One step ahead

Interim Report

1st to 3rd Quarter 2011

THE 1ST TO 3RD QUARTER 2011 AT A GLANCE

DEUTZ Group: Key figures

	7–9/2011	7–9/2010	1–9/2011	1–9/2010
€ million				
New orders	372.7	327.3	1,169.8	986.8
Unit sales (units)	61,310	40,493	168,508	116,058
Revenue	399.4	285.9	1,123.5	820.4
thereof excluding Germany (%)	79.1	80.3	80.7	81.3
EBITDA	41.3	17.9	118.2	58.2
EBIDTA (before one-off items)	41.3	27.8	118.2	72.3
EBIT	25.1	2.2	69.4	11.3
EBIT (before one-off items)	25.1	12.1	69.4	25.4
EBIT margin (%)	6.3	0.8	6.2	1.4
EBIT margin (before one-off items, %)	6.3	4.2	6.2	3.1
Net income	20.7	–13.1	54.6	–22.5
Earnings per share (€)	0.17	–0.11	0.45	–0.19
Total assets	1,118.2	1,127.1	1,118.2	1,127.1
Non-current assets	619.0	582.4	619.0	582.4
Equity	428.8	364.5	428.8	364.5
Equity ratio (%)	38.3	32.3	38.3	32.3
Cash flow from operating activities	34.2	21.5	64.4	2.9
Free cash flow - continuing operations[1]	2.1	–11.1	–23.4	–74.4
Net financial position[2]	–97.8	–82.8	–97.8	–82.8
Working capital[3]	175.3	180.7	175.3	180.7
Working capital as percentage of revenue (%)[4]	11.7	17.2	11.7	17.2
Capital expenditure (excluding capitalisation of R&D)	8.5	7.6	29.8	42.8
Depreciation and amortisation	16.2	15.7	48.8	46.9
Research and development	28.6	24.7	81.1	71.9
Employees (30 September)	4,275	3,877	4,275	3,877

[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
[4] Working Capital Ratio (as percentage at balance sheet date): Working Capital at balance sheet date divided by revenue in the past twelve months

DEUTZ Group: Segments

	7–9/2011	7–9/2010	1–9/2011	1–9/2010
€ million				
New orders				
DEUTZ Compact Engines	299.6	258.5	937.3	753.3
DEUTZ Customised Solutions	73.1	68.8	232.5	233.5
Total	**372.7**	**327.3**	**1,169.8**	**986.8**
Unit sales (units)				
DEUTZ Compact Engines	54,264.0	35,960.0	149,215	104,001
DEUTZ Customised Solutions	7,046.0	4,533.0	19,293	12,057
Total	**61,310**	**40,493**	**168,508**	**116,058**
Revenue				
DEUTZ Compact Engines	315.2	217.9	879.8	629.1
DEUTZ Customised Solutions	84.2	68.0	243.7	191.3
Total	**399.4**	**285.9**	**1,123.5**	**820.4**
EBIT (before one-off items)				
DEUTZ Compact Engines	15.2	2.6	36.4	3.9
DEUTZ Customised Solutions	11.4	11.4	34.8	28.7
Other	–1.5	–1.9	–1.8	–7.2
Total	**25.1**	**12.1**	**69.4**	**25.4**

FOREWORD

Dear Shareholders and Business Associates,

The global economic climate has become less favourable in the third quarter. Investors became concerned about the course of the economy primarily in response to the unresolved sovereign debt crisis in the euro zone, its impact on the financial markets, and weaker leading indicators. As a consequence, the capital markets saw an extreme degree of risk aversion and were characterized by flight to supposedly safe forms of investment – in many cases to an excessive degree. The real economy, however, proved astonishingly robust in this environment.

The same can be said of DEUTZ. Business performance at DEUTZ is very satisfactory, and demand for our engines is still high: new orders in the first nine months of 2011 rose by 18.5 per cent to €1,169.8 million compared with the corresponding period in 2010. In the third quarter of 2011, new orders amounted to €372.7 million (13.9 per cent higher than in the same quarter of 2010). Our revenue has increased by more than a third to €1,123.4 million in the year to date, while net income has climbed to €54.6 million after the negative figure we had reported in the same period in 2010 due to one-off expenses.

Unfortunately, DEUTZ's good fundamentals and the upward revision of our profit forecast in August have not had a positive effect on the price of your shares. The capital markets, and particularly cyclical stocks such as DEUTZ, were weighed down heavily by economic worries. On a positive note, DEUTZ shares joined Deutsche Börse's MDAX on 19 September 2011. More liquid trading and greater market awareness should benefit both the share price and you as shareholders. We regard the elevation to this important index as a recognition of what we have already achieved and as a source of motivation for the future.

Our product offensive has played a prominent role this year. All new engine series with a power output of more than 56kW for the IIIB emissions standard in the European Union and EPA Tier 4 Interim in the United States are currently in the production start-up phase or soon will be. All engines with a power output of less than 56kW, which will not be affected by the new emissions standard until 2013, are scheduled for launch on the market next year. The completely redesigned TCD 2.9 L4 and TCD 3.6 L4 engine series for industrial and agricultural applications have been particularly well received by customers. Thanks to a peak output of 90kW and high torque, the compact TCD 3.6 L4 can stand up against considerably larger engines from our competitors, enabling DEUTZ to tap into new growth areas.

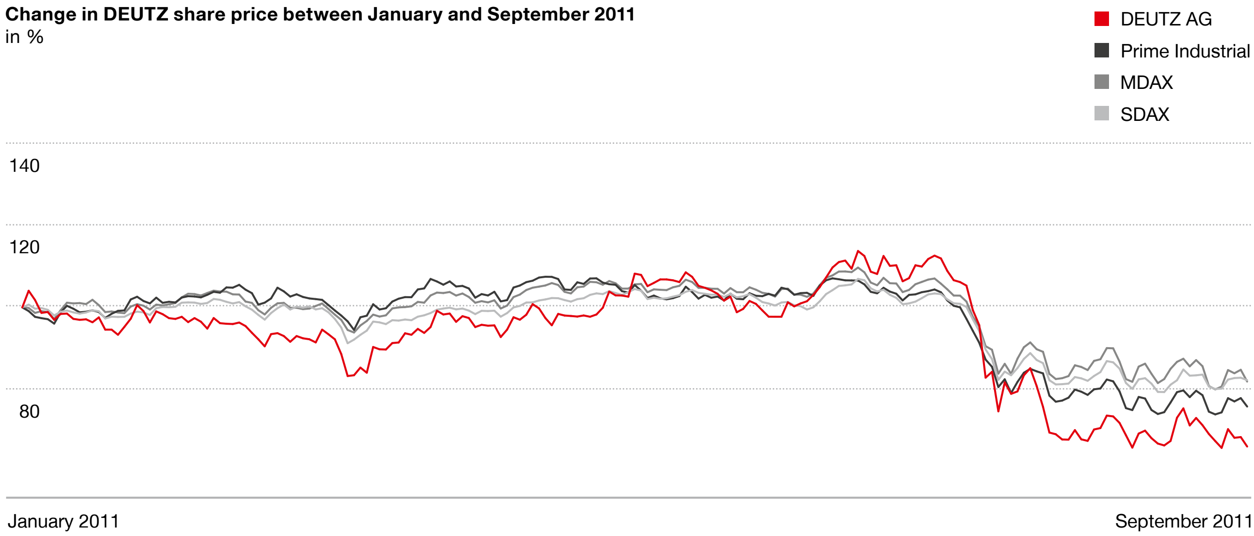
We are firmly focused on the challenges ahead and are looking to the future with optimism: we remain confident that we will fully meet our targets this year. All forecasts for 2012 are subject to significant uncertainty in the current situation. Taking into account the deterioration in economic conditions that many people expect, our realistic view is that the sales markets will stagnate next year. We do not think a recession scenario is very likely, however. Nevertheless, should a recession materialise, we would be well prepared. Since the last economic crisis we have massively reduced our fixed costs and significantly improved our efficiency. Even in the case of a significant decline in business we would remain profitable. In the medium term we continue to see good prospects for profitable growth, especially in the emerging markets, thanks to our new, very competitive and high-value products as well as further intensification of our service business.

