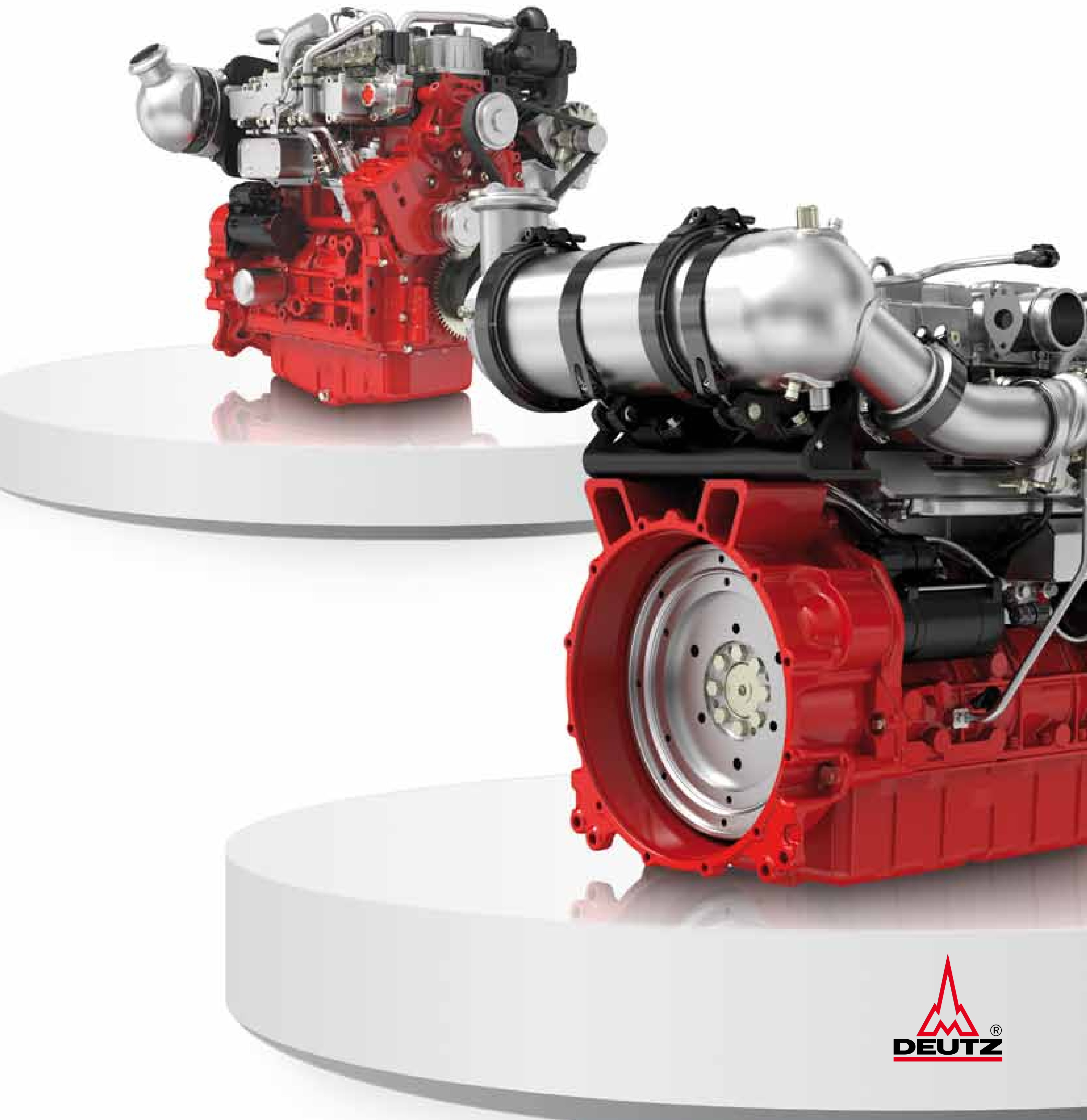
POWERING SUCCESS

Interim report

First half of 2012



THE FIRST HALF YEAR AT A GLANCE

DEUTZ Group: Key figures

	4–6/2012	4–6/2011	1–6/2012	1–6/2011
€ million				
New orders	311.0	388.6	701.0	797.1
Unit sales (units)	47,392	58,782	93,853	107,198
Revenue	344.1	388.1	681.0	724.1
thereof excluding Germany (%)	80.4	81.2	82.9	81.6
EBITDA	30.6	42.6	58.3	76.9
EBIT	11.3	26.1	21.6	44.3
EBIT margin (%)	3.3	6.7	3.2	6.1
Net income	5.8	20.2	12.1	33.9
Earnings per share (€)	0.05	0.17	0.10	0.28
Total assets	1,110.3	1,077.8	1,110.3	1,077.8
Non-current assets	633.1	605.2	633.1	605.2
Equity	467.9	404.2	467.9	404.2
Equity ratio (%)	42.1	37.5	42.1	37.5
Cash flow from operating activities	33.3	39.6	16.8	30.0
Free cash flow[1]	6.9	12.0	–48.4	–25.5
Net financial position[2]	–118.1	–99.1	–118.1	–99.1
Working capital[3]	207.3	172.6	207.3	172.6
Working capital as percentage of revenue (%)	14.0	12.5	14.0	12.5
Capital expenditure (excluding capitalisation of R&D)	14.5	11.3	28.9	21.3
Depreciation and amortisation	19.3	16.5	36.7	32.6
Research and development	20.9	27.3	46.8	52.5
Employees (30 June)	4,042	4,253	4,042	4,253

[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

	4–6/2012	4–6/2011	1–6/2012	1–6/2011
€ million				
New orders				
DEUTZ Compact Engines	252.3	312.6	548.8	637.7
DEUTZ Customised Solutions	58.7	76.0	152.2	159.4
Total	**311.0**	**388.6**	**701.0**	**797.1**
Unit sales (units)				
DEUTZ Compact Engines	43,032	52,279	84,611	94,951
DEUTZ Customised Solutions	4,360	6,503	9,242	12,247
Total	**47,392**	**58,782**	**93,853**	**107,198**
Revenue				
DEUTZ Compact Engines	271.8	304.6	534.8	564.6
DEUTZ Customised Solutions	72.3	83.5	146.2	159.5
Total	**344.1**	**388.1**	**681.0**	**724.1**
EBIT (before one-off items)				
DEUTZ Compact Engines	0.1	14.5	–0.9	21.2
DEUTZ Customised Solutions	15.2	11.5	27.4	23.4
Other	–4.0	0.1	–4.9	–0.3
Total	**11.3**	**26.1**	**21.6**	**44.3**

FOREWORD

Dear Shareholders and Business Associates,

The current slowdown in the global economy that prompted international economic research institutes to cut their forecasts has also affected DEUTZ AG's business performance. In the second quarter of 2012 we therefore failed to maintain the strong start we made to the new year.

In recent months, market uncertainty about the European sovereign debt crisis and continued weak economic growth in China have cut demand for our products. As a result, revenue was down, falling by 6.0 per cent to €681.0 million on a year-on-year basis and the volume of new orders, €701.0 million, was 12.1 per cent lower than in the corresponding period in 2011. Operating profit (EBIT) virtually halved in the first half of the year, falling to €21.6 million, largely as a result of the decline in our volume of business and lower contributions to earnings by our joint ventures. In the second quarter of 2012, EBIT was also adversely affected by the replacement of our previous funding facility (reduction of approximately €2 million) and a one-off impairment loss plus increased start-up costs at our joint venture Bosch Emission Systems GmbH & Co. KG (around €3 million).

Based on the downturn in demand and the fact that new orders remained lower than expected in July, we will not be able to meet the forecasts for 2012 that we previously announced. We now anticipate our revenue to be in the range of €1.3 billion to €1.4 billion and the EBIT margin to be between 3.0 per cent and 4.0 per cent.

