

POWER IN MOTION

Interim report
on the first half of 2013



THE FIRST HALF YEAR AT A GLANCE

DEUTZ Group: Overview

	4–6/2013	4–6/2012	1–6/2013	1–6/2012
€ million				
New orders	455.0	311.0	843.5	701.0
Unit sales (units)	49,669	47,392	85,907	93,853
Revenue	372.2	344.1	662.1	681.0
thereof excluding Germany (%)	82.7	80.4	83.0	82.9
EBITDA ¹⁾	40.3	30.0	55.8	57.4
EBIT ¹⁾	16.5	10.7	10.1	20.7
EBIT margin (%) ¹⁾	4.4	3.1	1.5	3.0
Net income	12.3	5.8	5.4	12.1
Earnings per share (€)	0.10	0.05	0.04	0.10
Total assets ²⁾	1,070.7	1,114.6	1,070.7	1,114.6
Non-current assets	610.6	633.1	610.6	633.1
Equity ²⁾	461.8	458.5	461.8	458.5
Equity ratio (%) ²⁾	43.1	41.1	43.1	41.1
Cash flow from operating activities	48.1	33.3	49.0	16.8
Free cash flow ³⁾	24.3	6.9	3.4	-48.4
Net financial position ⁴⁾	-44.9	-118.1	-44.9	-118.1
Working capital ⁵⁾	169.3	207.3	169.3	207.3
Working capital as percentage of revenue (%) ⁶⁾	13.3	14.0	13.3	14.0
Capital expenditure (excluding capi- talisation of R&D, after deducting grants)	11.4	14.5	18.4	28.9
Depreciation and amortisation	23.8	19.3	45.7	36.7
Research and development (after deducting grants) ⁷⁾	15.1	14.3	26.7	36.0
Employees (30 June)	4,030	4,042	4,030	4,042

¹⁾ Starting in 2013, the income statement is structured according to the function-of-expense method. Other taxes are no longer reported separately after operating profit/loss and are instead allocated to functional costs within operating profit/loss. Other taxes amounted to €0.7 million in the first half of the year and €0.4 million in the second quarter of the year (H1 2012: €0.9 million; Q2 2012: €0.6 million). The comparative prior-year figures have been restated accordingly to improve comparability

²⁾ Because of a change in the accounting treatment of provisions for pensions and other post-retirement benefits, the prior-year figures were restated (see page 14 et seq. in the notes to the interim consolidated financial statements)

³⁾ Free cash flow: cash flow from operating and investing activities minus net interest expense

⁴⁾ Net financial position: cash and cash equivalents minus current and non-current interest-bearing financial liabilities

⁵⁾ Working capital: inventories and trade receivables less trade payables

⁶⁾ Working capital ratio (percentage as at balance sheet date): working capital as at balance sheet date divided by revenue for the previous twelve months

⁷⁾ Expenditure on research and development is shown after deduction of grants. The prior-year figure has been restated accordingly to improve comparability

DEUTZ Group: segments

	4–6/2013	4–6/2012	1–6/2013	1–6/2012
€ million				
New orders				
DEUTZ Compact Engines	372.2	252.3	700.5	548.8
DEUTZ Customised Solutions	82.8	58.7	143.0	152.2
Total	455.0	311.0	843.5	701.0
Unit sales (units)				
DEUTZ Compact Engines	45,412	43,032	79,132	84,611
DEUTZ Customised Solutions	4,257	4,360	6,775	9,242
Total	49,669	47,392	85,907	93,853
Revenue				
DEUTZ Compact Engines	306.6	271.8	546.3	534.8
DEUTZ Customised Solutions	65.6	72.3	115.8	146.2
Total	372.2	344.1	662.1	681.0
EBIT¹⁾				
DEUTZ Compact Engines	5.7	-0.4	-5.5	-1.4
DEUTZ Customised Solutions	11.1	15.3	16.2	27.2
Other	-0.3	-4.2	-0.6	-5.1
Total	16.5	10.7	10.1	20.7

FOREWORD

Dear Shareholders and Business Associates,

So far this year, the global economy has not recovered to the extent previously predicted. Nonetheless, we expect the market to pick up during the remainder of 2013.

Despite these mixed conditions, DEUTZ registered the best level of new orders in the first half of 2013 that it has ever achieved in its current business structure. Compared with the first six months of 2012, new orders had risen by more than 20 per cent to €843.5 million, thereby surpassing revenue in the reporting period by over 27 per cent. Revenue totalled €662.1 million, which was 2.8 per cent below the figure for the first half of the previous year. Operating profit amounted to €10.1 million and had therefore fallen by about a half compared with the first six months of 2012. The reasons for this decline were the reduced volume of business and the marked increase, as expected, in amortisation on completed development projects due to a number of product launches over the past twelve months.

However, the good level of new orders resulted in a significant improvement in all of the relevant key figures in the second quarter of 2013 compared with both the previous quarter and the corresponding quarter of the year before. In the second quarter of this year, revenue stood at €372.2 million (28.4 per cent up on the previous quarter and 8.2 per cent up on Q2 2012) while EBIT came to €16.5 million (€22.9 million up on the previous quarter and €5.8 million up on Q2 2012). In addition, cash flow continued to rise at a very encouraging rate, as indicated by the net financial position which had improved by €73.2 million year on year and amounted to minus €44.9 million as at 30 June 2013.

Our product offensive is successful, as can be seen from our large number of new customer projects, new applications with existing customers and, not least, the good level of new orders, particularly for our new TCD 2.9 and 3.6 engines.

Our Chinese joint venture Deutz (Dalian) Engine Co. has grown substantially in comparison with the market this year. Having made a loss in the previous year, it reported a small operating profit in the first half of 2013 thanks to increased revenue and improved efficiency. Our new growth projects in China are also going according to plan. The Chinese government's greater focus on more sustainability and stability may put a temporary brake on growth, but we are competitively placed thanks to our modern and environmentally friendly products. We still firmly believe that China will remain a high-growth market in the medium and long term.

The performance of DEUTZ shares also points to a sustained recovery: the share price rose again in the second quarter and ended the first half of the year at €4.64. Our shares have thus continued to outperform their benchmark indices this year.

We will continue to do everything we can to ensure the DEUTZ Group puts power in motion. Based on the positive course of business in the second quarter and the high volume of orders on hand, we expect to perform well in terms of revenue, unit sales and profit during the rest of the year. We would therefore like to reiterate our forecast for 2013 as a whole. Revenue is expected to reach at least €1.4 billion; there are also opportunities for higher revenue, but risks remain in Europe and China. The EBIT margin is predicted to exceed 3.0 per cent. Moreover, the foundations have been laid for further rises in revenue in subsequent years thanks to growth projects that have already been initiated and the increasing proportion of total unit sales accounted for by higher value engines for the new emissions standards.

Kind regards from Cologne,



Dr Helmut Leube



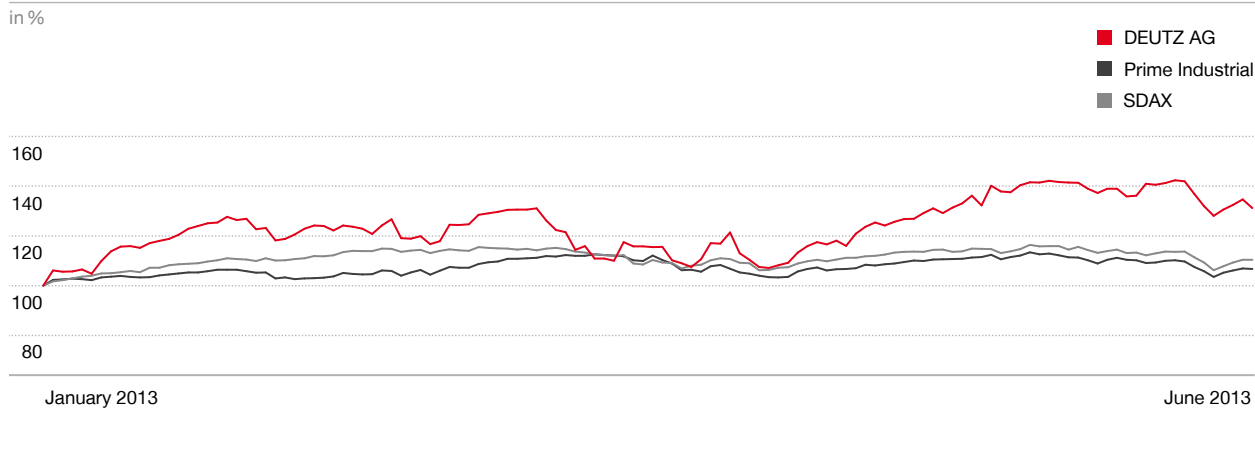
Dr Margarete Haase



Michael Wellenzohn

DEUTZ SHARES

DEUTZ share price performance



DEUTZ share price continues to recover Share prices reached record highs in Europe and the United States during the first half of 2013. Hopes that the global economy was stabilising, combined with the continuation of the central banks' expansionary monetary policy, helped to push up prices. These conditions were also favourable to the benchmark indices relevant to DEUTZ. The SDAX closed at 5,795.18 points at the end of June, up by 10.4 per cent compared with the 2012 year-end closing price. During the same period, the Prime Industrial rose by 6.7 per cent to close at 3,497.33 points.