Kind regards from Cologne

Dr Helmut Leube
Chairman of the Board of Management

DEUTZ SHARES

Change in DEUTZ share price between January and September 2011
in %



DEUTZ shares caught up in general economic worries Heightened economic concerns combined with the extreme nervousness of the capital markets led to a significant adjustment in the capital markets in the third quarter of 2011. The DAX had reached 5,502 points by 30 September 2011, equating to a decrease of 25.4 per cent compared with 30 June 2011. The benchmark indices relevant to DEUTZ, the SDAX and MDAX, as well as the Prime Industrial also fell during this period. While the SDAX declined by 20.4 per cent to 4,311 points at the end of the quarter, the MDAX fell by 23.4 per cent to 8,341 points. The Prime Industrial, which includes major German industrial companies, shrank by as much as 29.0 per cent to 2,588 points.

Despite favourable fundamentals – on 4 August we even raised our forecast for 2011 – DEUTZ shares, which are cyclical stocks, came under severe pressure in this market environment and were not able to escape the general downward trend. They closed at €4.18 on 30 September 2011, 38.6 per cent down on the closing price of €6.81 at the end of the second quarter. The shares had reached their highest point of the year so far early on in the third quarter – attaining €7.22 on 7 July 2011. However, the price, like the indices, slumped at the start of August and reached its lowest point of the year of €4.16 on 26 September 2011.

The number of shares remains unchanged at 120,861,783. Accordingly, market capitalisation as at 30 September 2011 amounted to €505.2 million (31 December 2010: €755.4 million).

DEUTZ shares have been listed on Deutsche Börse's MDAX index since 19 September 2011, enabling our shareholders to benefit from more liquid trading and greater market awareness of the shares. At the same time, we further intensified our investor relations activities. We attended eleven investor conferences and roadshows in Germany, the United Kingdom, France and the United States and also met personally with numerous analysts, institutional investors and private investors.

Thirteen banks and securities houses currently watch DEUTZ shares: Bankhaus Lampe, Berenberg Bank, BHF-Bank, Commerzbank, Deutsche Bank, DZ Bank, Goldman Sachs, HSBC Trinkaus & Burkhardt, Solventis Wertpapierhandelsbank, UBS, Unicredit, Viscardi and WestLB. The predominant recommendation is to buy or hold our shares.

Key figures for DEUTZ shares

	1–9/2011	1–9/2010
Number of shares (30 September)	120,861,783	120,861,783
Average number of shares	120,861,783	120,861,783
Share price as at 30 September	4.18	5.39
Share price high (€)	7.22	5.39
Share price low (€)	4.16	3.15
Market capitalisation as at 30 September (€ million)	505.2	651.4
Earnings per share (€)	0.45	–0.19

Based on Xetra closing prices

INTERIM MANAGEMENT REPORT OF THE DEUTZ GROUP 1ST TO 3RD QUARTER 2011

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

ECONOMIC ENVIRONMENT

Economic risks felt globally[1] The global economic climate has become less favourable and growth slowed down in the third quarter. Financial and capital markets were hit hard by the unresolved sovereign debt crisis in the euro zone. High unemployment and low house prices are suppressing consumer confidence in the United States, where the high government deficit remains problematic. Combined with a number of weaker leading indicators, this triggered economic concerns and recessionary fears and also led to an extreme degree of risk aversion in the capital markets.

The International Monetary Fund (IMF) is estimating worldwide growth of 4.0 per cent for 2011 as a whole. Deutsche Bank anticipates a global rate of growth for the current year of 3.7 per cent and has lowered its forecasts over the course of the year; it expects growth of 1.5 per cent in the euro zone, albeit with strong regional variances. The pace of growth has also slowed down in the United States, where moderate growth of 1.8 per cent is now estimated for 2011. In China, an increasingly important international market for DEUTZ, the state has taken steps against overheating of the economy, in particular a credit squeeze. Despite this, the country is still expected to achieve growth of 9.0 per cent in 2011.

Having been Europe's economic powerhouse in recent times, Germany is now also facing a significant slowdown of its economy. Although German economic growth is likely to pick up again in the third quarter, the longer term outlook has now sharply deteriorated. Growth of 2.8 per cent is forecast for 2011 as a whole.

Engineering continues on growth trajectory[2] The slowdown of economic growth has not negatively affected the engineering sector so far. Orders in the German engineering sector continued to rise in August 2011. The level of new orders received in the first eight months of 2011 was up 22.0 per cent on the corresponding figure for 2010. This trend was driven equally by domestic and international demand, which had a positive impact on capacity utilisation in production. The level of capacity utilisation in engineering climbed to 89.9 per cent in July 2011.

NEW ORDERS

Orders remain at high level We received orders with a total value of €1,169.8 million in the first nine months of 2011, an 18.5 per cent rise from the corresponding period in the previous year (Q1–Q3 2010: €986.8 million). All application segments recorded a year-on-year increase, led by Mobile Machinery with a 27.6 per cent gain and Agricultural Machinery with 26.7 per cent growth. Orders on hand for services also continued to grow at a healthy rate of 12.7 per cent. The Stationary Equipment and Automotive application segments grew by 10.1 per cent and 6.9 per cent, respectively.

Looking at the third quarter of 2011 alone, the volume of new orders came to €372.7 million, an improvement of 13.9 per cent on the strong third quarter of 2010 (€327.3 million). Compared with the second quarter of 2011, new orders fell slightly, by 4.1 per cent – a high level despite the holiday months of July and August.

The DEUTZ Group can therefore continue to report plenty of orders on its books. As at 30 September 2011, our orders on hand were €326.9 million, 2.0 per cent higher than on the same date a year earlier (€320.6 million). Compared with the previous quarter, however, this figure had declined by 6.5 per cent (30 June 2011: €349.8 million).

