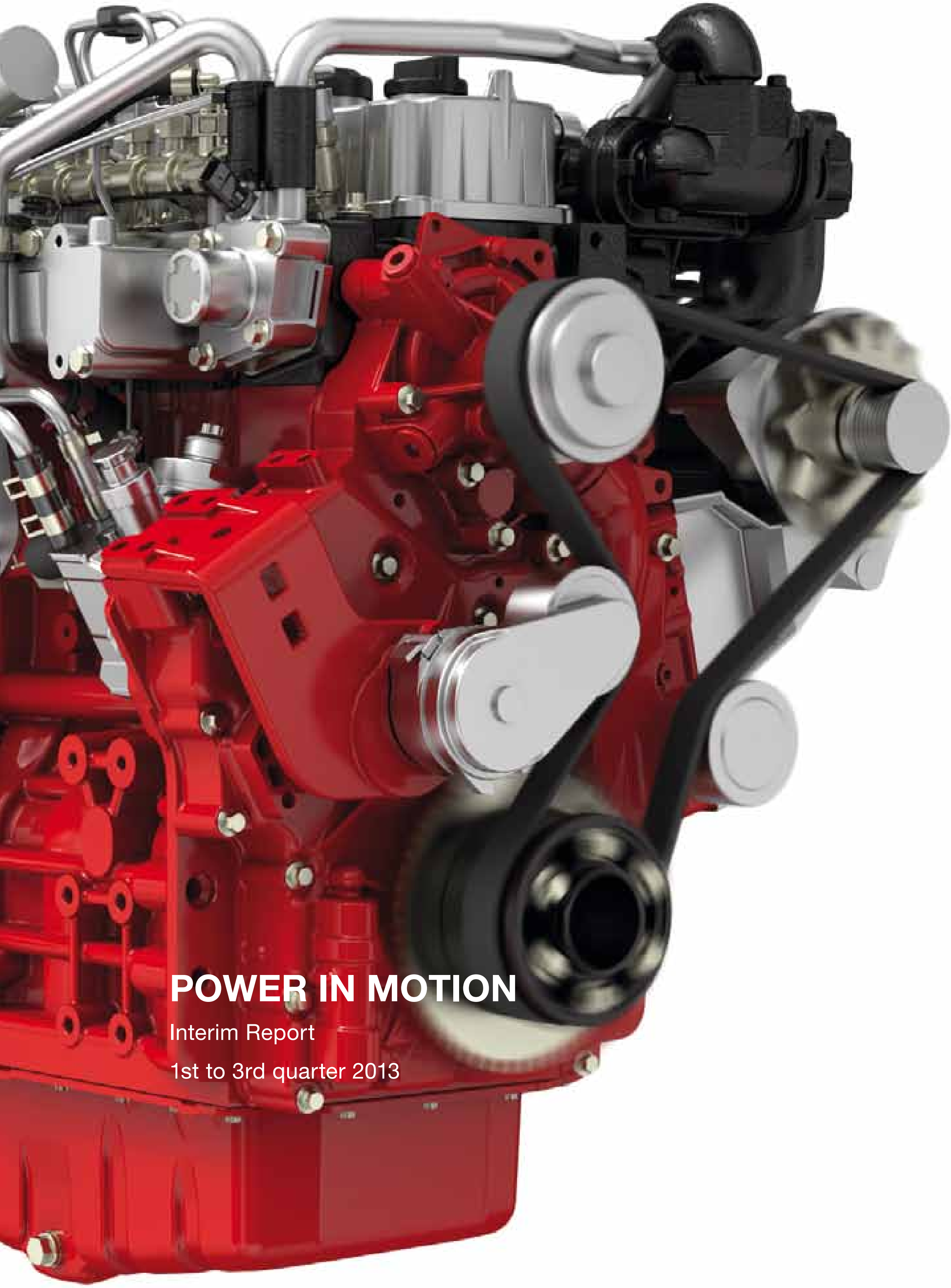


POWER IN MOTION

Interim Report

1st to 3rd quarter 2013

DEUTZ

THE 1ST TO 3RD QUARTER 2013 AT A GLANCE

DEUTZ Group: Overview

	7–9/2013	7–9/2012	1–9/2013	1–9/2012
€ million				
New orders	360.1	259.5	1,203.6	960.5
Unit sales (units)	48,792	38,368	134,699	132,221
Revenue	381.0	288.4	1,043.1	969.4
thereof excluding Germany (%)	81.8	81.6	82.6	82.5
EBITDA[1]	41.0	22.9	96.8	80.3
EBIT[1]	17.1	2.7	27.2	23.4
EBIT margin[1] (%)	4.5	0.9	2.6	2.4
Net income	15.5	0.1	20.9	12.2
Earnings per share (€)	0.13	–	0.17	0.10
Total assets[2]	1,105.8	1,081.9	1,105.8	1,081.9
Non-current assets	601.7	633.1	601.7	633.1
Equity[2]	473.0	448.2	473.0	448.2
Equity ratio[2] (%)	42.8	41.4	42.8	41.4
Cash flow from operating activities	12.7	17.7	61.7	34.5
Free cash flow[3]	–7.5	–11.8	–4.1	–60.2
Net financial position[4]	–53.2	–121.3	–53.2	–121.3
Working capital[5]	189.0	215.6	189.0	215.6
Working capital as percentage of revenue (%)	13.8	15.7	13.8	15.7
Capital expenditure (excluding capitalisation of R&D, after deducting grants)	8.9	13.0	27.3	41.9
Depreciation and amortisation	23.9	20.2	69.6	56.9
Research and development (after deducting grants)[6]	13.8	13.1	40.5	49.1
Employees (30 September)	4,012	4,040	4,012	4,040

[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 nine months of 2013 and in the third quarter of 2013, other taxes amounted to €1.0 million and €0.3 million respectively (Q1–Q3 2012: €1.2 million; Q3 2012: €0.3 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 16 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] 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