DEUTZ shares performed even better during the first six months of 2013 and gained almost a third or 31.1 per cent overall. They therefore continued the bounce-back seen in recent months. Having reached its low for the year so far of €3.71 on 8 January 2013, the DEUTZ share price rose substantially in the weeks that followed and reached its high for the first half of 2013 of €5.04 on 18 June 2013. DEUTZ shares closed at €4.64 on 28 June 2013.

The number of DEUTZ shares remains unchanged at 120.9 million. At the end of June, the Company's market capitalisation therefore amounted to €560.8 million (31 December 2012: €427.9 million).

Swedish truck and construction equipment manufacturer AB Volvo is the largest individual shareholder in DEUTZ AG with a stake of just over 25 per cent. SAME DEUTZ-FAHR has a stake of 8.4 per cent. 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. Since mid-May, US-based Artisan Partners has held more than 3.0 per cent of the shares in our Company. Moreover, Norway's Norges Bank notified us after the balance sheet date that it also held more than 3.0 per cent of the shares in DEUTZ AG. Both of these are considered non-controlling shareholdings.

Our Annual General Meeting for this year was held in the Congress-Centrum Ost at Koelnmesse exhibition centre in Cologne-Deutz on 30 April 2013. All items on the agenda were adopted with a large majority, including a resolution on the election of new Supervisory Board members. The following candidates recommended by the Nominations Committee were elected as shareholder representatives: Lars-Göran Moberg, Dr Lodovico Bussolati, Göran Gummesson, Hans-Georg Härter, Michael Haupt and Eva Persson.

The number of banks and securities houses that analyse DEUTZ shares rose to 13. They are: Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, Equinet, Goldman Sachs, HSBC Trinkaus & Burkhardt, Kepler Capital Markets, Metzler, National-Bank, Solventis Wertpapierhandelsbank and UBS.

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

	1-6/2013	1-6/2012
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 (€)	4.64	4.01
Share price high (€)	5.04	5.72
Share price low (€)	3.71	3.82
Market capitalisation as at 30 June (€ million)	560.8	484.7
Earnings per share (€)	0.04	0.10

Based on Xetra closing prices

INTERIM MANAGEMENT REPORT OF THE DEUTZ GROUP FOR THE FIRST HALF OF 2013

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

ECONOMIC ENVIRONMENT

Global economic recovery so far weaker than expected¹⁾ World-wide growth was below previous expectations in the first half of 2013. As a result, the predictions for economic growth over the year as a whole have recently been taken down a notch. For example, the International Monetary Fund (IMF) recently lowered its global economic growth forecast for this year to 3.1 per cent; in April, the forecast still stood at 3.3 per cent.

Contracting by 0.6 per cent, the economy of the euro zone this year is unlikely to emerge from last year's recession. Although there is risk inherent in Europe's future economic performance, we are confident of an improvement in the growth situation in the second half of 2013. Our strong level of new orders certainly points to a better performance than indicated by the economic data. Germany remains an important driver of growth, having achieved a gain of 0.3 per cent. The business climate index published by the ifo Institute of Economic Research also performed well, rising for the third time in succession to reach 106.2 points in July 2013. This index covers trade and industry in Germany.²⁾

The US economy is likely to expand by 1.7 per cent this year and appears to be on the road to recovery. Employment has fallen in the United States recently, while consumer spending has gathered pace and the outlook for the leading indicator "housing starts" is also encouraging. The US economy has absorbed the recent tax increases and reduced government spending remarkably well.

China's economic performance was worse than predicted in the first half of the year. The IMF has lowered its growth forecasts for China from 8.0 per cent to 7.8 per cent, although risks remain. Evidently, the Chinese government has decided to forego any further major stimulus packages and to slightly scale back the supply of credit in the Chinese economy in order to prevent overheating. Nonetheless, we still firmly believe that China will remain a high-growth market in the medium and long term.

International financial markets were recently unsettled by the Federal Reserve's announcement that it would stop buying US government bonds earlier than planned. Although interest rates at the long end have risen, we do not see an end in sight for the worldwide central bank policy of low interest rates.

German engineering sector still waiting for a breakthrough³⁾ Between January and May of this year, new orders received in the German engineering sector remained at roughly the level seen in the same period last year. In real terms, there was a year-on-year fall in orders of 1 per cent. The general inclination to invest around the world is still not showing any clear signs of recovery.

NEW ORDERS

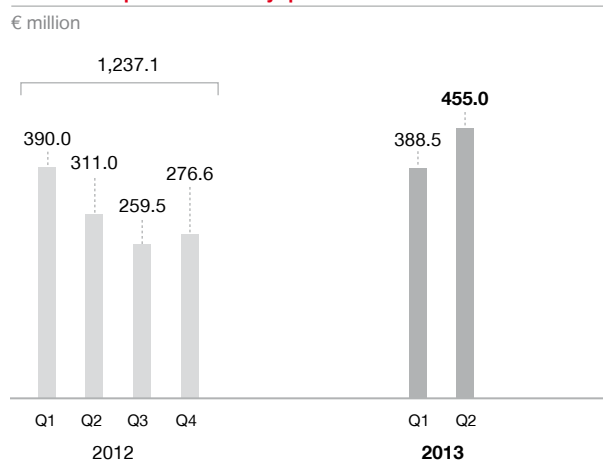
Orders at a record level Despite the subdued economic environment, DEUTZ registered the highest level of new orders that it has ever achieved in its current business structure⁴⁾. DEUTZ won new orders amounting to €843.5 million in the first half of 2013, up by 20.3 per cent compared with the first half of 2012. Incoming orders at DEUTZ have therefore continued to rebound. The Agricultural Machinery application segment's performance was especially encouraging, with the total value of orders more than double the figure for the first six months of 2012. There was also further growth in the service business. By contrast, new orders in the Mobile Machinery, Stationary Equipment and Automotive application segments declined. New orders exceeded revenue by more than 27 per cent in the period under review.

In the second quarter of 2013, orders worth €455.0 million were placed with DEUTZ. This equates to a rise of 46.3 per cent compared with the prior-year period (Q2 2012: €311.0 million) and of 17.1 per cent compared with the previous quarter (Q1 2013: €388.5 million).

The very positive upward trend in new orders is attributable not only to the growth of the Agricultural Machinery application segment but also to the increasing proportion of more expensive products and the success of new customer projects and new applications for existing customers. In addition, the orders encompass engines produced in anticipation of the introduction during 2014 of the EU IV and US Tier 4 Final emissions standards.

Orders on hand stood at €352.9 million on 30 June 2013. This was up by 41.4 per cent on the figure a year earlier (30 June 2012: €249.6 million) and up by almost 30 per cent compared with the end of March 2013.

DEUTZ Group: New orders by quarter⁵⁾



¹⁾ Source: IMF World Economic Outlook Update, July 2013

²⁾ Source: ifo Institute of Economic Research, Business Climate Germany, July 2013

³⁾ Source: Konjunkturbulletin of the German Engineering Federation (VDMA), July 2013

⁴⁾ The current business structure has been in place since 2007 when the DEUTZ Power Systems segment was sold

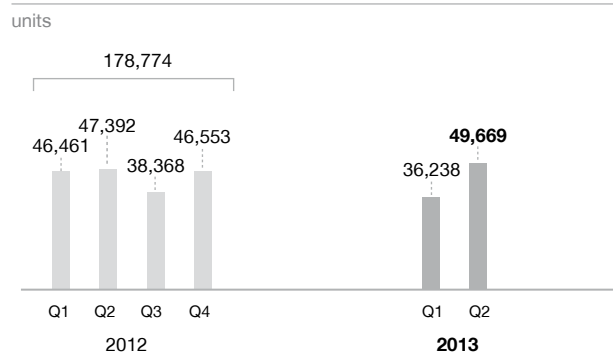
⁵⁾ These and subsequent quarterly figures are based on published quarterly financial statements and have not been audited

UNIT SALES

Unit sales still trailing new orders We sold 85,907 engines in the first half of 2013. This equates to a decline of 8.5 per cent compared with the same period of last year, when we sold 93,853 engines. However, the quarterly figures show that unit sales are increasing this year. Second-quarter unit sales totalled 49,669 engines, which was 4.8 per cent more than in the corresponding quarter of last year (Q2 2012: 47,392 engines) and over 37 per cent more than in the previous quarter (Q1 2013: 36,238 engines).

All regions reported slightly lower unit sales in the first six months of 2013, with a year-on-year decline of 7.8 per cent in EMEA (Europe, Middle East and Africa), our largest market, where we sold 64,042 engines. In the Americas, unit sales fell by 9.3 per cent year on year to 17,574 engines, while 4,291 engines were sold in the Asia-Pacific region, representing a drop of 14.6 per cent.