UNIT SALES

Engine sales up around a half Our unit sales again rose at a healthy rate in the third quarter of 2011. We sold 168,508 engines in the first nine months of the year, 45.2 per cent more than in the same period of the previous year (Q1–Q3 2010: 116,058 engines). Third-quarter unit sales were up by 51.4 per cent year on year (Q3 2010: 40,493 engines). The positive trend for the year continued, with unit sales increasing by 4.3 per cent to 61,310 engines between the second and third quarters (Q2 2011: 58,782 engines).

Unit sales in the individual regions for the first nine months of 2011 can be broken down as follows: The sharpest rise was in the Americas region, where we sold 25,975 engines – a climb of 62.2 per cent (Q1–Q3 2010: 16,013 engines). We sold 8,219 engines in the Asia-Pacific region, 44.2 per cent more than in the previous year (Q1–Q3 2010: 5,698 engines). In the Europe, Middle East and Africa (EMEA) region, our largest market, unit sales rose 42.4 per cent year on year to 134,314 engines (Q1–Q3 2010: 94,347 engines). Unit sales in the German market were particularly strong, increasing 63.2 per cent to 36,641 engines (Q1–Q3 2010: 22,446 engines).

[1] Sources: Deutsche Bank Economic Research Bureau Frankfurt, 20 October 2011; IMF World Economic Outlook, September 2011
[2] Source: VDMA Konjunkturbulletin of October 2011

RESULTS OF OPERATIONS

REVENUE

DEUTZ Group: Revenue by region
€ million (2010 figures)

■	**897.7**	(673.6)	Europe/Middle East/Africa
■	**133.0**	(88.4)	Americas
■	**92.8**	(58.4)	Asia/Pacific
	1,123.5	(820.4)	Total

Revenue rises by more than a third Strong demand enabled us to boost our revenue significantly. The figure for the first nine months of 2011 amounted to €1,123.5 million, representing a year-on-year increase of 36.9 per cent (Q1–Q3 2010: €820.4 million). Revenue rose by more than half in both the Asia-Pacific region (up 58.9 per cent) and the Americas (up 50.5 per cent). However, revenue growth in the EMEA region was also buoyant at 33.3 per cent. The EMEA region generated revenue of €399.4 million in the third quarter of 2011, 39.7 per cent more than it had a year earlier (Q3 2010: €285.9 million) and 2.9 per cent more than it had in the previous quarter (Q2 2011: €388.1 million).

DEUTZ Group: Revenue by application segment
€ million (2010 figures)

■	**379.2**	(253.9)	Mobile Machinery
■	**184.1**	(160.5)	Service
■	**171.6**	(124.8)	Stationary Equipment
■	**171.1**	(112.4)	Agricultural Machinery
■	**159.2**	(139.5)	Automotive
■	**58.3**	(29.3)	Miscellaneous
	1,123.5	(820.4)	Total

Revenue climbed sharply in all application segments. The gains were particularly significant in the Agricultural Machinery (up 52.2 per cent), Mobile Machinery (up 49.4 per cent) and Stationary Equipment (up 37.5 per cent) application segments. Service business brought in 14.7 per cent more revenue year on year. The higher growth in unit sales compared to revenue is attributable in particular to the sharper rise in sales of engines with a smaller capacity in the DEUTZ Customised Solutions segment.

EBIT

Operating profit remains very strong In the third quarter of 2011 we again achieved a very encouraging operating profit (EBIT before one-off items) of €25.1 million. EBIT before one-off items in the first nine months increased by €44.0 million to €69.4 million (Q1–Q3 2010: €25.4 million). Since we had a number of one-off items in 2010, but none in the current year, we have almost tripled our earnings compared to the same period in the prior year. The EBIT margin (before one-off items) in the first three quarters was 6.2 per cent. Aside from the high revenue growth, this positive trend was due in particular to our far leaner organisational structure resulting from the measures successfully taken to reduce fixed costs.

As a percentage of total output, the cost of materials went up by 1.7 percentage points to 64.1 per cent year on year. This trend was attributable, above all, to the increase in services bought in from third parties in order to meet the strong rise in production and the production start-up of our engines for the IIIB exhaust emissions standard in the European Union and the corresponding US standard, EPA Tier 4 Interim.

Compared with the corresponding period of 2010, staff costs in the first nine months of 2011 increased by €23.2 million or 12.4 per cent to €210.8 million as a consequence of headcount growth, above all in production and assembly units. The staff costs ratio (staff costs as a percentage of total output) declined to 17.8 per cent – an improvement of 3.9 percentage points (Q1–Q3 2010: 21.7 per cent) – due to the larger volume of business.

Other operating income and other operating expenses both declined year on year, by €31.6 million and €13.4 million respectively. The overriding factor in this trend was the absence of income and expenses from the marking to market of derivatives used to hedge currency risk and interest-rate risk. The US private placement issued in US dollars had been paid back early, in December 2010. For a more detailed explanation of other operating income and expenses, please refer to the information on page 16 in the notes to the interim consolidated financial statements.

The loss on equity-accounted investments amounted to €0.2 million in the first nine months of 2011. This corresponds to an improvement of €2.2 million compared to the corresponding period of 2010. Budgeted start-up losses at Bosch Emission Systems GmbH & Co. KG, our joint venture with Robert Bosch GmbH and Eberspächer GmbH & Co. KG in the area of exhaust aftertreatment, were offset by increased contributions to profits from our engine joint ventures.

Net interest expense improved €8.9 million to €9.8 million in the first nine months of 2011 (Q1–Q3 2010: €18.7 million). This trend is largely attributable to the changes made to our funding structure at the end of 2010 and the consequent sharp fall in finance costs.

Income taxes declined from €13.9 million in the first nine months of 2010 to €3.8 million in the period under review. The main reason for this was the higher deferred income from tax resulting from the recognition of deferred tax assets on loss carryforwards.

Our net income went up by €77.1 million to €54.6 million (Q1–Q3 2010: loss of €22.5 million), resulting in earnings per share of €0.45 (Q1–Q3 2010: loss of €0.19).

BUSINESS PERFORMANCE IN THE SEGMENTS

BUSINESS PERFORMANCE DEUTZ COMPACT ENGINES (DCE)

	7–9/2011	7–9/2010	1–9/2011	1–9/2010
€ million				
New orders	299.6	258.5	937.3	753.3
Unit sales (units)	54,264	35,960	149,215	104,001
Revenue	315.2	217.9	879.8	629.1
EBIT	15.2	2.6	36.4	3.9

Volume of new orders remains encouraging The DEUTZ Compact Engines (DCE) segment received new orders totalling €937.3 million in the first nine months of 2011, a 24.4 per cent rise from the corresponding period in 2010. New orders in the third quarter alone came to €299.6 million, representing a year-on-year gain of 15.9 per cent. The volume of new orders received in the second quarter of 2011 had amounted to €312.6 million, 4.2 per cent more than in the third quarter. As at 30 September of this year, orders on hand were €237.2 million, up 2.5 per cent from 30 September 2010.