	7–9/2013	7–9/2012	1–9/2013	1–9/2012
€ million				
New orders				
DEUTZ Compact Engines	303.1	197.8	1,003.6	746.6
DEUTZ Customised Solutions	57.0	61.7	200.0	213.9
Total	**360.1**	**259.5**	**1,203.6**	**960.5**
Unit sales (units)				
DEUTZ Compact Engines	44,870	34,406	124,002	119,017
DEUTZ Customised Solutions	3,922	3,962	10,697	13,204
Total	**48,792**	**38,368**	**134,699**	**132,221**
Revenue				
DEUTZ Compact Engines	315.1	217.7	861.4	752.5
DEUTZ Customised Solutions	65.9	70.7	181.7	216.9
Total	**381.0**	**288.4**	**1,043.1**	**969.4**
EBIT[1]				
DEUTZ Compact Engines	7.2	–8.8	1.7	–10.2
DEUTZ Customised Solutions	9.8	12.4	26.0	39.6
Other	0.1	–0.9	–0.5	–6.0
Total	**17.1**	**2.7**	**27.2**	**23.4**

FOREWORD

Dear Shareholders and Business Associates,

The global economy continues to perform below expectations. There are also still a great many risks in Europe, the United States and even China that could harm our business. Nevertheless, we anticipate that market conditions will improve moderately over the coming months.

As it had in the first half of the year, DEUTZ registered a record volume of new in its current business structure during the period January to September 2013. Orders totalled €1,203.6 million and were therefore up by over a quarter year on year. Moreover, new orders exceeded revenue by more than 15 per cent in the period under review. Revenue rose by 7.6 per cent to €1,043.1 million. Operating profit climbed to €27.2 million, a marked improvement of 16.2 per cent compared with same period of 2012.

The volume of new orders in the third quarter stood at €360.1 million, down by 20.9 per cent on the record level achieved in the previous quarter. The third quarter is traditionally weaker because of the summer months. However, the year-on-year increase of 38.8 per cent is highly encouraging.

The good level of new orders, our large number of new customer projects and new applications with existing customers prove that our product offensive is successful, especially as far as our new TCD 2.9 and 3.6 engines are concerned.

Our growth projects in China continue to progress to our satisfaction: our Chinese joint venture Deutz (Dalian) Engine Co. delivered a positive earnings performance on the back of strong revenue and greater efficiency. New projects are also going to plan. We believe we are well placed in the Asian market thanks to our modern and environmentally friendly products.

Against this background, DEUTZ shares continued to outperform the benchmark indices, reaching €6.95 by 29 October – almost double the 2012 year-end closing price of €3.54. In the third quarter, SAME DEUTZ-FAHR, which until then had been our major shareholder, sold its stake of 8.4 per cent as part of a placement with institutional investors. This does not affect our long-standing relationship with this customer, which will continue without change.

As you can see, DEUTZ is on the right track. We are therefore confirming our forecast for 2013 of revenue of at least €1.4 billion. The EBIT margin is predicted to exceed 3.0 per cent. For 2014, we anticipate significant revenue growth in the lower double-digit range and a moderate improvement in the EBIT margin.

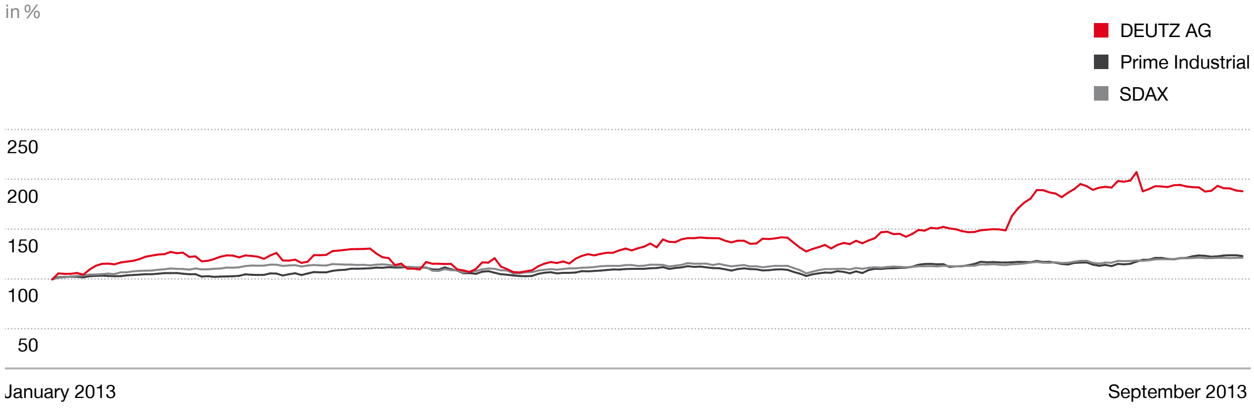
Kind regards from Cologne,

Dr Helmut Leube | Dr Margarete Haase | Michael Wellenzohn

DEUTZ SHARES

DEUTZ share price performance

in %



DEUTZ shares outperform the benchmark indices In the third quarter of 2013, stock markets maintained the same strong performance they had delivered in the first six months and reached record highs – despite the crises occurring worldwide. The central banks' continued expansionary monetary policy played its part here. As a result, the benchmark indices relevant to DEUTZ also achieved further gains over the past three months. The SDAX closed the nine months to 30 September 2013 at 6,392.90 points, up by 21.8 per cent compared with the 2012 year-end closing price. During the same period, the Prime Industrial rose by 23.5 per cent to close at 4,047.87 points.

DEUTZ shares rose even more sharply, climbing by 88.7 per cent compared with the 2012 year-end closing price to finish at €6.68 on 30 September 2013. In the third quarter, our shares therefore maintained the positive performance achieved in the first half of the year. Having reached its low for the year so far of €3.71 on 8 January 2013, the DEUTZ share price rose steadily in the months that followed and, more recently, received a boost when the half-year results were announced in early August. The high for the first nine months of 7.36 came on 5 September 2013.