DEUTZ Group: Unit sales by quarter

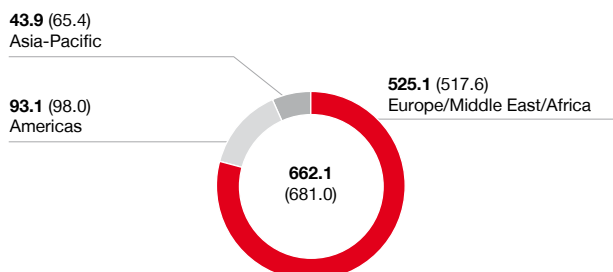


RESULTS OF OPERATIONS

REVENUE

DEUTZ Group: Revenue by regions

€ million (2012 figures)



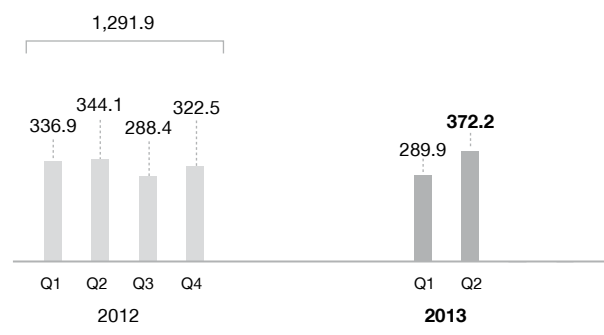
Year-on-year increase in second-quarter revenue

DEUTZ earned revenue of €662.1 million in the period under review, 2.8 percent less than in the first six months of last year (H1 2012: €681.0 million). Revenue was therefore stronger than unit sales because of the increasing proportion of higher-value engines to meet the new emissions standards – a trend that we have highlighted a number of times. In the second quarter of 2013, revenue came to €372.2 million, up by 8.2 per cent on the second quarter of 2012 (€344.1 million) and 28.4 per cent more than in the first quarter of 2013 (€289.9 million). This illustrates that revenue is also rising significantly over the course of this year.

Broken down by region, revenue in EMEA advanced by 1.4 per cent to €525.1 million in the first half of the year. The Americas generated revenue of €93.1 million, 5.0 per cent less than in the corresponding prior-year period. Revenue in the Asia-Pacific region fell by almost a third to €43.9 million. However, using a pro-forma calculation including revenue from the equity-accounted joint ventures in which we hold a stake of 50 per cent, revenue in Asia-Pacific would have gone up by 7.6 per cent to €253.7 million. Overall, the proportion of revenue generated outside Germany was unchanged year on year at 83.0 per cent. Analysis of the application segments shows that Agricultural Machinery achieved a substantial revenue gain of 37.4 per cent. The service business remained at approximately the same level as last year, but revenue in all other application segments declined.

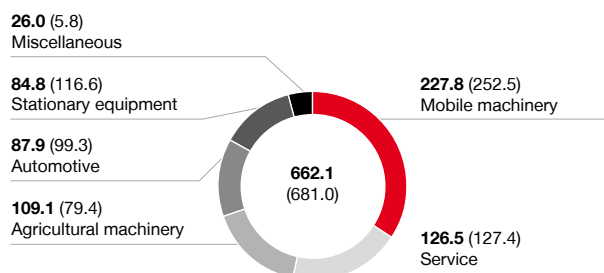
DEUTZ Group: Revenue by quarters

€ million



DEUTZ Group: Revenue by application segment

€ million (2012 figures)



EBIT

The operating profit (EBIT) for the first six months of 2013 totalled €10.1 million, equating to a decline of €10.6 million compared with the corresponding period of last year (H1 2012: €20.7 million¹⁾). This fall in profit was attributable not only to the lower volume of business but also to increased amortisation on completed development projects.

However, the quarterly comparison reveals a different picture: our operating profit of €16.5 million in the second quarter of 2013 was up by a considerable €22.9 million on the previous quarter (Q1 2013: operating loss of €6.4 million) and up by €5.8 million on the prior-year quarter (Q2 2012: operating profit of €10.7 million¹⁾). The reasons for this improvement are, above all, the increased business volume in the second quarter of 2013 and the improved profit reported on equity-accounted investments.

The **cost of sales** for the first half of 2013 amounted to €570.0 million (H1 2012: €585.2 million). This year-on-year decrease of €15.2 million was largely due to the figure for cost of materials falling because of the lower business volume (H1 2013: €403.5 million; H1 2012: €422.3 million). By contrast, staff costs and depreciation on property, plant and equipment remained virtually the same as the previous year. In the first six months, the ratio of cost of sales to revenue was at the same level as in the corresponding period of 2012 at 86.1 per cent; in the second quarter of 2013, the ratio had improved to 83.9 per cent.

Research and development expenditure largely comprised staff costs, cost of materials and amortisation on completed development projects from which investment grants received and capitalised development expenditure were deducted. In the first six months of the current year, research and development expenditure totalled €29.8 million, a year-on-year rise of €10.2 million (H1 2012: €19.6 million). The key factor in this trend was higher amortisation on completed development projects due to several product launches in the second half of 2012 and at the start of this year.

Selling and administrative expenses had risen slightly compared with the first half of 2012 and amounted to €48.9 million in the reporting period (H1 2012: €48.1 million).

Other operating income and other operating expenses were down by €5.1 million and €1.5 million respectively compared with the first half of 2012. The main factors in these decreases were lower income and expenses from foreign-currency transactions and adjustment of provisions in the first six months of last year.

The **loss on equity-accounted investments** contracted by €7.9 million to €0.4 million compared with the first half of last year (H1 2012: €8.3 million). This positive trend was mainly attributable to the earnings performance of our Chinese joint venture DEUTZ (Dalian) Engine Co. on the back of a larger business volume and increased efficiency. Moreover, the figure for the first half of 2012 had also been negatively affected by the loss incurred by Bosch Emission Systems GmbH & Co. KG. The 25 per cent stake in this joint venture was sold at the end of 2012.

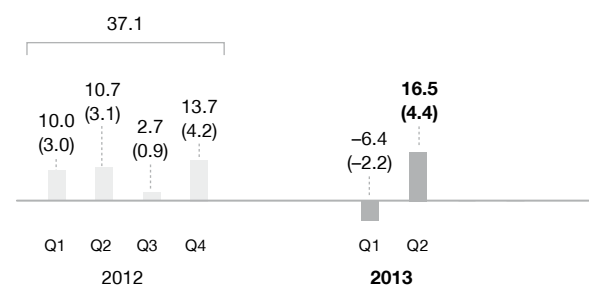
Net interest expense was down by €4.4 million compared with the same period of 2012 and amounted to €2.6 million (H1 2012: €7.0 million). Although interest income was slightly higher, this improvement was mainly the result of the reduction in finance costs due to lower utilisation of the new funding facility that had been in place since mid-2012 and its more favourable interest rates.

Income taxes amounted to €2.1 million in the first six months of 2013 (H1 2012: €1.6 million). The year-on-year change is due, in particular, to higher current tax expenses (H1 2013: €3.0 million; H1 2012: €1.6 million). These were partly offset by deferred tax income – predominantly relating to better opportunities to optimise loss carryforwards – of €0.9 million (H1 2012: €0.0 million).

Net income for the first six months of 2013 amounted to €5.4 million (H1 2012: €12.1 million), resulting in earnings per share of €0.04 (H1 2012: €0.10).

DEUTZ Group: Operating profit/EBIT margin by quarter

€ million (EBIT margin in %)



¹⁾ Starting in 2013, the income statement is structured according to the function-of-expense method. Other taxes are no longer reported separately after operating profit/loss and are instead allocated to functional costs within operating profit/loss. The comparative prior-year figures have been restated accordingly to improve comparability

BUSINESS PERFORMANCE IN THE SEGMENTS

BUSINESS PERFORMANCE IN THE DEUTZ COMPACT ENGINES (DCE) SEGMENT

Uptrend in new orders The DEUTZ Compact Engines (DCE) segment won new orders amounting to €700.5 million in the first half of 2013, up by 27.6 per cent year on year (H1 2012: €548.8 million). Incoming orders in the second quarter of 2013 rose by as much as 47.5 per cent to €372.2 million compared with €252.3 million in the second quarter of 2012, while they had increased by 13.4 per cent compared with the encouraging €328.3 million reported in the first quarter of this year. The reasons for the DCE segment's very good level of new orders are the same as those that apply to the Group as a whole: a very strong performance by the Agricultural Machinery application segment, the growing proportion of higher value products, successful business with new customers and new applications as well as the sale of engines produced in anticipation of new emissions standards. Moreover, new orders were 28.2 per cent ahead of revenue in the first half of the year. As at 30 June 2013, orders on hand stood at €262.1 million, a year-on-year increase of 55.6 per cent (30 June 2012: €168.4 million) and a third higher than at the end of the first quarter (31 March 2013: €196.9 million).