Unit sales rise sharply The DCE segment sold 149,215 engines in the first nine months of 2011, 43.5 per cent more than in the corresponding period of 2010. Unit sales in the Americas increased particularly sharply at 52.4 per cent. The EMEA and Asia-Pacific regions each boosted their unit sales by around 42 per cent. We sold 54,264 engines in the third quarter of 2011, 50.9 per cent more than in the corresponding quarter of 2010.

DCE's revenue increases significantly The segment's revenue went up almost as sharply as its unit sales: at €879.8 million it was 39.9 per cent higher than in the corresponding period of 2010. Both the Mobile Machinery and Agricultural Machinery application segments boosted their revenue by more than half. The regional breakdown shows that revenue in Asia-Pacific soared by 81.1 per cent. However, the EMEA region made the highest contribution to revenue with €742.4 million, a gain of 37.1 per cent. In the third quarter, we generated 44.7 per cent more revenue than in the third quarter of 2010 and 3.5 per cent more than in the second quarter of 2011.

DEUTZ Compact Engines: Revenue by application segment
€ million (2010 figures)

334.4	(218.4)	Mobile Machinery
165.9	(108.9)	Agricultural Machinery
129.0	(116.7)	Automotive
117.0	(84.6)	Stationary Equipment
100.3	(85.4)	Service
33.2	(15.1)	Miscellaneous
879.8	(629.1)	Total

DCE sees strong profit growth The sharp rise in the volume of business and, in particular, the sustained improvements to profitability were reflected in the DCE segment's operating profit (EBIT before one-off items). In the first nine months of 2011, EBIT before one-off items increased by a considerable €32.5 million year on year to €36.4 million (Q1–Q3 2010: €3.9 million). The positive results reported by our engine joint ventures are playing an increasingly important role in this success.

BUSINESS PERFORMANCE
DEUTZ CUSTOMISED SOLUTIONS (DCS)

	7–9/2011	7–9/2010	1–9/2011	1–9/2010
€ million				
New orders	73.1	68.8	232.5	233.5
Unit sales (units)	7,046	4,533	19,293	12,057
Revenue	84.2	68.0	243.7	191.3
EBIT	11.4	11.4	34.8	28.7

New orders stay at 2010 level New orders taken in the DEUTZ Customised Solutions (DCS) segment totalled €232.5 million in the first three quarters of 2011, which was roughly the same as in the corresponding period of last year. However, the volume of orders in the third quarter of 2011 increased by 6.3 per cent year on year to €73.1 million. New orders received in the second quarter of 2011 had amounted to €76.0 million, 3.8 per cent more than in the third quarter. As at 30 September 2011, orders on hand stood at €89.7 million, a slight increase of 0.7 per cent on the figure reported a year earlier.

Unit sales rise significantly Between January and September, the DCS segment sold 19,293 engines, representing a year-on-year gain of 60.0 per cent. All regions reported considerable increases in unit sales, above all the Americas, which saw its unit sales double compared to the first nine months of 2010. Third-quarter unit sales totalled 7,046 engines, 55.4 per cent more than in the third quarter of 2010 and 8.3 per cent more than in the second quarter of this year.

DEUTZ Customised Solutions: revenue by application segment
€ million (2010 figures)

83.8	(75.1)	Service
54.6	(40.2)	Stationary Equipment
44.8	(35.5)	Mobile Machinery
30.2	(22.8)	Automotive
25.1	(14.2)	Miscellaneous
5.2	(3.5)	Agricultural Machinery
243.7	(191.3)	Total

Revenue climbs again Revenue in the DCS segment totalled 243.7 million in the first nine months of 2011; this equates to an increase of 27.4 per cent compared with the corresponding period of 2010. Among the regions, revenue growth was particularly strong in the Americas at 60.3 per cent. Revenue in the third quarter came to €84.2 million, up 23.8 per cent year on year. The lower increase in revenue compared to that of unit sales is attributable to the effects of the business mix, as sales of small and medium-sized engines grew at a disproportionately high rate compared to the larger engines with a capacity of 12 to 16 litres.

EBIT continues to increase In the Customised Solutions segment we were able to build on the encouraging operating profit achieved in the first nine months of 2010, increasing it by €6.1 million to €34.8 million.

FINANCIAL POSITION

FUNDING

We were able to replace the existing US private placement funding with a secured syndicated bank loan at the end of 2010. The syndicate comprises nine German banks and, besides a guarantee facility and sufficient lines for derivatives transactions with which we can hedge interest-rate risk, currency risk and commodities risk, it is providing us with a working capital facility of €265 million – thereby securing the financial basis for our planned growth, including in the medium term. The lines will expire on 31 December 2014 and will be successively reduced in accordance with our medium-term liquidity planning.

The loan is available to us in the form of a revolving facility, which enables us to draw it down to suit the Company's requirements. The lines are floating-rate. We carry out interest-rate hedging to avoid interest-rate risks. As part of the contractual agreements, DEUTZ is obliged to comply with certain financial covenants.

CASH FLOW

Our cash flow from operating activities increased significantly, by €61.5 million, to €64.4 million in the first nine months of 2011 (Q1–Q3 2010: €2.9 million). This improvement was due to the sharp rise in operating profit and continued stringent management of working capital.

As had been the case in the first two quarters of 2011, the net cash inflow was primarily used for investment in development related to the upcoming exhaust emissions standards. Overall, cash flow from investing activities in the first nine months of 2011 amounted to minus €78.9 million (Q1–Q3 2010: minus €63.4 million).

Cash flow from financing activities stood at €0.1 million in the first three quarters of 2011. The net cash outflow of €17.7 million in the corresponding period of 2010 had therefore turned into a small net cash inflow. This change was mainly a result of the revolving working capital facility being drawn down as well as lower interest expense.

Since we were able to finance capital expenditure largely using cash flows from operating activities, holdings of cash and cash equivalents declined only slightly, by €14.4 million, compared with 31 December 2010. The net financial position[1] as at 30 September 2011 came to minus €97.8 million (31 December 2010: minus €73.6 million). Our debt was therefore significantly lower than budgeted, despite the far higher volume of business.

Free cash flow[2] from continuing operations, which is an indicator of the Company's financial strength, amounted to minus €23.4 million in the period under review – a considerable improvement on the minus €74.4 million reported for the first nine months of 2010.

NET ASSETS

Our encouraging business performance in the first nine months of this year caused our total assets to increase by €76.5 million to €1,118.2 million as at 30 September 2011 (31 December 2010: €1,041.7 million).

Non-current assets Non-current assets had grown by €25.5 million to €633.4 million as at 30 September 2011 (31 December 2010: €607.9 million). The rise in depreciation and amortisation resulted in particular from our continued high level of capital investment in the development of new engines and refinement of existing ones.

Current assets Current assets amounted to €484.4 million as at 30 September 2011. This equated to an increase of €51.1 million compared with current assets as at 31 December 2010 (€433.3 million).