The number of DEUTZ shares remains unchanged at 120.9 million. As at 30 September 2013, market capitalisation stood at €807.4 million, which is almost twice as much as it was nine months previously (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 sold its entire stake of 8.4 per cent to institutional investors in the third quarter. This does not affect our long-standing relationship or our strategic partnership with this customer, which will continue without change. The proportion of free float shares is now 75.0 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. Furthermore, FIL Ltd. (Fidelity) notified us in September 2013 that it held a stake of 3.1 per cent in DEUTZ AG. Both of these are considered non-controlling shareholdings. Norway's Norges Bank had notified us that it also held more than 3.0 per cent of our shares, but its stake has since fallen back below this threshold.

The following twelve banks and securities houses currently watch the performance of DEUTZ shares: Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, Equinet, Goldman Sachs, HSBC Trinkaus & Burkhardt, Kepler Capital Markets, 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

	1–9/2013	1–9/2012
Number of shares (30 September)	120,861,783	120,861,783
Average number of shares	120,861,783	120,861,783
Share price as at 30 September (€)	6.68	3.50
Share price high (€)	7.36	5.72
Share price low (€)	3.71	2.96
Market capitalisation as at 30 September (€ million)	807.4	423.0
Earnings per share (€)	0.17	0.10

Based on Xetra closing prices

INTERIM MANAGEMENT REPORT OF THE DEUTZ GROUP FOR THE 1ST TO 3RD QUARTER OF 2013

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

ECONOMIC ENVIRONMENT

Macroeconomic forecasts continue to decline[1] The International Monetary Fund (IMF) lowered its growth forecast for the global economy again in October. Key emerging markets, such as India, Russia and Mexico, are particularly affected. Five years on from the start of the global financial crisis and there is still significant uncertainty. The IMF is now predicting global economic growth of just 2.9 per cent for 2013 as a whole, having already lowered its forecast to 3.1 per cent in July. Our good level of new orders this year indicates a better performance than the economic would suggested.

The economy of the eurozone is likely to do slightly better than most recently predicted but will not emerge from last year's recession and is forecast to contract by 0.4 per cent. Germany continues to buck the trend and is anticipated to generate growth of 0.5 per cent in 2013. The business climate index published by the ifo Institute of Economic Research is also still sending out positive signals. This index, which covers trade and industry, declined slightly in October, having previously risen five times in succession. However it still remains at a high level at 107.4 points.[2]

The growth forecast for the US economy has been lowered slightly and is now 1.6 per cent for 2013. We still expect the United States to deliver moderate growth stimulus. However, the budget stand-off continues to have a negative impact and there are no signs of a long-term solution.

The Chinese economy is also growing at a slower rate than predicted. China's growth forecasts have therefore been lowered again for the current year and now stand at 7.6 per cent. Nonetheless, we still firmly believe that China will remain a high-growth market in the medium and long term.

The US Federal Reserve has not yet scaled back its expansionary monetary policy and large-scale bond purchases, although the markets had understood that it would. We do not see an end in sight for the worldwide central bank policy of low interest rates.

Ongoing uncertainty in the German engineering sector[3] The volume of new orders at German engineering companies between January and August 2013 was at roughly the same level as in the corresponding period of 2012. Orders rose by a nominal 1 per cent year on year. The sector still expects a noticeable improvement in business over the coming months.

NEW ORDERS

New orders remain at a record level As was the case in the first half of the year, the nine months to 30 September 2013 saw far more orders at DEUTZ than in the corresponding period of the previous year. New orders therefore remain at a record level in our current business structure.[4] In the first nine months of 2013, DEUTZ received orders worth €1,203.6 million, up by more than a quarter year on year (Q1–Q3: €960.5 million). The Agricultural Machinery application segment delivered a particularly strong performance, almost tripling its volume of new orders compared with the first nine months of 2012. There were also small gains for the service business and the Mobile Machinery application segment. By contrast, new orders declined in the Stationary Equipment and Automotive application segments. New orders received by the Group as a whole exceeded revenue by more than 15 per cent in the period under review.

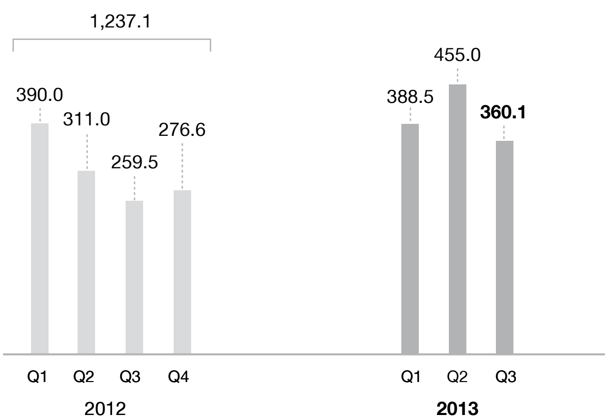
DEUTZ won orders amounting to €360.1 million in the third quarter of 2013, up by 38.8 per cent year on year (Q3 2012: €259.5 million). However, the volume of new orders was down by 20.9 per cent on the second quarter of 2013, which had been very strong (Q2 2013: €455.0 million).

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 €329.5 million on 30 September 2013, which was 50.0 per cent higher than the figure reported a year earlier but 6.6 per cent lower than at 30 June 2013.

DEUTZ Group: New orders by quarter[5]

€ million



[1] Source: IMF World Economic Outlook, October 2013
[2] Source: ifo Institute of Economic Research, Business Climate Germany, October 2013
[3] Source: Konjunkturbulletin of the German Engineering Federation (VDMA), October 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.

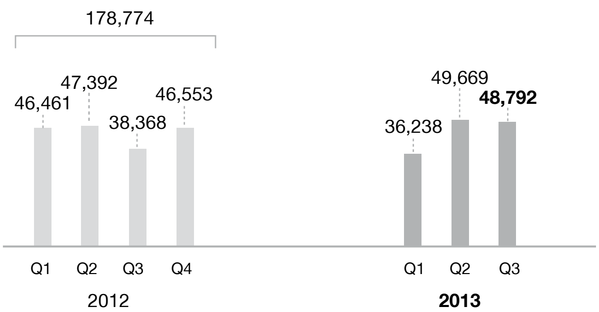
UNIT SALES

Small year-on-year gain in unit sales Whereas unit sales at 30 June 2013 had been below the number reported a year earlier, the number for the nine months to 30 September 2013 was up year on year. DEUTZ sold 134,699 engines in the first nine months of 2013, 1.9 per cent more than in the comparative period of the previous year (Q1–Q3 2012: 132,221 engines). In the third quarter of 2013, 48,792 engines were sold, which was 27.2 per cent more than in the corresponding quarter of last year (Q3 2012: 38,368 engines) but 1.8 per cent fewer than in the previous quarter (Q2 2013: 49,669 engines).