Unit sales still in decline The DCE segment sold 79,132 engines in the first six months of the year, 6.5 per cent fewer than in the first half of last year (H1 2012: 84,611 engines). However, the 45,412 engines sold in the second quarter of 2013 represent a year-on-year increase of 5.5 per cent (Q2 2012: 43,032 engines). Unit sales were also up on the first quarter of 2013 when 33,720 engines were sold. All regions reported a decline in unit sales in the first half of this year.

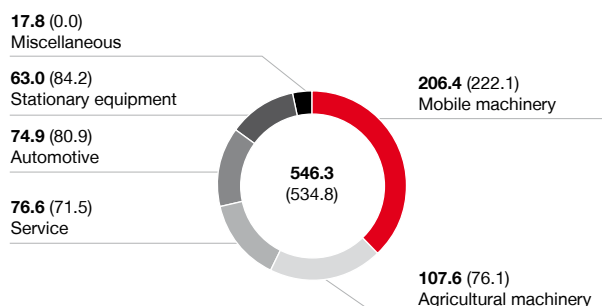
Revenue rises again Although this segment saw a decline in unit sales, its revenue has begun to rise again. Revenue advanced by 2.2 per cent to €546.3 million in the first half of 2013, compared with €534.8 million a year earlier. EMEA, the largest region, generated revenue of €454.7 million, 6.8 per cent more than in the first six months of last year. Revenue in the Americas was on a par with last year at €73.0 million, while Asia-Pacific's revenue declined by almost a half to €18.6 million. The Agricultural Machinery application segment posted an encouraging increase of 41.4 per cent in its revenue, and service business revenue was up by 7.1 per cent. By contrast, revenue in the Mobile Machinery, Automotive and Stationary Equipment application segments fell by 7.1 per cent, 7.4 per cent and 25.2 per cent respectively. Revenue advanced by 12.8 per cent to €306.6 million in the second quarter of 2013, compared with €271.8 million in the same period of 2012. The increase compared with the first quarter of 2013 was 27.9 per cent (Q1 2013: €239.7 million).

Considerable improvement in operating profit in the second quarter Following a rather muted start to the year, the DCE segment reported a sharp rise in operating profit (EBIT) in the second quarter of 2013. The larger volume of business enabled us to boost the operating profit for this segment to €5.7 million, up by €16.9 million on the previous quarter (Q1 2013: operating loss of €11.2 million) and up by €6.1 million on the second quarter of last

year (Q2 2012: operating loss of €0.4 million). Over the first half of 2013 as a whole, however, the segment posted an operating loss of €5.5 million, which equates to a year-on-year increase of €4.1 million (H1 2012: operating loss of €1.4 million). The main reason for this increase was rising amortisation on completed development projects due to several product launches at the end of 2012 and the start of 2013.

DEUTZ Compact Engines: Revenue by application segment

€ million (2012 figures)



BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS (DCS) SEGMENT

Small decline in new orders In the first half of 2013, the DEUTZ Customised Solutions (DCS) segment received new orders for engines worth €143.0 million, which was a drop of 6.0 per cent compared with the first half of the previous year (H1 2012: €152.2 million). New orders for the second quarter of 2013 came to €82.8 million, up by 41.1 per cent on the second quarter of 2012 (€58.7 million) and 37.5 per cent more than in the first quarter of 2013 (€60.2 million). This shows that the sales initiative that we launched for the DCS segment in the first quarter is already making an impact. As a result, the level of new orders also exceeded revenue in this segment. As at 30 June 2013, orders on hand stood at €90.8 million, a year-on-year increase of 11.8 per cent (30 June 2012: €81.2 million) and 20.7 per cent higher than at the end of the first quarter (31 March 2013: €75.2 million).

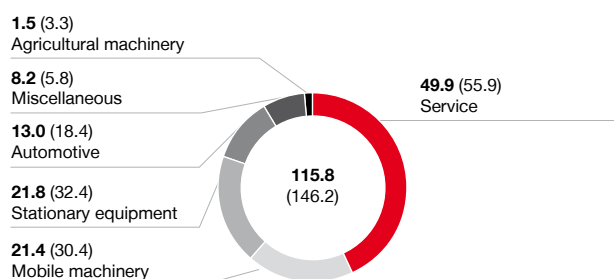
Unit sales still below previous year The DCS segment sold 6,775 engines in the first six months of the year, 26.7 per cent fewer than in the first half of last year (H1 2012: 9,242 engines). All regions and application segments reported lower unit sales. Nonetheless, unit sales have risen during the course of this year: although sales of 4,257 engines in the second quarter of 2013 equated to a year-on-year decrease of 2.4 per cent (Q2 2012: 4,360 engines), they represent a sharp rise of 69.1 per cent compared with the low level of unit sales in the first quarter of this year (Q1 2013: 2,518 engines).

Revenue decline low relative to fall in unit sales Revenue decreased by 20.8 per cent to €115.8 million in the first six months of the current year, compared with €146.2 million in the same period last year. In this segment too, all regions and application segments were down year on year. Although revenue in the second quarter of 2013 was up by 30.7 per cent on the previous quarter, it was down by 9.3 per cent on the second quarter of 2012.

Operating profit of DCS The operating profit (EBIT) of the DEUTZ Customised Solutions segment was squeezed in the first half of 2013, particularly by the lower volume of business. In the first six months of this year, operating profit stood at €16.2 million, a year-on-year fall of €11.0 million (H1 2012: €27.2 million). However, the quarterly comparison reveals that the operating profit of €11.1 million generated in the second quarter of 2013 was €6.0 million higher than in the first three months of 2013 (Q1 2013: €5.1 million). This was because of the increased business volume. Nevertheless, it was still down by €4.2 million on the very strong operating profit of €15.3 million reported by the segment in the second quarter of 2012.

DEUTZ Customised Solutions: Revenue by application segment

€ million (2012 figures)



BUSINESS PERFORMANCE IN THE OTHER SEGMENT

In the first six months of this year, the Other segment's operating profit improved by €4.5 million, resulting in an operating loss of €0.6 million (H1 2012: operating loss of €5.1 million). Crucial to this improvement was the sale of the 25 per cent stake in Bosch Emission Systems GmbH & Co. KG at the end of 2012. Operating profit for the first half of 2012 had been negatively affected by the loss incurred by this joint venture.

FINANCIAL POSITION

FUNDING

Since mid-2012, a syndicate of five German banks has 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 we need it until June 2017. DEUTZ can elect whether to utilise the cash line as a bilateral overdraft facility (up to €60 million) or to draw down amounts under the syndicated line with interest periods of three to six months. In mid-2012, the European Investment Bank also granted us a €90 million loan. This loan, which is also unsecured, must be repaid by mid-2020, 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. The 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 medium to long term.

CASH FLOW

Cash flow from operating activities amounted to €49.0 million in the first six months of this year, compared with €16.8 million in the corresponding period of 2012. Despite the decline in operating profit, cash flow from operating activities advanced by €32.2 million. The main reason for this improvement was that growth in working capital was much lower in the first half of 2013 than in the same period of last year.

During the period under review, cash flow from investing activities amounted to a net outflow of €42.8 million, meaning that we invested €16.1 million less than in the same period the previous year (H1 2012: net outflow of €58.9 million). This decline was largely due to reduced investment in development projects and in property, plant and equipment. Furthermore, outstanding investments were still being made in the Bosch Emission Systems GmbH & Co. KG (BESG) joint venture in the first half of 2012. We sold our 25 per cent stake in BESG to the main shareholder, Robert Bosch GmbH, in the fourth quarter of 2012.

The net cash remaining after capital expenditure was mainly used to repay the current working capital facility. Overall, net cash used for financing activities in the first six months of 2013 totalled €13.1 million, contrasting with a net cash inflow of €26.9 million in the corresponding period of 2012.

Holdings of cash and cash equivalents declined by €6.6 million to €45.5 million in the first half of 2013, in particular as a result of repaying loans. The net financial position¹⁾ as at 30 June 2012 came to minus €44.9 million (31 December 2012: minus €48.6 million) and had therefore improved by a substantial €73.2 million year on year (30 June 2012: minus €118.1 million).

The free cash flow²⁾ in the period under review amounted to €3.4 million (H1 2012: minus €48.4 million). This significant year-on-year improvement was predominantly due to the smaller rise in working capital and to reduced capital expenditure. Free cash flow is normally negative in the first half of the year due to seasonal factors. It is therefore all the more encouraging that the free cash flow achieved in the first six months is positive at this early stage in the year.

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 net interest expense

NET ASSETS

Non-current and current assets Non-current assets stood at €637.5 million as at 30 June 2013 (31 December 2012: €648.7 million)¹⁾. The decline of €11.2 million compared with 31 December 2012 is, above all, attributable to changes in property, plant and equipment. Additions of €15.3 million were more than offset by depreciation and amortisation of €23.3 million. Current assets amounted to €431.4 million as at 30 June 2013. This rise of €46.0 million compared with 31 December 2012 was predominantly the result of increased inventories on the back of the higher level of new orders.