Working capital (inventories plus trade receivables minus trade payables) had risen by 55.7 per cent to €175.3 million as at 30 September 2011 (31 December 2010: €112.6 million). This growth essentially reflected general business trends: inventories were increased by €57.9 million to €215.5 million (31 December 2010: €157.6 million) in line with the much higher level of orders on hand. Nevertheless, stringent management of working capital enabled us to continue to maintain trade receivables and trade payables at a constant level, which meant that the working capital ratio improved by 5.5 percentage points to 11.7 per cent as at the balance sheet date (30 September 2010: 17.2 per cent). As at 30 September 2011, the average working capital ratio was 10.5 per cent, an improvement of 3.8 percentage points.

Our investing activities caused cash and cash equivalents to decline.

Unrecognised intangible DEUTZ assets In addition to the assets recognised on the balance sheet, DEUTZ has further assets that are not recognised: the DEUTZ brand is synonymous with highly sophisticated technology, quality and reliability. The Company has been a firmly established player in the equipment manufacturing and operating industry for over 140 years. DEUTZ also enjoys valuable long-standing relationships with customers; it has entered into long-term cooperation agreements, particularly with its key customers.

Equity ratio rises considerably Our highly encouraging net income in the first nine months of this year resulted in a significant increase in equity of €54.5 million. As at 30 September 2011, our equity amounted to €428.8 million (31 December 2010: €374.3 million), resulting in an equity ratio of 38.3 per cent (31 December 2010: 35.9 per cent).

Current and non-current liabilities Current and non-current liabilities went up by €13.0 million and €9.0 million respectively compared with 31 December 2010 and therefore stood at €350.0 million and €339.4 million respectively as at 30 September 2011 (31 December 2010: €337.0 million and €330.4 million). Whereas the increase in current liabilities was a consequence of the sustained high volume of business, non-current liabilities rose because we had drawn down more of the revolving working capital facility in the form of euro-denominated loans.

EVENTS AFTER THE BALANCE SHEET DATE

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

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

RESEARCH AND DEVELOPMENT

Development costs slightly higher than Q1–Q3 2010 level Research and development expenditure came to €81.1 million in the first nine months of 2011, an increase of 12.8 per cent compared to the corresponding period last year (Q1–Q3 2010: €71.9 million). R&D activities are dominated by our current product offensive: all new engine series with a power output of more than 56kW for the IIIB emissions standard in the European Union and Tier 4 Interim in the United States are currently in the production start-up phase or soon will be. All engines with a power output of less than 56kW, to which the new emissions standard EPA Tier 4 will not apply until 2013, are scheduled for launch on the market next year. The completely redesigned TCD 2.9 L4 and TCD 3.6 L4 engine series for industrial and agricultural applications have been particularly well received by customers. Thanks to a peak output of 90kW and high torque, the compact TCD 3.6 L4 can stand up against considerably larger engines from our competitors, enabling DEUTZ to tap into new growth areas.

Consequently, 89.8 per cent (€72.8 million) of development expenditure between January and September 2011 went on the development of new engines and the refinement of existing models – 4.9 percentage points or €11.8 million more than in the first nine months of 2010. Expenditure on support for existing engine series accounted for 7.8 per cent (€6.3 million) of our total budget, while fundamental research and preliminary development accounted for 2.4 per cent (€2.0 million).

Of the total R&D budget, we spent €70.4 million on DEUTZ Compact Engines (Q1–Q3 2010: €64.4 million) and €10.7 million on DEUTZ Customised Solutions (Q1–Q3 2010: €7.5 million). The budgeted increase in both segments was essentially attributable to the upcoming market launches.

The ratio of development expenditure to the DEUTZ Group's revenue fell from 8.8 per cent (Q1–Q3 2010) to 7.2 per cent (Q1–Q3 2011) due to the sharp rise in revenue.

EMPLOYEES

Headcount increased flexibly for expansion of production In view of the encouraging demand and high capacity utilisation in production, DEUTZ has hired new employees this year. The DEUTZ Group employed 4,275 people as at 30 September 2011. This was 398 people, or 10.3 per cent, more than on the same date a year earlier. We hired 22 new employees in the third quarter. As at 30 September 2011, we also employed 626 temporary workers, an increase of 365 compared with 30 September 2010. The expansion of our personnel capacities was therefore disproportionately low in comparison to revenue growth. By offering fixed-term contracts and employing temporary workers, DEUTZ can respond flexibly to any fluctuations in a market environment currently characterised by uncertainty. Around 24 per cent of all staff at DEUTZ had fixed-term or temporary contracts as at 30 September 2011.

DEUTZ employed 3,317 people in Germany as at the balance sheet date, 6.6 per cent more than it had a year earlier. We increased headcount by 5.4 per cent to 2,551 employees in Cologne, our largest site; the number of employees in Ulm grew by 14.0 per cent to 472 people. Outside Germany, the number of employees rose by 25.4 per cent to 958 people. There was a particularly significant increase at the DEUTZ Diter production site in Spain, where headcount was expanded by 35.9 per cent to 663 employees due to growth. As at the balance sheet date, 77.6 per cent of employees worked in Germany (30 September 2010: 80.3 per cent) and 22.4 per cent in other countries (30 September 2010: 19.7 per cent).

In September, 46 new apprentices, including five women, embarked on their training at DEUTZ AG. The Company offers apprenticeships in six different technical and engineering occupations. DEUTZ AG currently employs 163 apprentices in Germany.

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. Pages 45 to 49 of our 2010 annual report describe certain material risks for our financial position and financial performance and explain the structure of our risk management system. During the first nine months of 2011, we did not identify other material risks beyond those described in that report. We would also refer you to the outlook section 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), 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 20 of the notes to the interim consolidated financial statements.

OUTLOOK

The global economic climate has become less favourable. Although the real economy remains very robust at the moment, a number of leading indicators and the unresolved problems in the financial markets point to weaker growth.

Economic experts have lowered their growth forecasts over the course of the year and now predict global growth of 3.7 per cent this year and 3.6 per cent in 2012. Growth in the euro zone is anticipated to be particularly weak in 2012, with the forecast now standing at just 0.4 per cent. Germany's growth is also expected to slow down to 1.0 per cent. The growth forecast for the coming year in the United States is 2.3 per cent. The emerging markets remain the drivers of growth. Growth in China is expected to remain very high at 8.3 per cent, although this would be lower than it has been in recent years.

In view of our high level of orders on hand, feedback from our customers and the encouraging business performance in the first nine months, we nevertheless remain very confident that we will fully reach our 2011 forecast, which we raised in August: we continue to expect unit sales of more than 225,000 engines, revenue of over €1.5 billion and an operating profit of around €90 million (EBIT).

Any forecast for 2012 is subject to considerable uncertainty in the current situation. With regard to the deterioration in economic conditions that many people expect, our realistic view is that the markets will stagnate next year. We do not think a recession scenario is very likely, however. Nevertheless, should a recession materialise, we would be well prepared. Since the last economic crisis we have massively reduced our fixed costs and significantly improved our efficiency. Even in the case of a significant decline in business we would remain profitable.

In the medium term we continue to see good prospects for profitable growth, especially in the emerging markets, thanks to our new, very competitive products as well as further strengthening of our service business. We will also continue to take rigorous steps to boost our profitability and efficiency.