The regional breakdown reveals a mixed picture: whereas our largest market, EMEA (Europe, Middle East and Africa), saw unit sales advance by 5.3 per cent to 101,243 engines, units sales in the Americas declined by 8.3 per cent to 26,709 engines and in the Asia-Pacific region by 3.2 per cent to 6,747 engines.

DEUTZ Group: Unit sales by quarter

units

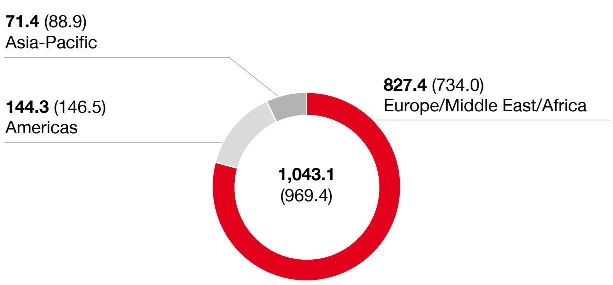


RESULTS OF OPERATIONS

REVENUE

DEUTZ Group: Revenue by regions

€ million (2012 figures)

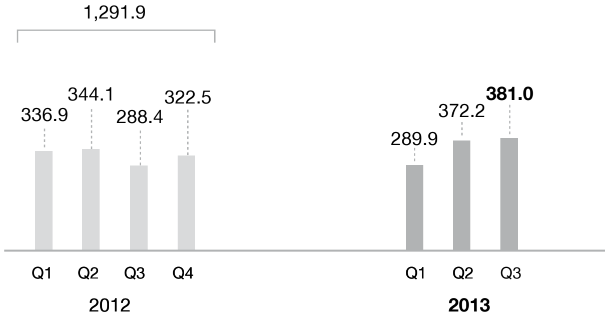


Revenue also up year on year DEUTZ generated revenue of €1,043.1 million in the first nine months of 2013, which was 7.6 per cent above the figure achieved a year earlier (Q1–Q3 2012: €969.4 million). This means that revenue once again rose at a stronger rate than unit sales thanks to the growing proportion of higher-value engines that meet the new emissions standards. Revenue has also been on an uptrend over the course of the year: in the third quarter of 2013, revenue came to €381.0 million, up by 2.4 per cent on the second quarter of 2013 (€372.2 million) and 32.1 per cent more than in the third quarter of 2012 (€288.4 million).

In our largest region, EMEA, revenue advanced by 12.7 per cent to €827.4 million in the nine-month period. Revenue was down slightly in the Americas, declining by 1.5 per cent to €144.3 million. In the Asia-Pacific region, revenue went down by 19.7 per cent to €71.4 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 15.2 per cent to €379.7 million in the first nine months of 2013. The proportion of revenue generated outside Germany was unchanged year on year at 82.6 per cent. A look at the application segments shows that Agricultural Machinery achieved almost twice as much revenue as in the first nine months of 2012. There was also a small gain in the service business, whereas all other application segments reported a lower amount of revenue.

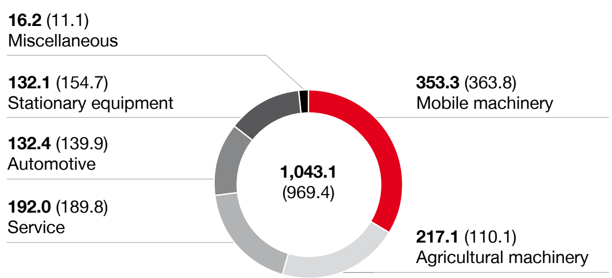
DEUTZ Group: Revenue by quarters

€ million



DEUTZ Group: Revenue by application segment

€ million (2012 figures)



EARNINGS

Earnings before interest, tax, depreciation and amortisation (EBITDA) came to €96.8 million[1] in the first nine months of the year. This year-on-year increase of €16.5 million (Q1–Q3 2012: €80.3 million) was due, in particular, to higher amortisation on completed development projects, and meant that EBITDA fared better than EBIT. EBITDA is an indicator of the company's operating performance excluding investing activities.

Operating profit (EBIT) totalled €27.2 million in the period under review (Q1–Q3 2012: €23.4 million)[1]. The year-on-year rise of €3.8 million is primarily attributable to the improved profit reported on equity-accounted investments as well as to the increased business volume.

The quarterly comparison also shows a positive trend, with operating profit shooting up from €2.7 million[1] in the third quarter of 2012 to €17.1 million in the same quarter of this year. Operating profit was also up by €0.6 million on the previous quarter (Q2 2013: €16.5 million), although the third quarter is traditionally a weaker period.

The **cost of sales** for the first nine months of 2013 amounted to €892.8 million (Q1–Q3 2012: €835.4 million). This equates to an increase of €57.4 million compared with the corresponding period of last year. The primary reason for this was the figure for cost of materials rising because of the greater business volume (Q1–Q3 2013: €639.4 million; Q1–Q3 2012: €597.5 million). By contrast, staff costs and depreciation on property, plant and equipment remained at the same level as the first nine months of 2012. In the first three quarters of 2013, the ratio of cost of sales to revenue was 85.6 per cent, a small improvement of 0.6 percentage points Q1–Q3 2012: 86.2 per cent). The ratio in the third quarter of 2013 was only 84.7 per cent (Q3 2012: 86.8 per cent).