Working capital Working capital (inventories plus trade receivables minus trade payables) had risen by €27.7 million to €169.3 million as at 30 June 2013 (31 December 2012: €141.6 million). The main reason for this increase was the high level of orders on hand as at 30 June 2013. Moreover, working capital is typically low on this date compared with the end of the year due to seasonal factors. By contrast, the ratio as at 30 June 2013 had fallen by 0.7 percentage points year on year to 13.3 per cent (30 June 2012: 14.0 per cent). The average working capital ratio²⁾ was 13.7 per cent at 30 June 2013 (30 June 2012: 12.1 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 almost 150 years. DEUTZ also enjoys long-standing valuable relationships with customers; it has entered into long-term cooperation agreements, particularly with its key customers.

Equity ratio As at 30 June 2013, equity stood at €461.8 million (31 December 2012: €452.6 million)¹⁾. The increase of €9.2 million was largely the result of the net profit generated in the first six months of this year, although the effects of translating financial statements prepared in foreign currencies and changes in the discount rates used in the measurement of pension liabilities produced a rise in other comprehensive income. The growth in total assets caused the equity ratio to fall slightly, from 43.7 per cent at 31 December 2012¹⁾ to 43.1 per cent at 30 June 2013).

Non-current and current liabilities Non-current liabilities amounted to €294.4 million as at 30 June 2013. The reduction compared with 31 December 2012 totalled €17.4 million and was predominantly because we had drawn down less of the loan facility and because of smaller provisions for pensions and other post-retirement benefits. By contrast, current liabilities had advanced by €43.0 million to €314.5 million as at 30 June 2013 (31 December 2012: €271.5 million). This change was mainly driven by higher trade payables resulting from the increased level of new orders and by the rise in other provisions caused by accruals during the financial year, such as for staff costs.

Total assets amounted to €1,070.7 million as at 30 June 2013 (31 December 2012: €1,035.9 million).

EVENTS AFTER THE REPORTING PERIOD

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

RESEARCH AND DEVELOPMENT

R&D spending scaled back as planned Excluding grants, spending on research and development in the first half of 2013 amounted to €34.6 million, which was down by more than a quarter on spending in the same period last year (H1 2012: €46.8 million). Factoring in reimbursements from key customers and development partners, spending on research and development came to €26.7 million (H1 2012: €36.0 million). The R&D ratio (including grants) – the ratio of net R&D spending to consolidated revenue – fell from 5.3 per cent to 4.0 per cent in the period under review. As announced, we reduced this spending because new products had been launched on the market and work for the new exhaust emissions standards had reached an advanced stage.

In the first six months of 2013, we invested by far the largest proportion – 84.7 per cent – of total R&D spending (including grants) on the development of new engines and the refinement of existing ones (H1 2012: 89.8 per cent). Spending on ongoing support for existing engine series accounted for 10.1 per cent (H1 2012: 8.3 per cent) and spending on research and preliminary development work accounted for 5.2 per cent (H1 2012: 1.9 per cent).

The DEUTZ Compact Engines segment's spending on research and development (including grants) came to €24.3 million (H1 2012: €31.8 million), and that of the DEUTZ Customised Solutions segment came to €2.4 million (H1 2012: €4.2 million).

EMPLOYEES

Slight headcount increase again due to good capacity utilisation At the end of June 2013, the DEUTZ Group employed 4,030 people, which was twelve fewer than a year earlier (30 June 2012: 4,042 people), but 95 more than the figure reported three months earlier (31 March 2013: 3,935 people). In particular, we increased the number of contract workers in line with the rising level of new orders: we employed 454 contract workers at 30 June 2013, 130 more than we had a year earlier. At the end of March 2013, 196 contract workers had been working at DEUTZ. Hiring temporary workers and contract staff enables DEUTZ to respond flexibly to possible fluctuations in demand in a fast-moving market environment while continuing to grow profitably. Approximately 16 per cent of all staff at DEUTZ had temporary contracts or were contract workers as at 30 June 2013.

¹⁾ Because of a change in the accounting treatment of provisions for pensions and other post-retirement benefits, the prior-year figure was restated (see page 14 et seq. onwards.)

²⁾ Average working capital ratio: ratio of average working capital (inventories plus trade receivables minus trade payables) over four quarters to revenue for the last twelve months

- [Net assets](#)
- [Events after the reporting period](#)
- [Research and development](#)
- [Employees](#)
- [Risk report](#)
- [Related party disclosures](#)
- [Outlook](#)

In Germany, we employed 3,108 people at the end of period under review, which was 104 people fewer, or 3.2 per cent, than on the same date a year earlier. This figure was virtually identical to the figure at the end of the previous quarter (31 March 2013: 3,110 people). At the end of June, 2,430 people were employed at our plants in Cologne, which was 68 fewer than a year earlier. The number of employees in Ulm was 395, down by 6.8 per cent year on year.

Outside Germany, 922 people were working for our Company at the end of June of this year. The number of employees had therefore increased year on year by 92 – or 11.1 per cent. There was a similar rise of 97 employees compared with the end of the first quarter. For reasons of capacity utilisation, we particularly increased headcount at our Spanish production company DEUTZ Spain, where the workforce expanded significantly – by 64 people or 12.6 per cent – to 573 employees. There are now also 11 employees at our fledgling service facility in Russia, DEUTZ Vostock, and a further 19 employees at our Chinese production company DEUTZ Engine Shandong.

At the end of June 2013, 77.1 per cent of all employees were based in Germany (30 June 2012: 79.5 per cent) and 22.9 per cent in other countries (30 June 2012: 20.5 per cent).

In order to boost our sales operations, the Supervisory Board of DEUTZ AG appointed Mr Michael Wellenzohn as an additional member of the Board of Management with effect from 1 March 2013. He is responsible for the newly created sales and marketing division

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 41 to 45 of our 2012 annual report describe certain material risks for our financial position and financial performance and explain the structure of our risk management system. We did not identify any further material risks in the first half of 2013. Additional information, including on the opportunities for our Company, is provided in the Outlook section 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.

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

Further information on related-party disclosures is given on page 22 et seq. of the notes to the interim consolidated financial statements.

OUTLOOK

Moderate lowering of global economic forecasts Following a relatively weak recovery in the first half of this year, the economy is expected to pick up again, especially towards the end of 2013. In July, the IMF nonetheless slightly lowered the forecasts that it had made in April for 2013 as a whole¹⁾.

The global economy is expected to expand by 3.1 per cent in 2013 and by 3.8 per cent in 2014. The euro zone is still in recession, with its economy contracting by 0.6 per cent this year, but growth of 0.9 per cent is predicted for the coming year. Following growth of 0.3 per cent in 2013, Germany is expected to grow by 1.3 per cent in 2014. The US economy is likely to expand by 1.7 per cent in 2013 and 2.7 per cent in 2014. Forecasts for the Chinese economy indicate expansion of 7.8 per cent this year and 7.7 per cent next year.

DEUTZ confirms its outlook for 2013 as a whole We believe that revenue will continue to rise at an encouraging rate in 2013 and the years after that. These assumptions are based on structural growth resulting from growth projects, the success of our new products and the increasing proportion of unit sales accounted for by higher value engines for the new emissions standards. However, we anticipate that higher depreciation and amortisation, the growth projects and the production ramp-up of new engines will depress earnings in 2013. The low level of orders on hand at the start of the year and the sharp rise in demand over the course of the year pose a challenge for the flexibility of the supply chain and the employment models. Besides capacity management, we are continuing to focus on measures to cut costs and boost efficiency in all areas of the company, the smooth production start-up for our new engines and improvements to their profitability, plus the successful implementation of various new customer projects. We are also still concentrating on our growth projects in China within the scope of our strategy. In addition, we are reviewing our value chain in the mechanical fabrication of components.

We can clearly reiterate our forecast for 2013. We expect revenue to reach at least €1.4 billion on the back of the very high current level of orders on hand. Given this strong performance, there is a possibility of markedly higher revenue, but substantial risks remain, especially in Europe and China. The EBIT margin is predicted to improve compared with 2012 and should exceed 3.0 per cent.

Disclaimer

This management report 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 forward-looking statements made in this management report.