Strategically, however, other key milestones have been reached, including truck and construction equipment manufacturer AB Volvo's plan to significantly expand its co-operation with DEUTZ. In early April, we signed a memorandum of understanding with Volvo agreeing that we would jointly examine the opportunities for expanding our long-term alliance. The focal points will be the establishment of a production company for medium-duty engines in China – with DEUTZ as the majority shareholder – and the joint development of a new generation of medium-duty industrial engines that meet Tier 5 standards. In mid-June, Volvo also announced that it was to acquire more than 22 million DEUTZ shares from our previous major shareholder, SAME DEUTZ-FAHR. This would make Volvo our Company's biggest shareholder with a shareholding of 25 per cent plus one share. Nevertheless, we will continue to maintain the successful alliance and strategic partnership with SAME DEUTZ-FAHR.

In the second quarter we launched the TCD 3.6 as part of our ongoing successful product offensive, which the introduction of the TCD 2.9 will complete by the end of the year. For this, we have put in place a flexible and expandable modular assembly concept in Cologne that will serve as a 'pilot factory' for our international production network. We have also prepared our logistics organisation for further internationalisation.

This puts us in an excellent position to make progress in new customer segments, particularly in the agricultural machinery sector and in Asia. In the mid- to long-term, we believe that Asia and above all China will continue to be a key growth market for our products. The steps taken by the Chinese government to stimulate growth may lead to improved economic conditions in China towards the end of the year. We have prepared for this by strengthening our sales team in Beijing and by securing new sales and service partners in the region. Nevertheless, we have still introduced measures to cut costs and boost efficiency at our Chinese joint venture DEUTZ (Dalian) Engine Co., Ltd. We are setting up new service units in Madrid and Moscow to achieve our ambitious targets for the expansion of the service business.

The fact that we have concluded a new, long-term funding facility demonstrates that the capital markets have great confidence in us. In July we were able to replace the previous facility with a syndicated loan. A syndicate of German banks has provided us with a €160.0 million working capital facility and we have also taken up a low-interest loan for €90.0 million from the European Investment Bank. This means that we have secured funding for our projects and for further growth over the long term. Interest expenses will therefore continue to fall in the next few years and, at the same time, our range of options has expanded significantly.

We are confident that DEUTZ is well positioned for the future and will continue to grow profitably in the medium to long term.

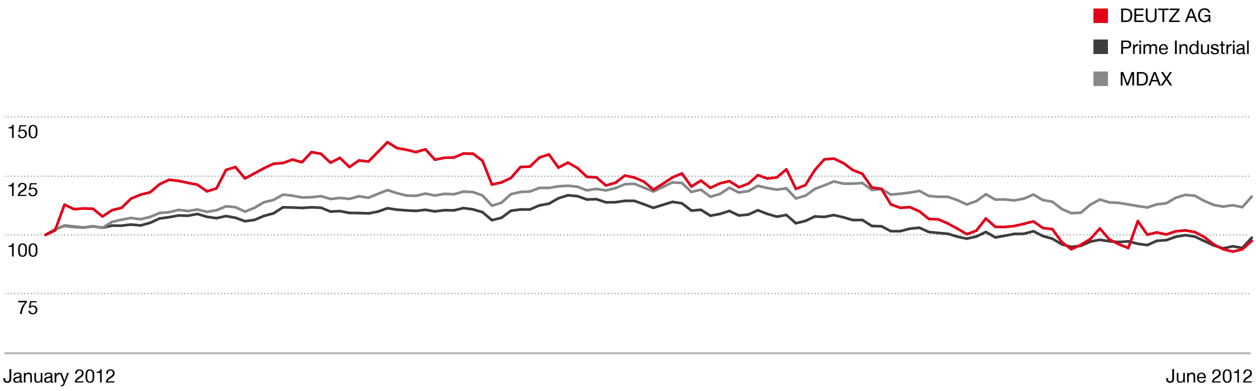
Kind regards from Cologne

Dr Helmut Leube Dr Margarete Haase

DEUTZ SHARES

Price performance of DEUTZ share

in %



DEUTZ shares slip in the second quarter The uncertainties regarding future global economic growth have also had an impact on the capital markets. After a strong start to the year, the DAX fell in the second quarter and closed at 6,416.28 points at the end of June. This represented a rise of 8.8 per cent compared with its closing price at the end of 2011, but it was a fall of 7.6 per cent on the end of the first quarter. The MDAX and Prime Industrial indices – the benchmarks relevant to DEUTZ – varied in their performance. While the MDAX (on which DEUTZ shares have been listed since 19 September 2011) was up by 16.3 per cent compared with the year-end and closed at 10,343.71 points, the Prime Industrial (the key index of German industrial companies) fell by 1.2 per cent to close at 2,749.46.

In this environment, DEUTZ shares – regarded as a cyclical stock – also failed to maintain the healthy performance they achieved in the first quarter. They closed at €4.01 on 29 June 2012, slightly below their 2011 year-end closing price of €4.11. After starting the new year well and closing at €5.00 at the end of the first quarter of 2012, the shares fell back again in the weeks that followed. On 20 February 2012, the share price peaked at €5.72, its highest point in the year so far, but then fell to €3.82 on 4 June 2012, its lowest point in the reporting period.

The number of shares remains unchanged at 120,861,783. Market capitalisation at the end of the first half of 2012 therefore stood at €484.7 million (31 December 2011: €496.7 million). In June 2012, the truck and construction equipment manufacturer AB Volvo announced that it intended to acquire more than 22 million DEUTZ shares from SAME DEUTZ-FAHR, previously our major shareholder. Subject to approval by the antitrust authority, Volvo's shareholding will be 25 per cent plus one share while SAME DEUTZ-FAHR will hold around 8.4 per cent of our shares. This will make Volvo the biggest shareholder in DEUTZ, although SAME DEUTZ-FAHR will remain a key partner for our Company. The proportion of free float shares is currently 66.6 per cent, which is held by a broadly diversified range of private and institutional shareholders both in Germany and abroad.

In the second quarter of 2012, the number of banks and securities houses that monitor DEUTZ shares rose to the following 13: Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, Goldman Sachs, HSBC Trinkaus & Burkhardt, Kepler Capital Markets, Metzler, National-Bank, Solventis Wertpapierhandelsbank, UBS and Viscardi Securities.

Further information on this subject and all other topics can be found on our website at www.deutz.com under Investor Relations.

Key figures for DEUTZ shares

	1–6/2012	1–6/2011
Number of shares (30 June)	120,861,783	120,861,783
Average number of shares	120,861,783	120,861,783
Share price as at 30 June (€)	4.01	6.81
Share price high (€)	5.72	6.89
Share price low (€)	3.82	5.28
Market capitalisation as at 30 June (€ million)	484.7	823.1
Earnings per share (€)	0.10	0.28

Based on Xetra closing prices

INTERIM MANAGEMENT REPORT OF THE DEUTZ GROUP FOR THE FIRST HALF OF 2012

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

ECONOMIC ENVIRONMENT

Renewed downturn in global economy[1] After a better than expected performance in the first quarter, the global economy has slowed down markedly again in recent months. Contributing factors were the ongoing sovereign debt crisis in Europe and the unresolved problems in the euro zone. The slowdown in economic activity in some major emerging markets was also sharper than expected. Based on this, the International Monetary Fund (IMF) has cut its forecasts, stating that political action would be needed in both the euro zone and the emerging markets for even the revised figures to be achieved.

The IMF is predicting global economic growth of 3.5 per cent for the year as a whole. The euro-zone economy, rocked by a renewed escalation in the sovereign debt crisis, is expected to contract by 0.3 per cent. The German economy is forecast to grow by 1.0 per cent, the strongest rate in the euro zone. In July, the ifo Institute of Economic Research business climate index fell for the third consecutive month to a level of 103.3 points, 6.5 points lower than it was three months previously.[2]

So far, the USA's performance has been worse than forecast; its economy is expected to grow by just 2.0 per cent over the year as a whole. Even the forecast for China was revised down, from 8.2 per cent to 8.0 per cent. The pace of growth in China has also slowed, not only as the result of faltering economic activity in other countries but also due to a fall in domestic demand.