Research and development expenditure amounted to €45.8 million in the first nine months of the year (Q1–Q3 2012: €28.4 million). It largely comprised staff costs, cost of materials and amortisation on completed development projects, from which investment grants received and capitalised development expenditure were deducted. This expenditure was up by €17.4 million year on year, primarily owing to higher amortisation on completed development projects due to several product launches in the second half of 2012 and at the start of this year. In addition, less development expenditure was capitalised than in the comparative period of last year.

Selling and administrative expenses, which totalled €72.8 million, were up slightly year on year (Q1–Q3 2012: €69.7 million).

Other operating income and **other operating expenses** reduced significantly compared with the first three quarters of 2012, declining by €7.8 million and €5.4 million respectively. The main factors in these decreases were lower income and expenses from foreign-currency transactions and adjustment of provisions in the first nine months of last year.

The **loss on equity-accounted investments** contracted by €10.7 million to €1.1 million compared with the first three quarters of last year (Q1–Q3 2012: €11.8 million). Crucial to this improvement was the positive earnings performance by our Chinese joint venture DEUTZ (Dalian) Engine Co. resulting from an increased volume of business and greater efficiency. Moreover, the figure for the first nine months of 2012 had also been negatively affected by the loss incurred by Bosch Emission Systems GmbH & Co. KG. We sold our 25 per cent stake in this joint venture at the end of 2012.

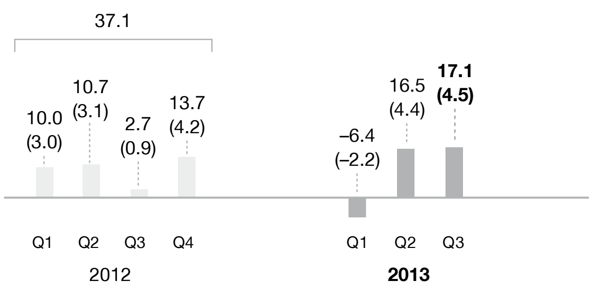
Net interest expense for the first nine months amounted to €4.4 million (Q1–Q3 2012: €8.8 million). Although interest income was slightly higher, this significant year-on-year improvement was mainly the result of the reduction in finance costs due to lower utilisation of the new funding facility that had been in place since mid-2012 and its more favourable interest rates.

Income taxes in the first nine months of 2013 came to €1.9 million, a year-on-year fall of €0.5 million compared with the corresponding prior-year period (Q1–Q3 2012: €2.4 million). The current tax expense was €6.7 million. This represented an increase of €4.4 million compared with the first nine months of 2012 and was due, above all, to improvements in results of operations at DEUTZ AG and its subsidiaries (Q1–Q3 2012: €2.3 million). The current tax expense was partly offset by deferred tax income of €4.8 million (Q1–Q3 2012: expense of €0.1 million), which was attributable to not only a rise in deferred tax assets on losses carried forward but also an increase in deferred tax assets at our Spanish subsidiary as a result of the revaluation of non-current assets in the tax accounts.

As a consequence of the improvement in operating profit, **net income** went up by €8.7 million to €20.9 million in the first nine months of 2013 (Q1–Q3 2012: €12.2 million). This led to a sharp rise in earnings per share, which climbed to €0.17 (Q1–Q3 2012: €0.10).

DEUTZ Group: Operating profit/EBIT margin by quarter

€ million (EBIT margin in %)



[1] Since 2013, the income statement has been 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

New orders continue to rise The DEUTZ Compact Engines (DCE) segment took orders worth €1,003.6 million in the first nine months of 2013, a year-on-year increase of more than one third (Q1–Q3: €746.6 million). New orders received in the third quarter amounted to €303.1 million, which was up by 53.2 per cent on the corresponding period of the previous year (Q3 2012: €197.8 million). Compared with the second quarter of this year, however, orders were down by 18.6 per cent (Q2 2013: €372.2 million). The reasons for this successful growth over the nine-month period 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. As at the end of September, orders on hand stood at €246.8 million, up by 67.2 per cent on the figure reported at 30 September 2012 (€147.6 million) but down by 5.8 per cent compared with 30 June 2013 (€262.1 million).

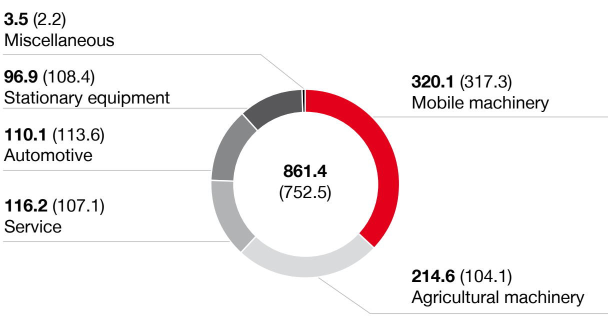
Unit sales also up Whereas the DCE segment's unit sales had declined in the first six months of the year, there was a year-on-year increase in the first nine months: the segment had sold 124,002 engines by the end of September, 4.2 per cent more than the 119,017 engines sold in the corresponding period of 2012. In the third quarter of this year alone, the segment sold 44,870 engines – up by more than 30 per cent year on year (Q3 2012: 34,406 engines). Unit sales were only higher (by 1.2 per cent) in the second quarter of 2013, when 45,412 engines had been sold. The largest market, EMEA, saw unit sales advance by 6.8 per cent, whereas the Americas and Asia-Pacific both registered slight decreases.

Revenue grows faster than unit sales Revenue rose more strongly than unit sales in the DCE segment, too. Overall, revenue increased by 14.5 per cent to €861.4 million, compared with €752.5 million in the first nine months of 2012. The EMEA region's revenue went up significantly, by 20.1 per cent, to €719.8 million, while that of the Americas advanced by 3.5 per cent to €112.5 million. Only the Asia-Pacific region reported a decrease, with revenue declining by over a third to €29.1 million. Another encouraging trend in the DCE segment was the growth of revenue in the Agricultural Machinery application segment, which more than doubled to €214.6 million. There were also small increases for the Service business and the Mobile Machinery application segment of 8.5 per cent and 0.9 per cent respectively. By contrast, the Automotive and Stationary Equipment application segments reported decreases in revenue of 3.1 per cent and 10.6 per cent respectively. The DCE segment posted revenue of €315.1 million in the third quarter of 2013. This represented a rise of 44.7 per cent compared with the third quarter of 2012 and an increase of 2.8 per cent on the second quarter of 2013.