¹⁾ Source: IMF World Economic Outlook Update, July 2013

INTERIM FINANCIAL STATEMENTS OF THE DEUTZ GROUP FOR THE FIRST HALF OF 2013

INCOME STATEMENT FOR THE DEUTZ GROUP

	Note	adjusted ¹⁾		adjusted ¹⁾	
		4-6/2013	4-6/2012	1-6/2013	1-6/2012
€ million					
Revenue		372.2	344.1	662.1	681.0
Cost of goods sold		-312.4	-295.8	-570.0	-585.2
Research and development costs		-15.5	-10.2	-29.8	-19.6
Selling expenses		-15.8	-15.0	-31.4	-31.0
General administrative expenses		-10.1	-9.8	-17.5	-17.1
Other operating income		2.7	5.8	6.8	11.9
Other operating expenses		-5.3	-3.4	-9.7	-11.2
Income from investments accounted for using the equity method		0.7	-5.2	-0.4	-8.3
Other financial income		-	0.2	-	0.2
EBIT²⁾		16.5	10.7	10.1	20.7
Interest expenses, net		-1.3	-4.0	-2.6	-7.0
thereof finance costs		-1.9	-4.3	-3.6	-7.4
Net income before taxes on continuing operations		15.2	6.7	7.5	13.7
Income taxes	1	-2.9	-0.9	-2.1	-1.6
Net income		12.3	5.8	5.4	12.1
thereof attributable to owners of DEUTZ AG		12.4	5.8	5.5	12.1
thereof attributable to non-controlling interests		-0.1	-	-0.1	-
Earnings per share (€)		0.10	0.05	0.04	0.10

GROSS INCOME DEUTZ GROUP

	Note	adjusted ¹⁾		adjusted ¹⁾	
		4-6/2013	4-6/2012	1-6/2013	1-6/2012
€ million					
Net income		12.3	5.8	5.4	12.1
Amounts that will not be reclassified subsequently to profit or loss		3.6	-4.1	2.4	-9.4
Actuarial gains/losses from the remeasurement of pensions and similar obligations		3.6	-4.1	2.4	-9.4
Amounts that will be reclassified subsequently to profit or loss when specific conditions are met		-1.0	3.5	1.4	2.3
Currency translation differences		-1.7	4.5	1.0	1.6
Effective portion of change in fair value from cash flow hedges		0.7	-1.0	0.3	0.6
Change in fair value of available-for-sale financial assets		-	-	0.1	0.1
Other comprehensive income, net of tax	2	2.6	-0.6	3.8	-7.1
Comprehensive income		14.9	5.2	9.2	5.0
thereof attributable to shareholders of DEUTZ AG		14.7	5.2	8.9	5.0
thereof attributable to non-controlling interests		0.2	-	0.3	-

¹⁾ Some of the amounts shown vary from the amounts shown in the interim 2012 consolidated financial statements owing to changes made as a result of initial application of the revised provisions of IAS 19 "Employee Benefits" (for details, see the notes on page 14 et seq.)

²⁾ Since 2013, the income statement has been structured according to the cost-of-sales method. Other taxes are no longer reported separately after operating profit/loss (EBIT) and are instead allocated to functional costs within operating profit/loss. In the first half of 2013 and in the second quarter of 2013, other taxes amounted to €0.7 million and €0.4 million respectively (H2 2012: €0.9 million; Q2 2012: €0.6 million). The comparative prior-year figures have been restated accordingly to improve comparability

BALANCE SHEET FOR THE DEUTZ GROUP

Assets	Note	30/6/2013	adjusted ¹⁾	adjusted ¹⁾
			31/12/2012	1/1/2012
€ million				
Property, plant and equipment	3	309.6	318.9	311.5
Intangible assets	3	242.9	244.3	227.8
Equity-accounted investments		47.5	47.1	71.8
Other financial assets		10.6	11.0	12.0
Non-current assets (before deferred tax assets)		610.6	621.3	623.1
Deferred tax assets		26.9	27.4	19.4
Non-current assets		637.5	648.7	642.5
Inventories	4	224.7	184.4	187.6
Trade receivables		126.9	116.1	163.6
Other receivables and assets		34.3	32.8	55.5
Cash and cash equivalents		45.5	52.1	51.6
Current assets		431.4	385.4	458.3
Non-current assets held for sale		1.8	1.8	0.4
Total assets		1,070.7	1,035.9	1,101.2
Equity and liabilities	Note	30/6/2013	adjusted ¹⁾	adjusted ¹⁾
Issued capital		309.0	309.0	309.0
Additional paid-in capital		28.8	28.8	28.8
Other reserves		9.2	8.2	9.1
Retained earnings and accumulated income		108.0	100.1	95.8
Equity attributable to shareholders of DEUTZ AG		455.0	446.1	442.7
Non-controlling interests		6.8	6.5	–
Equity		461.8	452.6	442.7
Provisions for pensions and other post-retirement benefits		173.6	181.8	164.3
Other provisions	5	27.0	25.4	29.3
Financial liabilities	6	89.7	99.6	119.3
Other liabilities		4.1	5.0	4.4
Non-current liabilities		294.4	311.8	317.3
Provisions for pensions and other post-retirement benefits		15.4	15.4	15.6
Provision for current income taxes		2.8	2.2	0.2
Other provisions	5	52.2	41.6	43.0
Financial liabilities	6	0.7	1.1	1.9
Trade payables		182.3	158.9	209.1
Other liabilities		61.1	52.3	71.4
Current liabilities		314.5	271.5	341.2
Total equity and liabilities		1,070.7	1,035.9	1,101.2

¹⁾ Some of the amounts shown vary from the amounts shown in the interim 2012 consolidated financial statements owing to changes made as a result of initial application of the revised provisions of IAS 19 "Employee Benefits" (for details, see the notes on page 14 et seq.)

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

	Issued capital	Additional paid-in capital	Retained earnings/ accumulated income	Fair value reserve ^{1), 2)}	Currency translation reserve ¹⁾	Equity attributable to shareholders of DEUTZ AG	Non-controlling interests	Total
€ million								
Balance at 1 Jan. 2012	309.0	28.8	106.6	-1.4	10.5	453.5	-	453.5
Changes in accounting policies ³⁾			-10.8			-10.8	-	-10.8
Balance at 1 Jan. 2012 (adjusted)	309.0	28.8	95.8	-1.4	10.5	442.7	-	442.7
Net income			12.1			12.1	-	12.1
Other comprehensive income			-9.4	0.7	1.6	-7.1	-	-7.1
Comprehensive income			2.7	0.7	1.6	5.0	-	5.0
Balance at 30 June 2012	309.0	28.8	98.5	-0.7	12.1	447.7	-	447.7
Balance at 1 Jan. 2013	309.0	28.8	100.1	-0.1	8.3	446.1	6.5	452.6
Net income			5.5			5.5	-0.1	5.4
Other comprehensive income			2.4	0.4	0.6	3.4	0.4	3.8
Comprehensive income			7.9	0.4	0.6	8.9	0.3	9.2
Balance at 30 June 2013	309.0	28.8	108.0	0.3	8.9	455.0	6.8	461.8

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

³⁾ The restatement relates to the revised accounting treatment of pension liabilities (see page 14 et seq. of the notes to the financial statements)

CASH FLOW STATEMENT FOR THE DEUTZ GROUP

	Note	1–6/2013	1–6/2012
€ million			
EBIT¹⁾		10.1	20.7
Income taxes paid		0.8	–2.5
Depreciation and amortisation		45.7	36.7
Gain/loss on disposals of fixed assets		–	–0.1
Net result from equity-accounted investments		0.4	8.3
Other non-cash expenses/income		0.2	1.1
Change in working capital		–21.0	–61.8
Change in inventories		–40.2	–31.8
Change in trade receivables		–10.8	10.5
Change in trade payables		30.0	–40.5
Change in other receivables and other current assets		1.7	4.3
Change in provisions and other liabilities (excluding financial liabilities)		11.1	10.1
Cash flow from operating activities		49.0	16.8
Capital expenditure on intangible assets, property, plant and equipment		–43.1	–53.7
Capital expenditure on investments		–	–5.5
Proceeds from the sale of non-current assets		0.3	0.3
Cash flow from investing activities		–42.8	–58.9
Interest income		0.7	0.3
Interest expenses		–3.5	–6.6
Cash receipts from borrowings		–	35.0
Repayments of loans		–10.3	–1.8
Cash flow from financing activities		–13.1	26.9
Cash flow from operating activities		49.0	16.8
Cash flow from investing activities		–42.8	–58.9
Cash flow from financing activities		–13.1	26.9
Change in cash and cash equivalents		–6.9	–15.2
Change in cash and cash equivalents at 1 January		52.1	51.6
Change in cash and cash equivalents		–6.9	–15.2
Change in cash and cash equivalents related to exchange rates		0.3	0.1
Change in cash and cash equivalents at 30 June		45.5	36.5

¹⁾ Since 2013, the income statement has been structured according to the cost-of-sales method. Other taxes are no longer reported separately after operating profit/loss (EBIT) and are instead allocated to functional costs within operating profit/loss. In the first half of 2013 and in the second quarter of 2013, other taxes amounted to €0.7 million and €0.4 million respectively (H2 2012: €0.9 million; Q2 2012: €0.6 million). The comparative prior-year figures have been restated accordingly to improve comparability

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE DEUTZ GROUP FOR THE FIRST HALF OF 2013

BASIC PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These interim financial statements for the period ended 30 June 2013 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 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 2012 financial year.

The condensed interim consolidated financial statements for the period ended 30 June 2013 – 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 2013 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 2012. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2012. If they are material, revenue-related and cyclical items are accrued during the year. The income taxes are calculated on the basis of the effective tax rate currently expected to apply to the DEUTZ Group for the year as a whole.