INTERIM FINANCIAL STATEMENTS OF THE DEUTZ GROUP 1ST TO 3RD QUARTER 2011

INCOME STATEMENT FOR THE DEUTZ GROUP

	Note	**7–9/2011**	7–9/2010	**1–9/2011**	1–9/2010
€ million					
Revenue		**399.4**	**285.9**	**1.123.5**	**820.4**
Change in inventories and other own work capitalised		10.2	16.4	59.0	44.1
Other operating income	1	5.1	14.6	24.8	56.4
Cost of materials		–264.2	–185.6	–758.3	–539.6
Staff costs		–69.8	–61.0	–210.8	–187.6
Depreciation and amortisation		–16.2	–15.7	–48.8	–46.9
Other operating expenses	2	–38.3	–50.5	–119.8	–133.2
Net income from equity-accounted investments		–1.1	–1.9	–0.2	–2.4
Other investment income		–	–	–	0.1
EBIT		**25.1**	**2.2**	**69.4**	**11.3**
thereof one-off items		**–**	**–9.9**	**–**	**–14.1**
thereof operating profit (EBIT before one-off items)		**25.1**	**12.1**	**69.4**	**25.4**
Interest expenses, net		–3.1	–9.4	–9.8	–18.7
thereof finance costs		–3.2	–11.9	–10.2	–27.3
Other taxes		–0.4	–0.4	–1.2	–1.2
Net income before taxes		**21.6**	**–7.6**	**58.4**	**–8.6**
Income taxes	3	–0.9	–5.5	–3.8	–13.9
Net income		**20.7**	**–13.1**	**54.6**	**–22.5**
thereof attributable to owners of the parent		20.7	–13.1	54.6	–22.5
thereof attributable to non-controlling interests		–	–	–	–
Earnings per share (€)		**0.17**	**–0.11**	**0.45**	**–0.19**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

	Note	7–9/2011	7–9/2010	1–9/2011	1–9/2010
€ million					
Net income		**20.7**	**–13.1**	**54.6**	**–22.5**
Currency translation differences		5.3	–6.7	0.7	7.6
Effective portion of change in fair value from cash flow hedges		–1.2	–0.1	–0.7	0.1
Change in fair value of available-for-sale financial assets		–0.2	0.1	–0.1	0.1
Other comprehensive income, net of tax	4	**3.9**	**–6.7**	**–0.1**	**7.8**
Comprehensive income		**24.6**	**–19.8**	**54.5**	**–14.7**
thereof attributable to owners of the parent		24.6	–19.8	54.5	–14.7
thereof attributable to non-controlling interests		–	–	–	–

BALANCE SHEET FOR THE DEUTZ GROUP

ASSETS	Note	**30/09/2011**	31/12/2010
€ million			
Property, plant and equipment	5	310.1	320.5
Intangible assets	5	225.4	185.6
Equity-accounted investments		70.7	69.7
Other financial assets		12.8	15.7
Non-current assets (before deferred tax assets)		619.0	591.5
Deferred tax assets		14.4	16.4
Non-current assets		**633.4**	**607.9**
Inventories	6	215.5	157.6
Trade receivables		153.2	160.1
Other receivables and assets		62.1	47.7
Cash and cash equivalents		53.6	67.9
Current assets		**484.4**	**433.3**
Non-current assets held for sale		0.4	0.5
Total assets		**1,118.2**	**1,041.7**

EQUITY AND LIABILITIES	Note	**30/09/2011**	31/12/2010
Issued capital		309.0	309.0
Additional paid-in capital		28.8	28.8
Other reserves		5.3	5.4
Retained earnings		79.1	79.1
Accumulated income		6.6	-48.0
Equity attributable to owners of the parent		428.8	374.3
Equity		**428.8**	**374.3**
Provisions for pensions and other post-retirement benefits		149.4	154.7
Other provisions	7	32.6	29.8
Financial liabilities	8	148.9	138.5
Other liabilities		8.5	7.4
Non-current liabilities		**339.4**	**330.4**
Provisions for pensions and other post-retirement benefits		15.9	15.9
Provision for current income taxes		4.2	4.0
Other provisions	7	66.2	42.7
Financial liabilities	8	2.5	3.0
Trade payables		193.4	205.1
Other liabilities		67.8	66.3
Current liabilities		**350.0**	**337.0**
Total equity and liabilities		**1,118.2**	**1,041.7**

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. 2010	**309.0**	**28.8**	**79.1**	**–0.1**	**–5.5**	**–32.1**	**379.2**	**–**	**379.2**
Comprehensive income				0.2	7.6	–22.5	–14.7	–	–14.7
Balance at 30 Sep. 2010	**309.0**	**28.8**	**79.1**	**0.1**	**2.1**	**–54.6**	**364.5**	**–**	**364.5**
Balance at 1 Jan. 2011	**309.0**	**28.8**	**79.1**	**0.1**	**5.3**	**–48.0**	**374.3**	**–**	**374.3**
Comprehensive income				–0.8	0.7	54.6	54.5	–	54.5
Balance at 30 Sep. 2011	**309.0**	**28.8**	**79.1**	**–0.7**	**6.0**	**6.6**	**428.8**	**–**	**428.8**

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

	Note	1–9/2011	1–9/2010
€ million			
EBIT		**69.4**	**11.3**
Interest income		0.3	0.9
Other taxes paid		–1.2	–1.2
Income taxes paid		–1.3	–3.2
Depreciation and amortisation		48.8	46.9
Gain/loss on disposals of fixed assets		–0.1	0.4
Net result from equity-accounted investments		0.2	2.4
Other non-cash expenses/income		1.5	–2.0
Change in working capital		–60.3	–75.5
Change in inventories		–58.2	–51.6
Change in trade receivables		7.0	–45.6
Change in trade payables		–9.1	21.7
Change in other receivables and other current assets		–19.9	–13.2
Change in provisions and other liabilities (excluding financial liabilities)		27.0	36.1
Cash flow from operating activities		**64.4**	**2.9**
Capital expenditure on intangible assets, property, plant and equipment		–74.2	–55.8
Capital expenditure on investments		–5.1	–4.5
Proceeds from the sale of non-current assets		0.4	0.1
Cash flow from investing activities – continuing operations		**–78.9**	**–60.2**
Cash flow from investing activities – discontinued operations		0.0	–3.2
Cash flow from investing activities – total		**–78.9**	**–63.4**
Interest expenses		–8.9	–17.1
Cash receipts from borrowings		20.0	0.6
Repayments of loans	8	–11.0	–1.2
Cash flow from financing activities		**0.1**	**–17.7**
Cash flow from operating activities		64.4	2.9
Cash flow from investing activities		–78.9	–63.4
Cash flow from financing activities		0.1	–17.7
Change in cash and cash equivalents		**–14.4**	**–78.2**
Change in cash and cash equivalents at 1 January		**67.9**	**214.7**
Change in cash and cash equivalents		–14.4	–78.2
Change in cash and cash equivalents related to exchange rates		0.1	0.1
Change in cash and cash equivalents at 30 September		**53.6**	**136.6**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS OF THE DEUTZ GROUP 1ST–3RD QUARTER 2011

BASIC PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The DEUTZ Group's condensed interim consolidated financial statements prepared for the parent company DEUTZ AG for the period ended 30 September 2011 are based on uniform accounting policies. The interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and the relevant interpretations of the International Accounting Standards Board (IASB) regarding interim financial reporting (IAS 34) as adopted by the European Union. Consequently, these interim consolidated 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 2010 financial year.