Engineering hit by general uncertainty[3] New orders in the German engineering sector recovered slightly in May 2012 following a weak month in April. Overall, however, the volume of new orders received in the first five months of this year was 6 per cent down on the strong figure achieved last year. Orders from the euro zone remained particularly weak. Nevertheless, capacity utilisation in the German engineering sector rose to 88.0 per cent in April 2012, which was attributable to buoyant production in the first quarter.

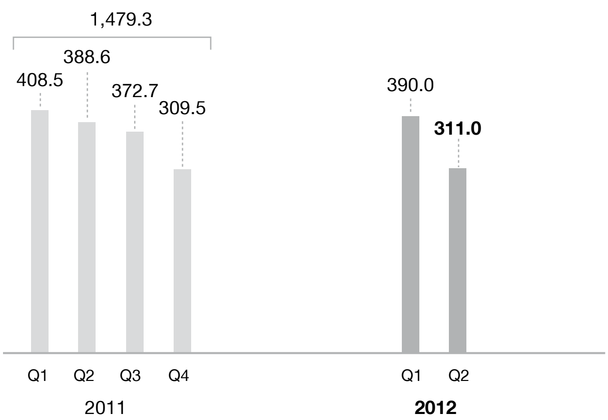
NEW ORDERS

Orders down on strong previous year In the first half of 2012, DEUTZ AG received orders worth €701.0 million, which was 12.1 per cent lower than in the first half of 2011 (€797.1 million). Last year's high level was due to customers having placed their orders early owing to the economic situation and our good capacity utilisation in production. The service business achieved an encouraging increase of 2.8 per cent, but contracts for new engines and orders for components received from joint ventures were down. Incoming orders in the second quarter of 2012 totalled €311.0 million, which was below the previous quarter (Q2 2011: €388.6 million, Q1 2012: €390.0 million).

Orders on hand at 30 June 2012 amounted to €249.6 million, a year-on-year decline of 28.6 per cent (30 June 2011: €349.8 million). At the end of the first quarter of 2012, orders on hand amounted to €280.5 million.

DEUTZ Group: New orders by quarter[1)]

€ million



1) These and subsequent quarterly figures are based on published quarterly financial statements and have not been audited.

1) Source: IMF World Economic Outlook Update, July 2012
2) ifo Institute of Economic Research, Business Climate Germany, July 2012
3) Source: Konjunkturbulletin of the German Engineering Federation (VDMA), July 2012

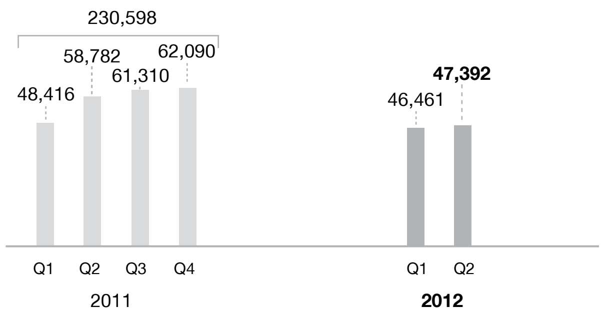
UNIT SALES

Downturn in engine sales DEUTZ sold 93,853 engines in the first six months of the current year, which was 12.4 per cent fewer than in the first half of 2011 (H1 2011: 107,198 engines). However, there was still a tendency for higher value engines to be sold, which is reflected in our revenue figures. Unit sales in the second quarter of 2012 were ahead of the previous quarter, having risen from 46,461 to 47,392 engines.

Different trends were observed in different regions, with unit sales in the Americas rising by 16.7 per cent to 19,368 engines, while fewer engines were sold in the EMEA (Europe, Middle East and Africa) and Asia/Pacific regions where unit sales were down on the first half of 2011 by 18.2 per cent and 11.4 per cent respectively.

DEUTZ Group: Unit sales by quarter

units

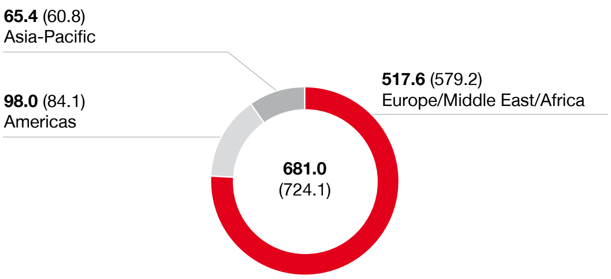


RESULTS OF OPERATIONS

REVENUE

DEUTZ Group: Revenue by regions

€ million (2011 figures)

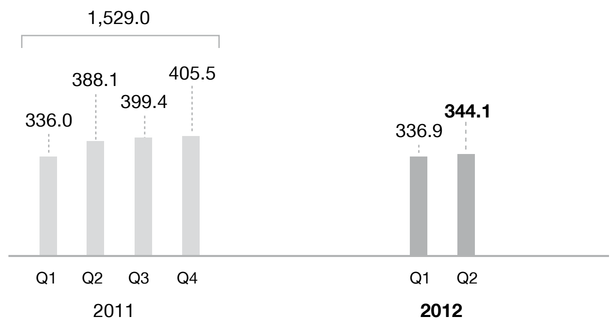


Revenue down on 2011 The decline in revenue was low in relation to the fall in unit sales due to the value and complexity and value of the engines sold. This was because an increasing proportion of engines sold meet the Tier 4 Interim emissions standard, and this trend is expected to continue. Revenue in the first half of the year amounted to €681.0 million, which was 6.0 per cent below the figure for the same period last year (H1 2011: €724.1 million). In the second quarter of 2012, we generated revenue of €344.1 million, slightly more than in the first quarter (Q1 2012: €336.9 million, Q2 2011: €388.1 million).

Among the regions, revenue from the Americas and Asia/Pacific regions rose by 16.5 per cent and 7.6 per cent respectively, while revenue from the EMEA region fell by 10.6 per cent. In terms of revenue by application segment, DEUTZ managed increases of 1.5 per cent in the Mobile Machinery segment and 3.7 per cent in its service business. In contrast, revenue in the Agriculture and Automotive application segments fell by 14.7 per cent and 8.1 per cent respectively. In the case of Agriculture, this was largely due to the advance production of engines which European customers had already purchased by the end of 2011 in view of the stricter emissions standards that came into force this year.

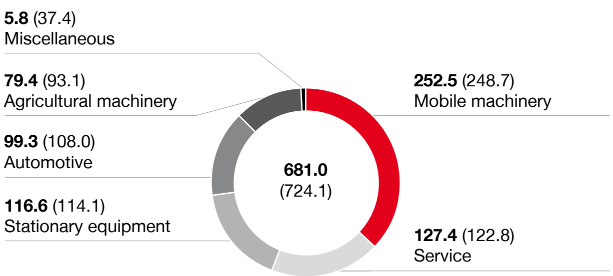
DEUTZ Group: Revenue by quarters

€ million



DEUTZ Group: Revenue by application segment

€ million (2011 figures)



EBIT

Subdued start to year Operating profit (EBIT) for the first half of the current year totalled €21.6 million – a year-on-year decline of €22.7 million (H1 2011: €44.3 million). The primary reasons for this fall in earnings were the downturn in business volume resulting from the economic slowdown in the euro zone and in China plus lower contributions to earnings from our joint ventures. Production start-ups for our engines meeting the Stage IIIB and US EPA Tier 4 Interim exhaust emissions standards also had an adverse impact on earnings. Operating profit came in at €11.3 million in the second quarter, exactly €1.0 million higher than in the first three months of the year (Q1 2012: €10.3 million). EBIT before one-off items amounted to roughly €16 million in the second quarter of 2012 as it was adversely affected by the replacement of our previous funding facility (reduction of approximately €2 million) and a one-off impairment loss plus increased start-up costs at our joint venture Bosch Emission Systems GmbH & Co. KG (around €3 million).

