounts owed to credit institutions	352.2	371.7
Other accounts payable	155.6	163.5
Total	1,107.2	1,142.2



DEUTZ Group: Profit and Loss Account		
	1-3/2002	1-3/2001
	€ Million	€ Million
Sales	265.9	275.5
Increase in finished goods and work in process/Own work capitalised	11.1	22.2
Total output	277.0	297.7
Cost of materials	-151.0	-165.2
Personnel expenses	-71.9	-78.1
Depreciation	-15.9	-11.3
Other operating expenses/income*	-30.8	-44.9
Interest expense, net	-8.9	-9.4
Profit on ordinary activities	-1.5	-11.2
Taxes	-0.3	-0.4
Quarterly loss	-1.8	-11.6

*) last year's figures include € 2.3 million interest expense and € 5.8 million amortisation from off-balance sheet financing (leasing).