The condensed interim consolidated financial statements for the period ended 30 September 2011 – 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 30 September 2011 have not been reviewed by an auditor.

SIGNIFICANT ACCOUNTING POLICIES

With the exception of the new IFRSs 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 2010. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2010. If they are material, revenue-related and cyclical items are deferred during the year on the basis of annual business plans.

IAS 24 (revised) "Related Party Disclosures" The revision simplifies the reporting obligations of entities in which governments have an equity interest. The definition of a related party has also been revised. Apart from enhancements, the revision primarily comprises changes to make the standard clearer and more understandable. The initial application of this revised standard therefore did not have any impact on the disclosures on related parties in the interim consolidated financial statements.

Amendment to IAS 32 "Financial Instruments: Presentation" The changes in this revision 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. This amendment did not impact on the interim consolidated financial statements.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" Under the amended IFRIC 14, if there is a minimum funding requirement for a defined benefit plan, the prepayment must now be treated as an asset. Because the DEUTZ Group is not affected by this amendment, its initial application did not have any impact on the interim consolidated financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" The interpretation introduces the rule that equity instruments issued to lenders to extinguish all or part of a financial liability must be considered as 'consideration paid' and the borrower must therefore derecognise all or part of the financial liability accordingly. Other provisions in the interpretation comprise rules on the measurement of these equity instruments and on the derecognition of the liability. The interpretation did not affect the interim consolidated financial statements on initial application.

Collective standard amending various IFRSs (2010) The amendments, which come into effect for financial years beginning on or after 1 January 2011, are primarily intended to clarify certain unclear provisions in the standards. Because the DEUTZ Group is only partially affected by these amendments, their initial application did not have a material impact on the interim consolidated financial statements.

Changes in basis of consolidation On 27 January 2011, DEUTZ AG made a capital contribution of €0.1 million to the newly established company DEUTZ (Beijing) Engine Co., Ltd., which has its registered office in China. The company was established as a distribution company for the DEUTZ Group in the Chinese market. DEUTZ AG holds 100 per cent of voting shares in the company. It was accounted for under the acquisition method. Since the first quarter, the Chinese joint venture WEIFANG WEICHAI DEUTZ DIESEL ENGINE CO. LTD. has been accounted for in the consolidated financial statements using the equity method due to reasons of materiality.

Significant estimates and assumptions The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires estimates and assumptions to be made that have an impact on the recognition, measurement and reporting of assets and liabilities, the disclosure of contingent assets and liabilities as at 30 September 2011 and on the reporting of income and expenses in the reporting period. We would also refer you to the relevant information in the notes to our consolidated financial statements for the 2010 financial year.

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 as defined by DEUTZ.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. OTHER OPERATING INCOME

The reduction in other operating income in the first nine months of 2011 was largely attributable to the early repayment of the US private placement in December 2010, part of which was issued in US dollars. As a result of this, the cross-currency swaps used to hedge the currency risk and interest-rate risk were also ended. In the first nine months of 2010, unrealised profits of €16.1 million from the marking to market of these derivatives had been reported. These profits had been offset by unrealised losses of €13.1 million reported under other operating expenses. The one-off income in 2010 from the reversal of part of the provision recognised in 2009 for personnel restructuring also accounted for a significant part of the year-on-year decline (Q1–Q3 2010: €7.3 million).

2. OTHER OPERATING EXPENSES

Other operating expenses declined by €13.4 million year on year. The key factor in this trend was the early repayment of the US private placement at the end of 2010. Other operating expenses in the first nine months of 2010 had included losses from the marking to market of cross-currency swaps as well as costs in connection with funding. In contrast, expenses for temporary workers increased due to the sharp rise in demand for our products.

3. INCOME TAXES

	7–9/2011	7–9/2010	**1–9/2011**	1–9/2010
€ million				
Current tax expense	0.8	0.2	1.5	0.7
Deferred tax expense	0.1	5.3	2.3	13.2
Total	**0.9**	**5.5**	**3.8**	**13.9**

The reduction in deferred tax expenses compared to the first nine months of 2010 was essentially due to higher deferred income from tax resulting from the recognition of deferred tax assets on loss carryforwards.

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 also shown in the following table:

	7–9/2011		
€ million	before taxes	taxes	after taxes
Currency translation differences	5.3	–	5.3
Effective portion of change in fair value from cash flow hedges	–1.8	0.6	–1.2
Change in fair value of available-for-sale financial instruments	–0.2	–	–0.2
Other comprehensive income	**3.3**	**0.6**	**3.9**

	7–9/2010		
€ million	before taxes	taxes	after taxes
Currency translation differences	–6.7	–	–6.7
Effective portion of change in fair value from cash flow hedges	–0.2	0.1	–0.1
Change in fair value of available-for-sale financial instruments	0.1	–	0.1
Other comprehensive income	**–6.8**	**0.1**	**–6.7**

€ million	1–9/2011 before taxes	taxes	after taxes
Currency translation differences	0.7	–	0.7
Effective portion of change in fair value from cash flow hedges	–1.1	0.4	–0.7
Change in fair value of available-for-sale financial instruments	–0.1	–	–0.1
Other comprehensive income	**–0.5**	**0.4**	**–0.1**

€ million	1–9/2010 before taxes	taxes	after taxes
Currency translation differences	7.6	–	7.6
Effective portion of change in fair value from cash flow hedges	0.1	–	0.1
Change in fair value of available-for-sale financial instruments	0.1	–	0.1
Other comprehensive income	**7.8**	**–**	**7.8**

In the first nine months of 2011, a profit of €1.3 million before taxes (Q1–Q3 2010: loss of €1.6 million) related to cash flow hedges in foreign currency was reclassified to the income statement.

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets had increased by €29.4 million on the figure reported as at 31 December 2010. With depreciation and amortisation of €48.8 million, the key factor in the increase was, in particular, capital expenditure of €52.1 million (after investment grants) on intangible assets due to the high development expenditure for the upcoming exhaust emissions standards. Capital expenditure (after investment grants) on property, plant and equipment amounted to €23.3 million.

The carrying amounts of property, plant and equipment pledged as collateral for financial liabilities amounted to €250.1 million as at 30 September 2011 (31 December 2010: €256.9 million). The loan collateralisation comprises prior charges on DEUTZ AG's real estate and the pledging as collateral of property, plant and equipment of the Group.

Commitments to purchase property, plant and equipment and intangible assets amounted to €50.0 million as at 30 September 2011 (31 December 2010: €31.1 million).

6. INVENTORIES

In line with the continued increase in orders on hand, inventories grew by €57.9 million to €215.5 million compared with 31 December 2010. This rise applied to work in progress, finished goods and raw materials & consumables, although the lion's share was accounted for by raw materials & consumables.