Cost of materials As a percentage of total output, the cost of materials went up to 65.0 per cent, a rise of 1.1 percentage points compared with the first half of 2011. This was due above all to the production start-up in the second half of 2011 of our engines that meet the European Union's Stage IIIB exhaust emissions standard and EPA Tier 4 Interim, the equivalent standard in the United States. These engines have a far higher proportion of material costs.

Staff costs remained unchanged on the first six months of 2011 (H1 2012: €141.0 million, H1 2011: 141.0 million). The impact of the 4.3 per cent collectively agreed pay rise that took effect in Germany from May this year was offset to a large extent by the slight fall in staff numbers. However, the staff costs ratio (staff costs as a percentage of total output) rose by 1.4 percentage points to 19.6 per cent as a result of the fall in our business volume (H1 2011: 18.2 per cent), although a slight downward trend was observed once more in the second quarter compared with the first quarter of 2012. The staff costs ratio improved during this period from 19.7 per cent to 19.6 per cent.

While other operating income remained relatively stable, just €1.5 million down on the comparative period, other operating expenses fell sharply in the same period, sliding by €19.5 million. This was largely due to the decline in our volume of business which resulted in lower expenses for temporary staff and warranties; the latter also resulting from improved quality. Lower consultancy costs also contributed to this positive performance. For a more detailed explanation of other operating expenses, please refer to the information on page 14 in the notes to the interim consolidated financial statements.

The loss on equity-accounted investments as at 30 June 2012 was €8.3 million, which was a fall of €9.2 million compared with the first half of 2011 (profit of €0.9 million). The reduction in earnings was mainly attributable to start-up losses and the one-off write-down mentioned above at Bosch Emission Systems GmbH & Co. KG (our exhaust aftertreatment joint venture with Robert Bosch GmbH and Eberspächer GmbH & Co. KG) as well as the impact of the general slowdown in Chinese economic growth on DEUTZ (Dalian) Engine Co., Ltd.

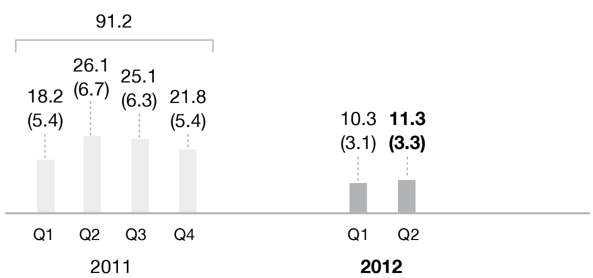
Net interest expense amounted to €7.0 million, €0.3 million higher on a year-on-year basis (H1 2011: €6.7 million), due to a one-off expense of €1.0 million for the replacement of the previous funding facility in the second quarter of 2012.

Income taxes amounted to €1.6 million in the first half of 2012 (H1 2011: €2.9 million) and resulted mainly from current tax expenses in the group.

Net income went down by €21.8 million to €12.1 million (H1 2011: €33.9 million), resulting in earnings per share of €0.10 (H1 2011: €0.28).

DEUTZ Group: Operating profit/EBIT margin by quarter

€ million (EBIT margin in %)



BUSINESS PERFORMANCE IN THE SEGMENTS

BUSINESS PERFORMANCE DEUTZ COMPACT ENGINES (DCE)

New orders remain higher than revenue The DEUTZ Compact Engines (DCE) segment took orders worth €548.8 million in the first half of 2012 which was a fall of 13.9 per cent compared with the first half of 2011 (€637.7 million). Incoming orders in the second quarter totalled €252.3 million, down on comparable periods (Q2 2011: €312.6 million, Q1 2012: €296.5 million). The value of the segment's new orders received in the first half of the year was therefore higher than its revenue. At the mid-year point, orders on hand stood at €168.4 million, just less than a third lower than the order book as at 30 June 2011 (€250.2 million).

Unit sales down In the first six months of the year, the DCE segment sold 84,611 engines, 10.9 per cent fewer than in the first half of 2011 (94,951 engines). Sales of 43,032 engines in the second quarter meant that we outstripped first-quarter unit sales which came to 41,579 (Q2 2011: 52,279 engines).

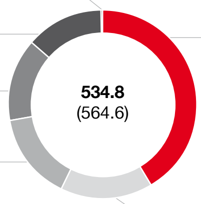
Moderate year-on-year fall in revenue Revenue generated by the DCE segment in the first half of 2012 fell by 5.3 per cent to €534.8 million (H1 2011: €564.6 million). Revenue was up in the Americas region (by 29.6 per cent) and the Asia/Pacific region (by 5.5 per cent), while it fell by 10.2 per cent in EMEA, our biggest region. The Mobile Machinery segment posted an increase of 1.7 per cent and service business revenue was up by 6.4 per cent. By contrast, revenue fell by 8.6 per cent in the Automotive segment and by 15.5 per cent in the Agriculture segment. In the case of Agriculture, this was largely due to the advance production of engines which European customers had already purchased by the end of 2011 to avoid the stricter emissions standards that came into force this year and the extra costs associated with them. In the second quarter of 2012, revenue stood at €271.8 million, which was ahead of the previous quarter (Q1 2012: €263.0 million), but behind the same quarter last year (Q2 2011: €304.6 million).

Small net loss The DCE segment made a small operating loss of €0.9 million, which represented a fall in EBIT of €22.1 million compared with the same period last year (H1 2011: profit of €21.2 million). The main reason behind this was the economic slowdown in Europe and the negative contribution to earnings by our joint venture DEUTZ (Dalian) Engine Co., Ltd. (China). The market launch of our engines that meet the new exhaust emissions standards also impacted negatively on earnings.

Comparing quarterly results for this year, second-quarter operating results for the segment were up by €1.1 million on the first quarter, representing a return to profit (Q1 2012: loss of €1.0 million; Q2 2012: profit of €0.1 million).

DEUTZ Compact Engines: Revenue by application segment

€ million (2011 figures)



BUSINESS PERFORMANCE DEUTZ CUSTOMISED SOLUTIONS (DCS)

Slight fall in new orders The DEUTZ Customised Solutions (DCS) segment received new orders worth €152.2 million in the first six months of the year, which was a 4.5 per cent fall on the figure achieved in the same period last year (H1 2011: €159.4 million). In the second quarter alone, incoming orders of €58.7 million were 22.8 per cent down on the same quarter of 2011, and 37.2 per cent down on the previous quarter. Orders on hand as at 30 June 2012 stood at €81.2 million, a decline of 18.5 per cent compared with 30 June 2011.

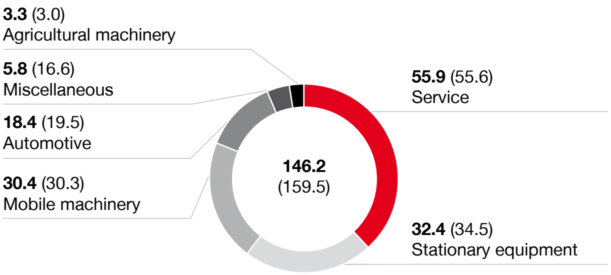
Unit sales down on previous year The DCS segment sold 9,242 engines in the first half of the year, 24.5 per cent fewer than the previous year (H1 2011: 12,247 engines). Unit sales only rose in the Asia-Pacific region and were down in the EMEA and Americas regions. For the second quarter, the segment recorded unit sales of 4,360 engines, 33.0 per cent below the same quarter in 2011 and 10.7 per cent below the first quarter of 2012.