Further improvement in operating profit Following a rather muted start to the year, the DCE segment's operating profit (EBIT) began to rise sharply in the second quarter of 2013. It continued to increase in the third quarter – reaching €7.2 million – thanks to the higher business volume. This equates to an advance of €1.5 million compared with the previous quarter (Q2 2013: €5.7 million) and of €16.0 million compared with the prior-year period (Q3 2012: operating loss of €8.8 million). Operating profit for the first three quarters of 2013 totalled €1.7 million, which was an improvement of €11.9 million on the operating loss generated by the segment in the comparative period of last year (Q1–Q3 2012: operating loss of €10.2 million). Crucial to this uptrend were the positive earnings performance by our Chinese joint venture DEUTZ (Dalian) Engine Co. as well as the increased volume of business.

DEUTZ Compact Engines: Revenue by application segment

€ million (2012 figures)



BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS (DCS) SEGMENT

Year-on-year decline in new orders In the period under review, the DEUTZ Customised Solutions (DCS) segment received orders worth €200.0 million, which was 6.5 per cent below the figure achieved in the first nine months of last year (Q1–Q3 2012: €213.9 million). In the third quarter of 2013, the volume of new orders received came to €57.0 million, a year-on-year decrease of 7.6 per cent (Q3 2012: €61.7 million). The decline in orders compared with the strong second quarter was 31.2 per cent (Q2 2013: €82.8 million). The DCS segment was unable to repeat the same level of success with the sales initiative that it had achieved in the second quarter owing to summer holidays taking place in many customers' organisations. However, this segment's new orders also exceeded revenue in the first nine months of 2013. Orders on hand amounted to €82.7 million as at 30 September, an increase of almost 15 per cent compared with the same date a year earlier (30 September 2012: €72.0 million). However, orders on hand had been 8.9 per cent higher at €90.8 million as at 30 June 2013.

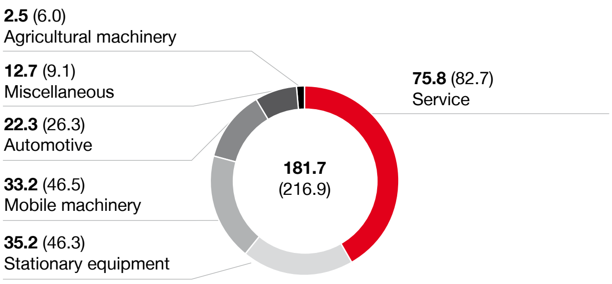
Downturn in unit sales The DCE segment sold 10,697 engines in the first nine months of this year, which was 19.0 per cent fewer than in the corresponding period of last year (Q1–Q3 2012: 13,204 engines). All regions and application segments sold fewer engines. Looking at the third quarter of 2013 alone, unit sales were virtually unchanged year on year at 3,922 engines but were down slightly on the 4,257 engines sold in the second quarter of 2013.

Revenue decreases year on year The revenue generated by the DCS segment in the nine months to 30 September 2013 declined by 16.2 per cent to €181.7 million (Q1–Q3 2012: €216.9 million). This reduction also affected all regions and application segments. Revenue in the third quarter was slightly higher than in the second quarter at €65.9 million. However, it was down by 6.8 per cent on the revenue earned in the third quarter of 2012 of €70.7 million.

Operating profit of DCS The operating profit (EBIT) of the DEUTZ Customised Solutions segment was affected, in particular, by the lower volume of business. There was also a negative impact resulting from higher amortisation on completed development projects following the market launch of the TCD 12.0/16.0 engine series at the end of 2012. The operating profit for the segment declined by €13.6 million to €26.0 million compared with the corresponding period of the previous year (Q1–Q3 2012: €39.6 million). Third-quarter operating profit was down by €1.3 million on the second quarter of 2013 and by €2.6 million on the third quarter of 2012 (Q3 2013: €9.8 million; Q2 2013: €11.1 million; Q3 2012: €12.4 million).

DEUTZ Customised Solutions: Revenue by application segment

€ million (2012 figures)



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 €61.7 million. This significant increase of €27.2 million was attributable to a much smaller rise in working capital in the first three quarters of this year and to the improvement in operating profit. The corresponding figure for the first nine months of last year had been just €34.5 million.

During the period under review, cash flow from investing activities amounted to a net outflow of €61.2 million. We were therefore able to fund all of our capital expenditure from current business. The net outflow in the first nine months of 2012 had totalled €85.4 million. This decline of €24.2 million 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.

Cash flow from financing activities amounted to €5.1 million in the first three quarters of 2013. This was largely because we had drawn down more of the existing loan facility. The inflow of funds in the corresponding period of 2012 had been €29.6 million.

Holdings of cash and cash equivalents grew by €5.4 million to €57.5 million in the first nine months of 2013, in particular because we had drawn down more of the loan facility. The net financial position[1)] as at 30 September 2013 came to minus €53.2 million (31 December 2012: minus €48.6 million) and had therefore improved by a substantial €68.1 million year on year (30 September 2012: minus €121.3 million).

The free cash flow[2)] in the period under review amounted to minus €4.1 million. This constituted a significant year-on-year improvement of €56.1 million (Q1–Q3 2012: minus €60.2 million) and was predominantly due to the smaller rise in working capital and to reduced capital expenditure. Free cash flow for the past twelve months – thereby eliminating seasonal effects – came to €68.7 million.

NET ASSETS

Non-current and current assets Non-current assets stood at €632.9 million as at 30 September 2013, down by €15.8 million compared with 31 December 2012, when they had totalled €648.7 million[3)]. The decline is mainly attributable to changes in property, plant and equipment: additions of €23.8 million – including production equipment and tools in connection with the market launch of the new TCD 2.9 and TCD 3.6 engines – were more than offset by depreciation and amortisation of €35.2 million. In contrast, current assets had grown to €472.5 million as at 30 September 2013 (31 December 2012: €385.4 million). The key factors were increased inventories on the back of the higher level of new orders plus a rise in trade receivables.