IAS 1 (revised) “Presentation of Financial Statements” IAS 1 (revised) “Presentation of Financial Statements” The revisions to IAS 1 affect the grouping of the line items shown in other comprehensive income. Items that will be reclassified to the income statement in a later period (known as “recycling”) must now be shown separately from items that will continue to be recognised in other comprehensive income in future. As this amendment relates exclusively to presentation of the financial statements, it has had no impact on the DEUTZ Group’s financial position or financial performance.

IAS 12 (revised) “Income Taxes” Measurement of deferred taxes depends on whether the carrying amount of an asset is recovered through use or sale. The amendment introduces a rebuttable presumption that the carrying amount is normally recovered through sale. Initial application of these amendments has not affected these interim consolidated financial statements for the period ended 30 June 2013.

IAS 19 (revised) “Employee Benefits” One of the material changes to IAS 19 is the abolition of the option to defer recognition of actuarial gains and losses (known as the “corridor method”). Such changes in the fair value of a defined benefit obligation must now be recognised in full in other comprehensive income when they occur. Furthermore, the expected return on the plan asset and the interest costs on the defined benefit obligation have been replaced with a single net interest component. Any net interest result is then recognised in the income statement. Finally, the IASB has amended the rules on termination benefits and introduced additional disclosure requirements in the revised IAS 19.

In accordance with IAS 8, the amendments to IAS 19 apply retrospectively. The DEUTZ Group previously recognised actuarial gains and losses using the corridor method. As a result, a substantial proportion of actuarial gains and losses were not shown on the face of the balance sheet. Initial application of the new provisions of IAS 19 has therefore led to financial information being restated as follows:

As at 1 January 2012:

- Increase of €15.8 million in provisions for pensions and other post-retirement benefits
- Rise of €5.0 million in deferred tax assets
- Net decrease of €10.8 million in retained earnings

For the period 1 January to 30 June 2012:

- Increase of €13.7 million in provisions for pensions and other post-retirement benefits
- Rise of €4.3 million in deferred tax assets
- Decrease of €9.4 million in other comprehensive income

For the period 1 January to 31 December 2012:

- Increase of €24.4 million in provisions for pensions and other post-retirement benefits
- Rise of €7.7 million in deferred tax assets
- Decrease of €16.7 million in other comprehensive income

IFRS 7 (revised) “Financial Instruments: Disclosures” This amendment to IFRS 7 was published in December 2011 and relates to the offsetting of financial assets and financial liabilities. The new disclosures are designed to enable reconciliation of the gross risk position to the net risk position. The amendment applies to financial years beginning on or after 1 January 2013. The revision of IFRS 7 relates exclusively to the notes to the consolidated financial statements and therefore does not impact on the DEUTZ Group’s financial position or financial performance.

IFRS 13 “Fair Value Measurement” This standard, which was published in May 2011, relates to the procedure for measuring fair value. The assets and liabilities to be measured at fair value continue to be defined by the relevant item-specific standards. IFRS 13 applies to financial years beginning on or after 1 January 2013. Initial application of this standard has not affected these interim consolidated financial statements for the period ended 30 June 2013.

Collective standard amending various IFRSs (2009-2011) Collective standard amending various IFRSs (2009-2011) The changes were published in May 2012 and are primarily intended to clarify certain ambiguous provisions in the standards. The amendments come into force for financial years commencing on or after 1 January 2013. Application of these amendments has not had any impact on the consolidated financial statements.

Amended presentation of the income statement In 2013, the DEUTZ Group began to use the function-of-expense method to present its income statement. By contrast with the nature-of-expense method used previously, the expense for the period is now broken down into the different functional areas of the DEUTZ Group rather than into the different types of expense. The individual functional areas specify how the types of expense are allocated to the different functions in the Company on the basis of a defined cost centre structure. Expenses incurred in connection with cross-functional projects are allocated to the relevant functional costs using an appropriate formula. This new presentation structure is closer to common practice in the sector. As the amendment relates only to presentation of the income statement, it has no impact on the DEUTZ Group's financial position or financial performance. However, the transition to the function-of-expense method requires other taxes to be disclosed differently. Instead of being reported separately after operating profit/loss (EBIT), other taxes are now allocated to functional costs within operating profit/loss. Other taxes in the first half of 2013 amounted to €0.7 million (H1 2012: €0.9 million). There are also changes to the composition of other operating income and other operating expenses. The comparative 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 as at the balance sheet date and on the reporting of income and expenses in the period under review.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. INCOME TAXES

	1-6/2013	1-6/2012
€ million		
Current tax expense	3.0	1.6
Deferred taxes	-0.9	-
Total	2.1	1.6

Income taxes predominantly comprised current tax expense in the first six months of 2013. Deferred tax income related to future tax assets arising from loss carryforwards.

2. 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:

	1-6/2013		
	before taxes	taxes	after taxes
€ million			
Actuarial gains and losses from the remeasurement of pensions and similar obligations	3.6	-1.2	2.4
Currency translation differences	1.0	-	1.0
Effective portion of change in fair value from cash flow hedges	0.4	-0.1	0.3
Change in fair value of available-for-sale financial instruments	0.1	-	0.1
Other comprehensive income	5.1	-1.3	3.8

	1–6/2012		
	before taxes	taxes	after taxes
€ million			
Actuarial gains and losses from the remeasurement of pensions and similar obligations	–13.7	4.3	–9.4
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	–11.2	4.1	–7.1

A pre-tax profit of €0.5 million relating to cash flow hedges was reclassified to the income statement in the first half of the current financial year (H1 2012: pre-tax loss of €1.3 million).

3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Capital expenditure on property, plant and equipment and on intangible assets (including grants) amounted to €35.2 million in the first half of the year (H1 2012: €55.4 million). This was broken down into €19.8 million on intangible assets – the lion's share relating to the development of new engines and refinement of existing models – and €15.4 million on property, plant and equipment. The capital expenditure on property, plant and equipment focused on new production facilities and tools in preparation for the production start-up of new engines. Capital expenditure was offset by depreciation and amortisation of €45.7 million (H1 2012: €36.7 million).

Commitments to purchase property, plant and equipment and intangible assets amounted to €30.5 million as at 30 June 2013 (31 December 2012: €37.6 million).

4. INVENTORIES

Compared with 31 December 2012, inventories had grown by €40.3 million to €224.7 million as at 30 June 2013. This increase primarily related to finished goods, raw materials and consumables. The substantial rise in the level of orders on hand as at 30 June 2013 was the main factor in this trend.

Commitments to purchase inventories as at 30 June 2013 came to €120.6 million (31 December 2012: €93.1 million).

5. OTHER PROVISIONS

	30/6/2013	31/12/2012
€ million		
Non-current	27.0	25.4
Current	52.2	41.6
Total	79.2	67.0

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

6. FINANCIAL LIABILITIES

	30/6/2013	31/12/2012
€ million		
Non-current	89.7	99.6
Current	0.7	1.1
Total	90.4	100.7

ADDITIONAL DISCLOSURES

STAFF COSTS

	1–6/2013	1–6/2012
€ million		
Salaries	58.8	58.2
Wages	59.4	57.8
Social security contributions	19.9	20.5
Interest cost for pension provisions	2.9	4.2
Cost of severance payments/personnel restructuring	0.4	0.3
Total	141.4	141.0

FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of the individual financial assets and liabilities for each separate category of financial instrument, reconciled to the corresponding balance sheet item.

30/6/2013							
Assets	Measured at amortised cost		Measured at fair value			Assets not falling under the scope of IAS 39	Carrying amount on the face of the balance sheet
	Loans and receivables	Available-for-sale financial assets	Available-for-sale financial assets	Derivates designated as hedging instruments (without affecting profit/loss)	Held-for-trading financial assets	Carrying amount	
€ million							
Non-current financial assets	1.3	5.8	2.1	-	-	1.4	10.6
Current financial assets	195.9	-	-	0.2	0.1	10.5	206.7
Trade receivables	126.9	-	-	-	-	-	126.9
Other receivables and assets	23.5	-	-	0.2	0.1	10.5	34.3
Cash and cash equivalents	45.5	-	-	-	-	-	45.5

31/12/2012							
Assets	Measured at amortised cost		Measured at fair value			Assets not falling under the scope of IAS 39	Carrying amount on the face of the balance sheet
	Loans and receivables	Available-for-sale financial assets	Available-for-sale financial assets	Derivates designated as hedging instruments (without affecting profit/loss)	Held-for-trading financial assets	Carrying amount	
€ million							
Non-current financial assets	1.3	5.8	2.1	-	-	1.8	11.0
Current financial assets	198.4	-	-	0.4	0.2	2.0	201.0
Trade receivables	116.1	-	-	-	-	-	116.1
Other receivables and assets	30.2	-	-	0.4	0.2	2.0	32.8
Cash and cash equivalents	52.1	-	-	-	-	-	52.1