Fall in revenue Segment revenue declined by 8.3 per cent year on year, slipping to €146.2 million (H1 2011: €159.5 million). Revenue rose in the Asia/Pacific region, but fell in the EMEA and Americas regions. The high-margin service business remained at approximately the same level as last year. Looking at the second quarter in isolation, the segment generated revenue of €72.3 million which almost equalled the previous quarter, but underperformed the second quarter of 2011 by 13.4 per cent.

DCS sees growth in earnings There was another sharp rise in operating profit in the first half of 2012, even compared with the excellent operating profit made in the first half of 2011. It rose by €4.0 million to €27.4 million (H1 2011: €23.4 million). This positive trend was largely attributable to a further increase in profitability in the service business.

DEUTZ Customised Solutions: Revenue by application segment

€ million (2011 figures)



FINANCIAL POSITION

FUNDING

In the second quarter of 2012, a syndicate of five German banks provided us with a €160 million working capital facility. It is a floating-rate, unsecured line and as a revolving facility it can be drawn down as and when needed by our Company until June 2017.

During the quarter under review, the European Investment Bank also granted us a €90 million loan. This loan, which is also unsecured, is repayable over a period of eight years, although no repayments are due in the first two years. DEUTZ has hedged the interest-rate risk arising from this loan.

As part of the contractual agreements for both loans, DEUTZ is obliged to comply with certain financial covenants.

This working capital facility and the loan from the European Investment Bank have enabled us to secure funding for our projects and for further growth over the long term. As a result of this new funding, interest expenses will continue to fall substantially in the next few years, while our range of options has expanded significantly.

In the quarter under review, we had utilised the previous working capital facility, which was for €240 million. After the reporting date, this line was fully repaid and replaced. The remaining outstanding amounts due to noteholders, equivalent to €15.7 million, were also repaid ahead of schedule after the reporting date. Expenses of €3.1 million in connection with the replacement of the previous working capital facility and the early repayment of outstanding amounts to noteholders were incurred in the quarter under review. They included the derecognition in the income statement of capitalised borrowing costs for the old working capital facility and early-redemption fees for noteholders. Of this amount, €2.1 million was recognised in operating profit (EBIT) and the remainder in net interest expense.

CASH FLOW

In the first six months of the current year, cash flow from operating activities declined by €13.2 million to €16.8 million (H1 2011: €30.0 million)[1]. The fall was therefore disproportionately lower than the fall in operating profit.

Cash flow from investing activities amounted to minus €58.9 million in the same period, meaning that we invested €9.0 million more than in the same period the previous year (H1 2011: minus €49.9 million). Investing activities focused on capital spending for our future growth, including development costs for the upcoming exhaust emissions standards and investing in production equipment and tools in connection with production start-ups for new engines.

Our investment costs were partly funded by drawing down a larger proportion of the revolving working capital facility. Net cash provided by financing activities in the first half of 2012 totalled €26.9 million, contrasting with a net cash outflow of €14.4 million in the corresponding period of 2011.

Holdings of cash and cash equivalents declined by €15.1 million in the first half of 2012, largely as the result of high capital expenditure. The net financial position[2] as at 30 June 2012 came to minus €118.1 million (31 December 2011: minus €69.6 million).

The free cashflow[3] in the period under review amounted to minus €48.4 million (H1 2011: minus €25.5 million). This year-on-year change was predominantly due to the smaller operating profit and increased capital expenditure.

[1] Since the first quarter of 2012, interest income (H1 2012: €0.3 million; H1 2011: €0.2 million) has been reported under cash flow from financing activities. The comparative figure for 2011 has been restated accordingly.
[2] Net financial position: cash and cash equivalents less current and non-current interest-bearing financial liabilities
[3] Free cash flow: cash flow from operating and investing activities minus net interest expense

NET ASSETS

Non-current assets Non-current assets totalled €650.6 million as at 30 June 2012 (31 December 2011: €640.3 million). The increase of €10.3 million compared with 31 December 2011 was largely the result of two countervailing effects. Whereas the high level of investing activities in the development of new engines and refinement of existing ones caused intangible assets to rise, equity-accounted investments declined as a result of losses.

Current assets On the reporting date, current assets stood at €459.3 million, a slight rise on 31 December 2011 (€458.3 million). Inventories increased owing, above all, to seasonal effects while cash and cash equivalents declined on the back of capital expenditure and the decline in profit.

Working Capital Working capital (inventories plus trade receivables minus trade payables) had risen by €65.2 million to €207.3 million as at 30 June 2012 (31 December 2011: €142.1 million). Although trade receivables had declined, the higher level of working capital predominantly resulted from higher inventories and a sharp fall in trade payables due to seasonal factors. Consequently, the ratio had risen to 14.0 per cent on the reporting date (30 June 2011: 12.5 per cent). The average working capital ratio[1] was 12.1 per cent (H1 2011: 11.6 per cent).

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 and the Company has been a firmly established player in the equipment manufacturing and operating industry for over 140 years. DEUTZ also enjoys longstanding valuable relationships with customers; it has entered into long-term cooperation agreements, particularly with its key customers.

Equity ratio Equity was €14.4 million higher than on 31 December 2011 as a result of comprehensive income generated in the first half of this year. As at 30 June 2012, equity stood at €467.9 million (31 December 2011: €453.5 million), equivalent to an equity ratio of 42.1 per cent (31 December 2011: 41.3 per cent).

Current and non-current liabilities Current liabilities had increased by €119.9 million to €461.1 million as at 30 June 2012 (31 December 2011: €341.2 million). In contrast, non-current liabilities had fallen by €123.0 million – virtually the same amount – to €181.3 million (31 December 2011: €304.3 million). The decline was largely attributable to the repayment of old funding components at the beginning of the third quarter of 2012. Financial liabilities that had previously been reported as non-current were consequently recognised as current as at 30 June 2012.

Total assets amounted to €1,110.3 million as at 30 June 2012, the same level as the end of 2011 (31 December 2011: €1,099.0 million).

EVENTS AFTER THE BALANCE SHEET DATE

On 5 July 2012, the previous secured credit line was paid back in full when the new syndicated working capital facility agreed at the end of the reporting period was drawn down and the loan from the European Investment Bank (also arranged at the end of June 2012) was paid out. As a result of this, all collateral was returned in accordance with the contractual agreement dated 28 June 2012 between the DEUTZ Group and the relevant syndicate banks. We also repaid the remaining outstanding receivables to noteholders on 16 July 2012. Please also refer to the notes on funding in the section on our financial position.

[1] Average of working capital ratio: Average of workingcapital ratio of last four quarterly balance sheet dates divided by revenue of last twelve months.

RESEARCH AND DEVELOPMENT

Reduction in R&D spending Expenditure on research and development in the first half of 2012 amounted to €46.8 million. It therefore fell by €5.7 million or 10.9 per cent compared with expenditure in the first six months of last year (H1 2011: €52.5 million). Factoring in reimbursements from key customers and development partners, spending on research and development came to €36.0 million (H1 2011: €41.4 million). Since the market launch of new products and work on the upcoming exhaust emissions standards are at an advanced stage, expenditure on research and development can now be scaled back somewhat and indeed fell in the second quarter of 2012 to €20.9 million (Q1 2012: €25.9 million). It will decrease further over the coming quarters.

The lion's share – 89.8 per cent – of total R&D spending went on developing new engines and refining existing ones. We invested €42.0 million here in the first half of this year (H1 2011: €46.1 million). Another €3.9 million (8.3 per cent) was spent on support for existing engine series and €0.9 million (1.9 per cent) on fundamental research.

The DEUTZ Compact Engines segment's spending on research and development came to €42.6 million, or €31.8 million after reimbursements (H1 2011: €45.7 million, or €34.6 million after reimbursements). Spending by the DEUTZ Customised Solutions segment totalled €4.2 million in the first half of 2012, down by 38.2 per cent year on year (H1 2011: €6.8 million).

Overall, the R&D ratio fell slightly, from 7.2 per cent in the first six months of 2011 to 6.9 per cent in the first half of this year.