[1)] Net financial position: cash and cash equivalents minus current and non-current interest-bearing financial liabilities
[2)] Free cash flow: cash flow from operating and investing activities minus net interest expense
[3)] 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 16 onwards).

Working Capital Working capital[1] had advanced by €47.4 million to €189.0 million as at 30 September 2013 (31 December 2012: €141.6 million). This was predominantly due to increased inventories at the end of the period under review resulting from the higher level of new orders. 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 September 2013 had fallen by 1.9 percentage points year on year to 13.8 per cent (30 September 2012: 15.7 per cent). The average working capital ratio[2] also improved year on year, decreasing to 12.2 per cent at the end of the third quarter (30 September 2012: 13.9 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 September 2013, equity stood at €473.0 million (31 December 2012: €452.6 million)[3]. The increase of €20.4 million was largely the result of the net profit generated in the first nine months of 2013, although the effects of translating financial statements prepared in foreign currencies resulted in a decrease in other comprehensive income, 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 2012[3] to 42.8 per cent at 30 September 2013.

Non-current and current liabilities Non-current liabilities stood at €315.5 million as at the end of September (31 December 2012: €311.8 million). This small increase was largely the result of two countervailing effects: whereas provisions for pensions and other post-retirement benefits fell due to a number of factors, including higher discount rates, there was a rise in non-current financial liabilities because we had drawn down more of the loan facility. Current liabilities had advanced by €45.8 million to €317.3 million as at 30 September 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.

Total assets amounted to €1,105.8 million as at 30 September 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.

[1] Working capital: inventories and trade receivables less trade payables
[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
[3] 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 16 et seq.).

RESEARCH AND DEVELOPMENT

R&D spending reduced as planned Spending on research and development in the first nine months of 2013 amounted to €54.3 million (before grants), which was 15.7 per cent less than in the comparative period of last year (Q1–Q3 2012: €64.4 million). Factoring in reimbursements from key customers and development partners, spending on research and development came to €40.5 million (Q1–Q3 2012: €49.1 million). The R&D ratio (including grants) – the ratio of net R&D spending to consolidated revenue – fell from 5.1 per cent to 3.9 per cent in the period under review. As announced, we scaled back this spending because new products had been launched on the market and work for the new exhaust emissions standards had reached an advanced stage.

The development of our new engines and the refinement of existing ones accounted for the bulk of R&D spending net of grants (Q1–Q3 2013: 86.2 per cent; Q1–Q3 2012: 89.6 per cent). Expenditure on ongoing support for existing engine series accounted for 9.4 per cent (Q1–Q3 2012: 8.4 per cent) and expenditure on research and preliminary development work accounted for 4.4 per cent (Q1–Q3 2012: 2.0 per cent).

The DEUTZ Compact Engines segment's spending on research and development (including grants) came to €37.2 million (Q1–Q3 2012: €43.6 million), and that of the DEUTZ Customised Solutions segment came to €3.3 million (Q1–Q3 2012: €5.5 million).

EMPLOYEES

Moderate change in headcount The number of employees in the DEUTZ Group declined slightly to 4,012 people as at the balance sheet date, 28 fewer than a year earlier (30 September 2012: 4,040) and 18 people fewer than three months ago (30 June 2013: 4,030). By contrast, the number of contract workers rose to 482; 267 more than the figure a year earlier. 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. Almost 16 per cent of all staff at DEUTZ had fixed-term or temporary contracts as at 30 September 2013.

At the end of September, 3,096 people worked for DEUTZ in Germany. This equates to a decrease of 130 people, or 4.0 per cent, compared with the same date a year earlier. The figure was virtually identical to the figure at the end of the previous quarter (30 June 2013: 3,108 people). At our plants in Cologne, the number of employees declined year on year by 115 people, or 4.6 per cent, to 2,398. The decrease was also partly due to the sale of the pipe manufacturing operation. We employed 414 people in Ulm, down by 1.7 per cent compared with 30 September 2012.

The number of people employed outside Germany was 916 at the end of September 2013, a year-on-year increase of 102 people or 12.5 per cent. This figure was roughly the same as at the end of the previous quarter (30 June 2013: 922 people). Although there was a year-on-year increase in headcount at our Spanish production company DEUTZ Spain for reasons of capacity utilisation (up 57 to 555), compared with 30 June 2013 there was a small decrease of 18 employees.

Overall, therefore, 77.2 per cent of DEUTZ employees were based in Germany as at 30 September of this year (30 September 2012: 79.9 per cent) and 22.8 per cent in other countries (30 September 2012: 20.1 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 nine months of the current year. 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).

SAME DEUTZ-Fahr Group S.p.A. is no longer a related party because it disposed of its shares in DEUTZ AG on 10 September 2013.

Further information on related-party disclosures is given on page 24 et seq. of the notes to the interim consolidated financial statements.

OUTLOOK

Worldwide economic growth remains muted So far this year, the global economy has not performed as well as expected. Overall, the world's economy may have to satisfy itself with limited growth in the medium term. The forecast for 2013 has therefore been lowered again.[1)]

According to this forecast, the global economy will expand by 2.9 per cent in 2013 and by 3.6 per cent in 2014. The eurozone is expected to emerge from recession next year and grow by 1.0 per cent. Germany continues to hold an excellent position within Europe, with growth anticipated of 0.5 per cent in 2013 and 1.4 per cent in 2014. Economic growth of 1.6 per cent this year and 2.6 per cent next year is predicted for the United States. The forecasts for the Chinese economy have been lowered slightly and now stand at 7.6 per cent for 2013 and 7.3 per cent for 2014.