30/6/2013					
Equity and liabilities	Measured at amortised cost	Measured at fair value		Assets not falling under the scope of IAS 39	
	Financial liabilities	Derivates designated as hedging instruments (without affecting profit/loss)	Held-for- trading financial liabilities	Carrying amount	Carrying amount on the face of the balance sheet
€ million					
Non-current financial liabilities	90.6	0.2	–	3.0	93.8
Financial liabilities	89.7	–	–	–	89.7
Other liabilities	0.9	0.2	–	3.0	4.1
Current financial liabilities	229.6	–	0.4	10.6	240.6
Financial liabilities	0.7	–	–	–	0.7
Trade payables	182.3	–	–	–	182.3
Other liabilities	46.6	–	0.4	10.6	57.6
31/12/2012					
Equity and liabilities	Measured at amortised cost	Measured at fair value		Assets not falling under the scope of IAS 39	
	Financial liabilities	Derivates designated as hedging instruments (without affecting profit/loss)	Held-for- trading financial liabilities	Carrying amount	Carrying amount on the face of the balance sheet
€ million					
Non-current financial liabilities	100.6	–	0.9	3.1	104.6
Financial liabilities	99.6	–	–	–	99.6
Other liabilities	1.0	–	0.9	3.1	5.0
Current financial liabilities	204.4	–	–	7.9	212.3
Financial liabilities	1.1	–	–	–	1.1
Trade payables	158.9	–	–	–	158.9
Other liabilities	44.4	–	–	7.9	52.3

The market values and carrying amounts of financial assets and liabilities held in the DEUTZ Group that are not measured at fair value are essentially identical, with the exception of the following financial instruments:

	30/6/2013		31/12/2012	
	Carrying amount	Fair vaule	Carrying amount	Fair vaule
€ million				
Financial liabilities to banks	90,4	92,8	100,7	104,0

As at 30 June 2013, the DEUTZ Group held the following financial instruments measured at fair value:

30/06/2013	Carrying amount	Level 1	Level 2	Level 3
€ million				
Financial assets				
Available-for-sale-financial assets	2.1	2.1	-	-
Derivates designated as heding instruments (without affecting profit/loss)	0.2	-	0.2	-
Held-for-trading derivatives	0.1	-	0.1	-
Financial liabilities				
Derivates designated as heding instruments (without affecting profit/loss)	0.2	-	0.2	-
Held-for-trading derivatives	0.4	-	0.4	-
31/12/2012	Carrying amount	Level 1	Level 2	Level 3
€ million				
Financial assets				
Available-for-sale-financial assets	2.1	2.1	-	-
Derivates designated as heding instruments (without affecting profit/loss)	0.4	-	0.4	-
Held-for-trading derivatives	0.2	-	0.2	-
Financial liabilities				
Derivates designated as heding instruments (without affecting profit/loss)	-	-	-	-
Held-for-trading derivatives	0.9	-	0.9	-
Level 1: Measurement is based on the price of identical assets or liabilities on active markets Level 2: Measurement is based on the price of a similar instrument on an active market./Measurement using a method in which all the critical input factors are based on observable market data Level 3: Measurement using a method in which critical input factors are not based on observable market data				

The fair value of available-for-sale financial assets is derived from prices in active markets.

The fair value of derivative financial instruments (interest-rate swaps, and currency forward contracts) is calculated over the remaining term of the instrument using current exchange rates, market interest rates and yield curves. The disclosures are based on valuations by banks.

NOTES ON SEGMENT REPORTING

Information about the segments of the DEUTZ Group for the second quarter and first half of 2013 and of 2012 is shown in the following table:

	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon- ciliation	DEUTZ Group
4–6/2013						
€ million						
External revenue	306.6	65.6	–	372.2	–	372.2
Intersegment revenue	–	–	–	–	–	–
Total revenue	306.6	65.6	–	372.2	–	372.2
Operating profit (EBIT) ¹⁾	5.7	11.1	–0.3	16.5	–	16.5

	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon- ciliation	DEUTZ Group
4–6/2012						
€ 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) ¹⁾	–0.4	15.3	–4.2	10.7	–	10.7

	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon- ciliation	DEUTZ Group
1–6/2013						
€ million						
External revenue	546.3	115.8	–	662.1	–	662.1
Intersegment revenue	–	–	–	–	–	–
Total revenue	546.3	115.8	–	662.1	–	662.1
Operating profit (EBIT) ¹⁾	–5.5	16.2	–0.6	10.1	–	10.1

	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon- ciliation	DEUTZ Group
1–6/2012						
€ 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) ¹⁾	–1.4	27.2	–5.1	20.7	–	20.7

¹⁾ Since 2013, the income statement has been structured according to the cost-of-sales method. Other taxes are no longer reported separately after operating profit/loss (EBIT) and are instead allocated to functional costs within operating profit/loss. In the first half of 2013 and in the second quarter of 2013, other taxes amounted to €0.7 million and €0.4 million respectively (H2 2012: €0.9 million; Q2 2012: €0.6 million). The comparative prior-year figures have been restated accordingly to improve comparability.

Reconciliation from overall profit or loss of the segments to net income

	4-6/2013	4-6/2012	1-6/2013	1-6/2012
€ million				
Overall profit of the segments¹⁾	16.5	10.7	10.1	20.7
Reconciliation	-	-	-	-
Operating profit (EBIT)¹⁾	16.5	10.7	10.1	20.7
Interest expenses, net	-1.3	-4.0	-2.6	-7.0
Net income before income taxes	15.2	6.7	7.5	13.7
Income taxes	-2.9	-0.9	-2.1	-1.6
Net income	12.3	5.8	5.4	12.1

¹⁾ Since 2013, the income statement has been structured according to the cost-of-sales method. Other taxes are no longer reported separately after operating profit/loss (EBIT) and are instead allocated to functional costs within operating profit/loss. In the first half of 2013 and in the second quarter of 2013, other taxes amounted to €0,7 million and €0,4 million respectively (H2 2012: €0,9 million; Q2 2012: €0,6 million). The comparative prior-year figures have been restated accordingly to improve comparability

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. These are:

- AB Volvo (publ), Gothenburg, Sweden (group) and
- SAME DEUTZ-FAHR Group S.p.A., Treviglio, Italy (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 significant investments:**

	Supplied goods and services		Other expenses incurred in connection with received goods and services		Supplied goods and services		Other expenses incurred in connection with received goods and services	
	4-6/2013	4-6/2012	4-6/2013	4-6/2012	1-6/2013	1-6/2012	1-6/2013	1-6/2012
€ million								
Associates	-	-	-	-	-	-	-	-
Joint ventures	1.5	8.2	-	4.8	2.4	19.1	-	8.9
Other investments	0.2	0.1	1.1	1.0	0.3	0.2	2.1	2.0
Total	1.7	8.3	1.1	5.8	2.7	19.3	2.1	10.9

	Receivables		Liabilities	
	30/6/ 2013	31/12/ 2012	30/6/ 2013	31/12/ 2012
€ million				
Associates	–	0.8	–	–
Joint ventures	3.9	3.7	–	–
Other invest- ments	0.4	0.4	5.9	5.0
Total	4.3	4.9	5.9	5.0

The decrease in goods supplied and services rendered to joint ventures compared with the corresponding period of 2012 is attributable to the reduction in goods supplied to our joint venture DEUTZ (Dalian) Engine Co., Ltd.

The decline in other expenses incurred in connection with services received from joint ventures was caused by the disposal of the 25 per cent shareholding in Bosch Emission Systems GmbH & Co. KG (BESG) at the end of 2012. Following the disposal, BESG ceased to be a related party.

Impairment losses of €26.3 million (31 December 2012: €25.2 million) had been recognised on €30.6 million of the Company's total receivables as at 30 June 2013 (31 December 2012: €29.3 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:

	Volvo Group		SAME-DEUTZ- FAHR-Group	
	2013	2012	2013	2012
€ million				
Engines and spare parts supplied in the second quarter	108.1	99.0	25.2	15.6
Services supplied in the second quarter	6.1	7.6	0.4	0.1
Engines and spare parts supplied in the first half-year	190.2	196.9	43.2	23.1
Services supplied in the first half-year	9.4	12.1	0.4	0.5
Receivables as at 30 June/31 Dec.	34.3	31.6	7.8	6.0

All transactions were concluded at arm's-length market rates. DEUTZ has an agreement with the Volvo Group that grants Volvo companies extended credit periods in return for payment of a fee.

EVENTS AFTER THE BALANCE SHEET DATE (30 JUNE 2013)

No material events occurred after 30 June 2013.

Cologne, 2 August 2013

DEUTZ Aktiengesellschaft
The Board of Management



Dr Helmut Leube



Dr Margarete Haase



Michael Wellenzohn

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, 2 August 2013

DEUTZ Aktiengesellschaft
The Board of Management



Dr.-Ing. Helmut Leube



Dr. Margarete Haase



Michael Wellenzohn

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 2013, 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, 2 August 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft



(Lammers)
Wirtschaftsprüferin



(Witt)
Wirtschaftsprüfer

FINANCIAL CALENDAR

Date	Event
7 November 2013	Interim report 1st to 3rd quartal 2013 Conference call with Analysts and Investors
20 March 2014	Annual Results press conference Publication Annual Report 2013
20 March 2014	Analysts' meeting
7 May 2014	Annual General Meeting

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