EMPLOYEES

Small reduction in headcount The DEUTZ Group employed 4,042 employees as at 30 June 2012, 211 people – or 5.0 per cent – fewer than a year earlier (30 June 2011: 4,253). The number of temporary workers also declined, totalling 324 people as at 30 June 2012. This represents a decrease of 225 temporary workers compared with 30 June 2011 and a decrease of 57 people compared with 31 March 2012. By offering fixed-term contracts and employing temporary workers, we can respond flexibly to any fluctuations in demand while continuing to grow profitably. Around 15 per cent of all staff at DEUTZ had fixed-term or temporary contracts as at 30 June 2012.

Our headcount in Germany decreased slightly, reducing by 28 employees – or 0.9 per cent – to 3,212 as at 30 June 2012 (30 June 2011: 3,240). The decline compared with the end of the first quarter of 2012 was 34 employees (31 March 2012: 3,246). Workforce capacity at our plants in Cologne remained unchanged at 2,498 employees, whereas headcount in Ulm had fallen by 37 to 424 employees as at 30 June 2012.

We had 830 employees based outside Germany as at 30 June 2012, 183 people – or 18.1 per cent – fewer than a year earlier (30 June 2011: 1,013). Workforce capacity declined slightly – by 3.3 per cent – compared with 31 March 2012. We reduced headcount at our DEUTZ Diter production facility in Spain for reasons of capacity utilisation. At the end of the first half of the year, 509 employees worked there for DEUTZ (30 June 2011: 719; 31 March 2012: 547). The number of employees at our relatively new site in Asia, DEUTZ Beijing, went up by around a half to 27 people. Overall, 79.5 per cent of DEUTZ employees were based in Germany as at 30 June 2012 (30 June 2011: 76.2 per cent) and 20.5 per cent in other countries (30 June 2011: 23.8 per cent).

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 49 to 53 of our 2011 annual report describe certain material risks for our financial position and financial performance and explain the structure of our risk management system. Additional information, including on the opportunities for our Company, is provided in the Economic Environment and Outlook sections 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 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.

- SAME DEUTZ-FAHR Group S. p. A., Treviglio/Italy (group),
- AB Volvo (publ), Gothenburg, Sweden (group).

Further information on related-party disclosures is given on page 18 of the notes to the interim consolidated financial statements.

OUTLOOK

Slowdown in the global economy[1] The economic outlook has deteriorated worldwide following heightened uncertainty resulting from the international sovereign debt crisis, especially in the euro zone. In its most recent forecast, dated July 2012, the International Monetary Fund (IMF) again lowered its expectations for further economic growth and predicted that the global economy would grow by 3.5 per cent this year. The euro zone's economy is forecast to contract by 0.3 per cent in 2012, albeit with significant regional differences. Germany is anticipated to buck the trend with growth of 1.0 per cent. The United States is expected to generate growth of 2.0 per cent, slightly lower than originally forecast. China's economy is also likely to grow substantially, by 8.0 per cent, although this figure is somewhat more moderate than earlier estimates.

In view of the difficult market environment, we will continue to take major steps to boost efficiency and productivity. We have already launched a project to this end at our joint venture DEUTZ (Dalian) Engine Co., Ltd. As before, we will also be concentrating efforts on a smooth production start-up for our new engines. The priorities in our strategic projects remain unchanged: preparations for the start of production at our new production company in China (DEUTZ Engine (Shandong) Co., Ltd.) and continuation of the strategic talks with AB Volvo on extending our longstanding alliance, the aims of which include the creation of a new joint production company in China in which DEUTZ will hold a majority stake.

Based on the downturn in demand, we will not be able to meet the forecasts for the current year that we previously announced. We now anticipate our revenue for 2012 to be in the range of €1.3 billion to €1.4 billion and the EBIT margin to be between 3.0 per cent and 4.0 per cent.

The downturn impacts our DCE segment more strongly as it tends to be affected more directly by economic cycles than is the case for our DCS segment.

Disclaimer

This publication includes certain statements about future events and developments, together with disclosures and estimates provided by the Company. Such forward-looking statements include known and unknown risks, uncertainties and other factors that may mean that the actual performances, developments and results in the Company or those in sectors important to the Company are significantly different (especially from a negative point of view) from those expressly or implicitly assumed in these statements. The 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 into line with future developments.

[1] Source: IMF World Economic Outlook, July 2012

INTERIM FINANCIAL STATEMENTS OF THE DEUTZ GROUP FOR THE FIRST HALF OF 2012

INCOME STATEMENT FOR THE DEUTZ GROUP

	Note	**4–6/2012**	4–6/2011	**1–6/2012**	1–6/2011
€ million					
Revenue		**344.1**	**388.1**	**681.0**	**724.1**
Changes in inventories and other own work capitalised		13.9	17.1	37.5	48.8
Other operating income		9.6	9.4	18.2	19.7
Cost of materials		–234.1	–260.6	–467.3	–494.1
Staff costs		–70.1	–70.3	–141.0	–141.0
Depreciation and amortisation		–19.3	–16.5	–36.7	–32.6
Other operating expenses	1	–27.8	–41.2	–62.0	–81.5
Net income from equity-accounted investments		–5.2	0.1	–8.3	0.9
Other investment income		0.2	–	0.2	–
EBIT		**11.3**	**26.1**	**21.6**	**44.3**
Interest expenses, net		–4.0	–3.4	–7.0	–6.7
thereof finance costs		–4.3	–3.6	–7.4	–7.0
Other taxes		–0.6	–0.5	–0.9	–0.8
Net income before taxes		**6.7**	**22.2**	**13.7**	**36.8**
Income taxes	2	–0.9	–2.0	–1.6	–2.9
Net income		**5.8**	**20.2**	**12.1**	**33.9**
thereof attributable to the shareholders of the parent		5.8	20.2	12.1	33.9
thereof attributable to non-controlling interests		–	–	–	–
Earnings per share (€)		**0.05**	**0.17**	**0.10**	**0.28**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

	Note	**4–6/2012**	4–6/2011	**1–6/2012**	1–6/2011
€ million					
Net income		**5.8**	**20.2**	**12.1**	**33.9**
Currency translation differences		4.5	–0.6	1.6	–4.6
Effective portion of change in fair value from cash flow hedges		–1.0	0.1	0.6	0.5
Change in fair value of available-for-sale financial instruments		–	–	0.1	0.1
Other comprehensive income, net of tax	3	**3.5**	**–0.5**	**2.3**	**–4.0**
Comprehensive income		**9.3**	**19.7**	**14.4**	**29.9**
thereof attributable to the shareholders of the parent		9.3	19.7	14.4	29.9
thereof attributable to non-controlling interests		–	–	–	–

BALANCE SHEET FOR THE DEUTZ GROUP

Assets	Note	30/6/2012	31/12/2011
€ million			
Property, plant and equipment	4	312.1	311.5
Intangible assets	4	246.0	227.8
Equity-accounted investments		64.1	71.8
Other financial assets		10.9	12.0
Non-current assets (before deferred tax assets)		633.1	623.1
Deferred tax assets		17.5	17.2
Non-current assets		**650.6**	**640.3**
Inventories	5	220.7	187.6
Trade receivables		153.9	163.6
Other receivables and assets		48.2	55.5
Cash and cash equivalents		36.5	51.6
Current assets		**459.3**	**458.3**
Non-current assets classified as held for sale		0.4	0.4
Total assets		**1,110.3**	**1,099.0**