The carrying amounts of inventories pledged as collateral for financial liabilities amounted to €185.3 million as at 30 September 2011 (31 December 2010: €135.5 million). The loan collateralisation comprises the pledging as collateral of inventories of the Group.

Commitments to purchase inventories as at 30 September 2011 came to €118.0 million (31 December 2010: €64.8 million).

7. OTHER PROVISIONS

€ million	**30/09/2011**	31/12/2010
Non-current	32.6	29.8
Current	66.2	42.7
Total	**98.8**	**72.5**

The rise in other provisions is mainly attributable to accruals, in particular for staff costs.

8. FINANCIAL LIABILITIES

€ million	**30/09/2011**	31/12/2010
Non-current	148.9	138.5
Current	2.5	3.0
Total	**151.4**	**141.5**

Financial liabilities rose predominantly because we had drawn down more of the revolving working capital facility in the form of euro-denominated loans.

9. FINANCIAL INSTRUMENTS

The DEUTZ Group began using interest-rate swaps to hedge interest-rate risk in the first quarter of 2011. As at 30 September 2011, these derivatives, which are classified as held for trading, had a market value of minus €1.1 million and were recognised accordingly in the income statement.

NOTES ON SEGMENT REPORTING

Information about the segments of the DEUTZ Group for the third quarter and first nine months of 2011 and of 2010 is shown in the following table:

7–9/2011	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	315.2	84.2	–	399.4	–	399.4
Intersegment revenue	–	–	–	–	–	–
Total revenue	**315.2**	**84.2**	**–**	**399.4**	**–**	**399.4**
Operating profit (EBIT before one-off items)	15.2	11.4	–1.5	25.1	–	25.1

7–9/2010	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	217,9	68,0	–	285,9	–	285,9
Intersegment revenue	–	–	–	–	–	–
Total revenue	**217,9**	**68,0**	**–**	**285,9**	**–**	**285,9**
Operating profit (EBIT before one-off items)	2,6	11,4	–1,9	12,1	–	12,1

1–9/2011	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	879.8	243.7	–	1,123.5	–	1,123.5
Intersegment revenue	–	–	–	–	–	–
Total revenue	**879.8**	**243.7**	**–**	**1,123.5**	**–**	**1,123.5**
Operating profit (EBIT before one-off items)	36.4	34.8	–1.8	69.4	–	69.4

1–9/2010	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	629.1	191.3	–	820.4	–	820.4
Intersegment revenue	–	–	–	–	–	–
Total revenue	**629.1**	**191.3**	**–**	**820.4**	**–**	**820.4**
Operating profit (EBIT before one-off items)	3.9	28.7	–7.2	25.4	–	25.4

30/09/2011	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
Segment assets (Inventories/trade receivables)	265.2	103.5	–	368.7	–	368.7
Segment liabilities (Trade payables)	170.6	22.8	–	193.4	–	193.4
Working capital	**94.6**	**80.7**	**–**	**175.3**	**–**	**175.3**

31/12/2010	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
Segment assets (Inventories/trade receivables)	228.6	89.1	–	317.7	–	317.7
Segment liabilities (Trade payables)	181.0	24.1	–	205.1	–	205.1
Working capital	**47.6**	**65.0**	**–**	**112.6**	**–**	**112.6**

Reconciliation from overall profit of the segments to net income

	7–9/2011	7–9/2010	**1–9/2011**	1–9/2010
€ million				
Overall profit of the segments	**25.1**	**12.1**	**69.4**	**25.4**
Reconciliation	–	–	–	–
Operating profit (EBIT before one-off items)	**25.1**	**12.1**	**69.4**	**25.4**
One-off items	–	–9.9	–	–14.1
EBIT	**25.1**	**2.2**	**69.4**	**11.3**
Interest expenses, net	–3.1	–9.4	–9.8	–18.7
Other taxes	–0.4	–0.4	–1.2	–1.2
Net income before income taxes	**21.6**	**–7.6**	**58.4**	**–8.6**
Income taxes	–0.9	–5.5	–3.8	–13.9
Net income	**20.7**	**–13.1**	**54.6**	**–22.5**

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 entities in which it holds significant investments 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. They 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 incurred in connection with services received		Goods and services provided		Other expenses incurred in connection with services received	
	7–9/2011	7–9/2010	**7–9/2011**	7–9/2010	**1–9/2011**	1–9/2010	**1–9/2011**	1–9/2010
€ million								
Associates	–	–	–	–	–	–	–	–
Joint ventures	8.9	3.0	3.7	–	23.9	3.8	5.3	–
Other investments	0.1	0.1	1.0	1.8	0.3	0.2	3.0	2.8
Total	**9.0**	**3.1**	**4.7**	**1.8**	**24.2**	**4.0**	**8.3**	**2.8**

	Receivables		Liabilities	
	30/09/2011	31/12/2010	**30/09/2011**	31/12/2010
€ million				
Associates	–	1.1	–	–
Joint ventures	19.8	3.7	8.0	13.1
Other investments	0.7	0.1	6.2	4.8
Total	**20.5**	**4.9**	**14.2**	**17.9**

The increase in goods supplied and services rendered to joint ventures as well as in receivables due from joint ventures is mainly due to the stepping up of business relations with our joint venture DEUTZ (Dalian) Engine Co. Ltd. as a result of its strong business performance.

Liabilities to joint ventures of €8.0 million predominantly contain capital contributions of originally €18 million. Impairment losses of €23.0 million (31 December 2010: €23.3 million) had been recognised on €28.1 million of the Company's receivables due from investments as at 30 September 2011 (31 December 2010: €27.1 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	
	2011	2010	**2011**	2010
€ million				
Engines and spare parts supplied in the third quarter	40.3	13.3	64.5	77.2
Services in the third quarter	0.3	0.4	5.6	–
Engines and spare parts supplied in the first nine months	75.0	44.4	263.3	232.4
Services in the first nine months	2.4	1.1	18.1	11.5
Receivables as at 30 Sep/31 Dec	14.1	17.9	46.9	56.1

EVENTS AFTER THE BALANCE SHEET DATE (30 SEPTEMBER 2011)

No material events occurred after 30 September 2011.

Cologne, 3 November 2011

DEUTZ Aktiengesellschaft
The Board of Management

Dr Helmut Leube	Dr Margarete Haase

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 net assets, financial position and results of operations of the Group, and the interim management report presents a true and fair view 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, 3 November 2011

DEUTZ Aktiengesellschaft
The Board of Management

Dr Helmut Leube

Dr Margarete Haase

FINANCIAL CALENDAR

Date	Event	Location
15 March 2012	Annual results press conference Publication Annual Report 2011	Cologne
16 March 2012	Analyst’s meeting	Frankfurt/Main
26 April 2012	Annual General Meeting	Cologne
10 May 2012	Interim Report 1st quarter 2012 Conference call with analysts and investors	
9 August 2012	Interim Report 1st half-year 2012 Conference call with analysts and investors	
8 November 2012	Interim Report 1st to 3rd quarter 2012 Conference call with analysts and investors	

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