Equity and liabilities	Note	30/6/2012	31/12/2011
Issued capital		309.0	309.0
Additional paid-in capital		28.8	28.8
Other reserves		11.4	9.1
Retained earnings		79.1	79.1
Accumulated income		39.6	27.5
Equity attributable to owners of the parent		467.9	453.5
Equity		**467.9**	**453.5**
Provisions for pensions and other post-retirement benefits		144.8	148.5
Deferred tax provisions		3.2	2.8
Other provisions	6	29.2	29.3
Financial liabilities	7	1.9	119.3
Other liabilities		2.2	4.4
Non-current liabilities		**181.3**	**304.3**
Provisions for pensions and other post-retirement benefits		15.6	15.6
Provision for current income taxes		0.2	0.2
Other provisions	6	52.6	43.0
Financial liabilities	7	152.7	1.9
Trade payables		167.3	209.1
Other liabilities		72.7	71.4
Current liabilities		**461.1**	**341.2**
Total equity and liabilities		**1,110.3**	**1,099.0**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

	Issued capital	Additional paid-in capital	Retained earnings	Fair value reserve[1), 2)]	Currency translation reserve[1)]	Accumulated income/ loss	Total Group interest	Non-controlling interests	Total
€ million									
Balance at 1 Jan 2011	**309.0**	**28.8**	**79.1**	**0.1**	**5.3**	**–48.0**	**374.3**	**–**	**374.3**
Comprehensive income				0.6	–4.6	33.9	29.9	–	29.9
Balance at 30 June 2011	**309.0**	**28.8**	**79.1**	**0.7**	**0.7**	**–14.1**	**404.2**	**–**	**404.2**
Balance at 1 Jan 2012	**309.0**	**28.8**	**79.1**	**–1.4**	**10.5**	**27.5**	**453.5**	**–**	**453.5**
Comprehensive income				0.7	1.6	12.1	14.4	–	14.4
Balance at 30 June 2012	**309.0**	**28.8**	**79.1**	**–0.7**	**12.1**	**39.6**	**467.9**	**–**	**467.9**

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	1–6/2012	1–6/2011
€ million			
EBIT		**21.6**	**44.3**
Other taxes paid		–0.9	–0.8
Income taxes paid		–2.5	–0.5
Depreciation and amortisation		36.7	32.6
Gain/loss on disposals of fixed assets		–0.1	–0.1
Net result from equity-accounted investments		8.3	–0.9
Other non-cash expenses/income		1.1	0.3
Change in working capital		–61.8	–61.3
Change in inventories		–31.8	–53.2
Change in trade receivables		10.5	–2.3
Change in trade payables		–40.5	–5.8
Change in other receivables and other current assets		4.3	–10.4
Change in provisions and other liabilities (excluding financial liabilities)		10.1	26.8
Cash flow from operating activities		**16.8**	**30.0**
Capital expenditure on intangible assets, property, plant and equipment		–53.7	–47.8
Capital expenditure on investments		–5.5	–2.5
Proceeds from sale of parts of business		0.3	0.4
Cash flow from investing activities		**–58.9**	**–49.9**
Interest income[1)]		0.3	0.2
Interest expenses		–6.6	–5.8
Cash receipts from borrowings	7	35.0	–
Repayments of loans		–1.8	–8.8
Cash flow from financing activities		**26.9**	**–14.4**
Cash flow from operating activities		16.8	30.0
Cash flow from investing activities		–58.9	–49.9
Cash flow from financing activities		26.9	–14.4
Change in cash and cash equivalents		**–15.2**	**–34.3**
Change in cash and cash equivalents at 1 January		**51.6**	**67.9**
Change in cash and cash equivalents		–15.2	–34.3
Change in cash and cash equivalents related to exchange rates		0.1	–0.2
Change in cash and cash equivalents at 30 June		**36.5**	**33.4**

[1)] Interest income, which amounted to €0.3 million (H1 2011: €0.2 million), is now reported under cash flow from financing activities instead of cash flow from operating activities in order to show interest income and interest expense associated with financing activities. The prior-year figures have been restated accordingly to improve comparability.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2012

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 June 2012 are based on uniform accounting policies. The interim consolidated financial statements 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 consolidated financial statements do not contain all the information and notes required by IFRS 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 2011 financial year.

The condensed interim consolidated financial statements for the period ended 30 June 2012 – 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 June 2012 have been reviewed by an auditor pursuant to section 37w of the German Securities Trading Act (WpHG)

SIGNIFICANT ACCOUNTING POLICIES

With the exception of the amendments 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 2011. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2011. If they are material, revenue-related and cyclical items are deferred during the year on the basis of annual business plans.

IFRS 7 (amended) 'Financial Instruments: Disclosures' These amendments specify enhanced disclosure requirements regarding the relationships between transferred financial assets and the corresponding financial liabilities. They are also intended to make it possible to assess the type and, in particular, the risks of a continuing involvement in the case of derecognised financial assets. The initial application of these amendments will not have a material impact on the Group's financial position or financial performance.

Changes in presentation Interest income is now reported under cash flow from financing activities instead of under cash flow from operating activities so that both interest income and interest expense are now shown under financing activities. Interest income amounted to €0.3 million in the first half of 2012 (H1 2011: €0.2 million). The prior-year figures have been restated accordingly to improve comparability.

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 at 30 June 2012 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 2011 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 EXPENSES

Other operating expenses in the first half of 2012 amounted to €62.0 million (H1 2011: €81.5 million). This year-on-year decline of €19.5 million is mainly due to the divergent trends in the volume of business seen in the two comparative periods: whereas the volume had risen in the first half of 2011, it decreased in the same period of this year. This led to a comparatively low level of expenses for warranties and temporary workers. Another contributing factor in the change was the fall in consultancy costs.

2. INCOME TAXES

€ million	**4–6/2012**	4–6/2011	**1–6/2012**	1–6/2011
Current tax expense	0.6	0.5	1.6	0.7
Deferred tax expense	0.3	1.5	–	2.2
Total	**0.9**	**2.0**	**1.6**	**2.9**

Income taxes predominantly comprised current tax expense in the period under review. Current tax expense rose significantly year on year, in particular owing to the consistently positive results of operations of our subsidiaries. In contrast, deferred tax expenses fell sharply, mainly due to the smaller increase in temporary differences between the recognition of intangible assets in DEUTZ AG's tax accounts and in its consolidated financial statements.

3. 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:

	1–6/2012		
	before taxes	taxes	after taxes
€ million			
Currency translation differences	1.6	–	1.6
Effective portion of change in fair value from cash flow hedges	0.8	−0.2	0.6
Change in fair value of available-for-sale financial instruments	0.1	–	0.1
Other comprehensive income	**2.5**	**−0.2**	**2.3**

	1–6/2011		
	before taxes	taxes	after taxes
€ million			
Currency translation differences	−4.6	–	−4.6
Effective portion of change in fair value from cash flow hedges	0.7	−0.2	0.5
Change in fair value of available-for-sale financial instruments	0.1	–	0.1
Other comprehensive income	**−3.8**	**−0.2**	**−4.0**

In the first half of 2012, a loss of €1.3 million before taxes (H1 2011: profit of €1.1 million) related to cash flow hedges was reclassified to the income statement.

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Capital expenditure of €55.4 million including investment grants on property, plant and equipment and intangible assets was partly offset by depreciation, amortisation expense and impairment losses of €36.7 million. Of this total capital expenditure (including investment grants), €23.7 million related to property, plant and equipment and €31.7 million to intangible assets. As in the first half of 2011, capital expenditure was concentrated on the development of new and existing engines to meet new exhaust emissions standards. Spending on property, plant and equipment related primarily to capital investment in new production facilities and tools in connection with production start-ups of new engines.

The carrying amounts of property, plant and equipment pledged as collateral for financial liabilities amounted to €254.9 million as at 30 June 2012 (31 December 2011: €249.9 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 June 2012 (31 December 2011: €50.2 million).

5. INVENTORIES

Compared with 31 December 2011, inventories had grown by €33.1 million to €220.7 million as at 30 June 2012. This increase related to finished goods, work in progress, raw materials and consumables.

The carrying amounts of inventories pledged as collateral for financial liabilities amounted to €192.0 million as at 30 June 2012 (31 December 2011: €159.5 million). The loan collateralisation comprises the pledging as collateral of inventories of the Group.

As at 30 June 2012, commitments to purchase inventories were within the scope of typical business. DEUTZ has also entered into long-term purchasing commitments with suppliers.

6. OTHER PROVISIONS

	30/6/2012	31/12/2011
€ million		
Non-current	29.2	29.3
Current	52.6	43.0
Total	**81.8**	**72.3**

The increase in other provisions is mainly attributable to accruals during the financial year.

7. FINANCIAL LIABILITIES

	30/6/2012	31/12/2011
€ million		
Non-current	1.9	119.3
Current	152.7	1.9
Total	**154.6**	**121.2**

The rise in current and non-current financial liabilities of €33.4 million was predominantly because we had drawn down more of the revolving working capital facility. As the previous non-current funding components were repaid at the start of the third quarter of 2012, they were recognised as current as at 30 June 2012.

SEGMENT REPORTING

Information about the segments of the DEUTZ Group for the second quarter and first half of 2012 and of 2011 is shown in the following table:

4–6/2012	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	271.8	72.3	–	344.1	–	344.1
Intersegment revenue	–	–	–	–	–	–
Total revenue	**271.8**	**72.3**	**–**	**344.1**	**–**	**344.1**
Operating profit (EBIT before one-off items)	0.1	15.2	–4.0	11.3	–	11.3

4–6/2011	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	304.6	83.5	–	388.1	–	388.1
Intersegment revenue	–	–	–	–	–	–
Total revenue	**304.6**	**83.5**	**–**	**388.1**	**–**	**388.1**
Operating profit (EBIT before one-off items)	14.5	11.5	0.1	26.1	–	26.1

1–6/2012	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	534.8	146.2	–	681.0	–	681.0
Intersegment revenue	–	–	–	–	–	–
Total revenue	**534.8**	**146.2**	**–**	**681.0**	**–**	**681.0**
Operating profit (EBIT before one-off items)	–0.9	27.4	–4.9	21.6	–	21.6

1–6/2011	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	564.6	159.5	–	724.1	–	724.1
Intersegment revenue	–	–	–	–	–	–
Total revenue	**564.6**	**159.5**	**–**	**724.1**	**–**	**724.1**
Operating profit (EBIT before one-off items)	21.2	23.4	–0.3	44.3	–	44.3

30/6/2012	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon-ciliation	DEUTZ Group
€ million						
Segment assets (Inventories/trade receivables)	276.2	98.4	–	374.6	–	374.6
Segment liabilities (Trade payables)	146.3	21.0	–	167.3	–	167.3
Working capital	**129.9**	**77.4**	**–**	**207.3**	**–**	**207.3**

31/12/2011	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon-ciliation	DEUTZ Group
€ million						
Segment assets (Inventories/trade receivables)	253.9	97.3	–	351.2	–	351.2
Segment liabilities (Trade payables)	188.9	20.2	–	209.1	–	209.1
Working capital	**65.0**	**77.1**	**–**	**142.1**	**–**	**142.1**

Reconciliation from overall profit of the segments to net income

	4–6/2012	4–6/2011	1–6/2012	1–6/2011
€ million				
Overall profit of the segments	**11.3**	**26.1**	**21.6**	**44.3**
Reconciliation	–	–	–	–
Operating profit (EBIT before one-off items)	**11.3**	**26.1**	**21.6**	**44.3**
One-off items	–	–	–	–
EBIT	**11.3**	**26.1**	**21.6**	**44.3**
Interest expenses, net	–4.0	–3.4	–7.0	–6.7
Other taxes	–0.6	–0.5	–0.9	–0.8
Net income before income taxes	**6.7**	**22.2**	**13.7**	**36.8**
Income taxes	–0.9	–2.0	–1.6	–2.9
Net income	**5.8**	**20.2**	**12.1**	**33.9**

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 long-term equity investments 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 Group S.p.A., Treviglio, Italy (group), and
- AB Volvo (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 the DEUTZ Group's **long-term equity investments:**

	Goods and services		Other expenses incurred in connection with goods and services		Goods and services		Other expenses incurred in connection with goods and services	
	4–6/2012	4–6/2011	**4–6/2012**	4–6/2011	**1–6/2012**	1–6/2011	**1–6/2012**	1–6/2011
€ million								
Associates	–	–	–	–	–	–	–	–
Joint ventures	8.2	9.0	4.8	0.9	19.1	15.0	8.9	1.6
Other investments	0.1	0.1	1.0	1.0	0.2	0.2	2.0	2.0
Total	**8.3**	**9.1**	**5.8**	**1.9**	**19.3**	**15.2**	**10.9**	**3.6**

	Receivables		Liabilities	
	30/6/2012	31/12/2011	**30/6/2012**	31/12/2011
€ million				
Associates	–	0,9	–	–
Joint ventures	11.7	15.1	6.4	8.8
Other investments	0.1	–	5.8	4.9
Total	**11.8**	**16.0**	**12.2**	**13.7**

The increase in goods supplied and services rendered to joint ventures in the first half of this year is primarily attributable to the intensification of business relations with our joint venture DEUTZ (Dalian) Engine Co. Ltd.

The year-on-year increase in expenses incurred in connection with services received resulted from the business relationship with our Bosch Emission Systems GmbH & Co. KG joint venture in the field of exhaust aftertreatment. Our demand for exhaust gas aftertreatment systems went up as planned in the second half of 2011 and this year owing to the production start-up of our engines for the new exhaust emissions standards.

Impairment losses of €24.6 million (31 December 2011: €23.8 million) had been recognised on €36.4 million of the Company's receivables as at 30 June 2012 (31 December 2011: €38.9 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	
	2012	2011	**2012**	2011
€ million				
Engines and spare parts supplied in the second quarter	15.6	21.9	99.0	104.3
Services in the second quarter	0.1	1.6	7.6	6.6
Engines and spare parts supplied in the first quarter	23.1	34.7	196.9	198.8
Services in the first quarter	0.5	2.1	12.1	12.5
Receivables as at 30 June/31 Dec	7.6	19.5	50.0	42.4

EVENTS AFTER THE BALANCE SHEET DATE (30 JUNE 2012)

On 5 July 2012, the previous secured credit line was paid back in full when the new syndicated working capital facility agreed at the end of the reporting period was drawn down and the loan from the European Investment Bank (also arranged at the end of June 2012) was paid out. As a result of this, all collateral was returned in accordance with the contractual agreement dated 28 June 2012 between the DEUTZ Group and the relevant syndicate banks. We also repaid the remaining outstanding receivables to noteholders on 16 July 2012.

The events described will have a positive impact on the financial position and financial performance of the DEUTZ Group.

Cologne, 7 August 2012

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, 7 August 2012

DEUTZ Aktiengesellschaft
The Board of Management

Dr Helmut Leube | Dr Margarete Haase

CERTIFICATE ISSUED AFTER REVIEW BY THE AUDITORS

To DEUTZ AG, Cologne

We have reviewed the condensed interim consolidated financial statements of DEUTZ AG, Cologne, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and selected explanatory notes, together with the interim group management report of DEUTZ AG, Cologne, for the period from 1 January to 30 June 2012, which are part of the semiannual financial reporting pursuant to § 37w WpHG (Wertpapierhandelsgesetz: German Securities Trading Act).

The preparation of the condensed interim consolidated financial statements in accordance with those International Financial Reporting Standards (IFRS) applicable to interim financial reporting, as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to interviews of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements of DEUTZ AG, Cologne, have not been prepared, in material respects, in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Düsseldorf, 8 August 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

signed: Crampton	signed: Lammers
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

Date	Event	Location
8 November 2012	Interim Report 1st to 3rd quarter 2012 Conference call with analysts and investors	
19 March 2013	Annual Results press conference Publication Annual Report 2012	Cologne
19 March 2013	Analysts' meeting	Frankfurt/Main
30 April 2013	Annual General Meeting	Cologne

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