DEUTZ reiterates its positive outlook We anticipate 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 the market success of our new engines, the increasing proportion of unit sales accounted for by higher value engines for the new emissions standards and our growth projects in China. However, higher depreciation and amortisation, the production ramp-up of new engines and the growth projects will depress earnings in 2013 and 2014. 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 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 reiterate our forecast for 2013. Based on the figures for the past nine months and the current good level of orders on hand, we expect revenue to reach at least €1.4 billion. The EBIT margin is predicted to exceed 3.0 per cent this year. For 2014, we anticipate significant revenue growth in the lower double-digit range and a moderate improvement in the EBIT margin.

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)] IMF World Economic Outlook, October 2013

INTERIM FINANCIAL STATEMENTS OF THE DEUTZ GROUP FOR THE 1ST TO 3RD QUARTER OF 2013

INCOME STATEMENT FOR THE DEUTZ GROUP

			adjusted[1]		adjusted[1]
	Note	**7–9/2013**	7–9/2012	**1–9/2013**	1–9/2012
€ million					
Revenue		**381.0**	**288.4**	**1,043.1**	**969.4**
Cost of goods sold		–322.8	–250.2	–892.8	–835.4
Research and development costs		–16.0	–8.8	–45.8	–28.4
Selling expenses		–15.4	–14.6	–46.8	–45.6
General administrative expenses		–8.5	–7.0	–26.0	–24.1
Other operating income	1	3.0	5.7	9.8	17.6
Other operating expenses	1	–3.5	–7.4	–13.2	–18.6
Income from investments accounted for using the equity method		–0.7	–3.5	–1.1	–11.8
Other investment income		–	0.1	–	0.3
EBIT[2]		**17.1**	**2.7**	**27.2**	**23.4**
Interest expenses, net		–1.8	–1.8	–4.4	–8.8
thereof finance costs		–2.0	–2.0	–5.6	–9.4
Net income before taxes on continuing operations		**15.3**	**0.9**	**22.8**	**14.6**
Income taxes	2	0.2	–0.8	–1.9	–2.4
Net income		**15.5**	**0.1**	**20.9**	**12.2**
thereof attributable to owners of DEUTZ AG		15.5	0.1	21.0	12.2
thereof attributable to non-controlling interests		–	–	–0.1	–
Earnings per share (€)		**0.13**	**–**	**0.17**	**0.10**

GROSS INCOME DEUTZ GROUP

			adjusted[1]		adjusted[1]
	Note	**7–9/2013**	7–9/2012	**1–9/2013**	1–9/2012
€ million					
Net income		**15.5**	**0.1**	**20.9**	**12.2**
Amounts that will not be reclassified subsequently to profit or loss		**–0.6**	**–5.8**	**1.8**	**–15.2**
Actuarial gains/losses arising from the revaluation of pensions and similar obligations		–0.6	–5.8	1.8	–15.2
Amounts that will be reclassified subsequently to profit or loss when specific conditions are met		**–3.7**	**–0.7**	**–2.3**	**1.6**
Currency translation differences		–3.6	–1.2	–2.6	0.4
Effective portion of change in fair value from cash flow hedges		–0.1	0.4	0.2	1.0
Change in fair value of available-for-sale financial instruments		–	0.1	0.1	0.2
Other comprehensive income, net of tax	3	**–4.3**	**–6.5**	**–0.5**	**–13.6**
Comprehensive income		**11.2**	**–6.4**	**20.4**	**–1.4**
thereof attributable to owners of the parent		11.6	–6.2	20.5	–1.2
thereof attributable to non-controlling interests		–0.4	–0.2	–0.1	–0.2

[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 16 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 nine months of 2013 and in the third quarter of 2013, other taxes amounted to €1.0 million and €0.3 million respectively (Q1–Q3 2012: €1.2 million; Q3 2012: €0.3 million). The comparative prior-year figures have been restated accordingly to improve comparability.

BALANCE SHEET FOR THE DEUTZ GROUP

Assets	Note	30/9/2013	adjusted[1)] 31/12/2012	adjusted[1)] 1/1/2012
€ million				
Property, plant and equipment	4	306.0	318.9	311.5
Intangible assets	4	240.5	244.3	227.8
Equity-accounted investments		44.7	47.1	71.8
Other financial assets		10.5	11.0	12.0
Non-current assets (before deferred tax assets)		601.7	621.3	623.1
Deferred tax assets		31.2	27.4	19.4
Non-current assets		**632.9**	**648.7**	**642.5**
Inventories	5	245.1	184.4	187.6
Trade receivables		131.7	116.1	163.6
Other receivables and assets		38.2	32.8	55.5
Cash and cash equivalents		57.5	52.1	51.6
Current assets		**472.5**	**385.4**	**458.3**
Non-current assets classified as held for sale	6	0.4	1.8	0.4
Total assets		**1,105.8**	**1,035.9**	**1.101,2**

Equity and liabilities	Note	30/9/2013	adjusted[1)] 31/12/2012	adjusted[1)] 1/1/2012
Issued capital		309.0	309.0	309.0
Additional paid-in capital		28.8	28.8	28.8
Other reserves		5.9	8.2	9.1
Retained earnings and accumulated income		122.9	100.1	95.8
Equity attributable to owners of the parent		**466.6**	**446.1**	**442.7**
Non-controlling interests		6.4	6.5	–
Equity		**473.0**	**452.6**	**442.7**
Provisions for pensions and other post-retirement benefits		172.3	181.8	164.3
Other provisions	7	29.4	25.4	29.3
Financial liabilities	8	109.8	99.6	119.3
Other liabilities		4.0	5.0	4.4
Non-current liabilities		**315.5**	**311.8**	**317.3**
Provisions for pensions and other post-retirement benefits		15.4	15.4	15.6
Provision for current income taxes		4.1	2.2	0.2
Other provisions	7	57.8	41.6	43.0
Financial liabilities	8	0.9	1.1	1.9
Trade payables		187.8	158.9	209.1
Other liabilities		51.3	52.3	71.4
Current liabilities		**317.3**	**271.5**	**341.2**
Total equity and liabilities		**1,105.8**	**1,035.9**	**1,101.2**

[1)] Some of the amounts shown vary from the amounts 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 16 et seq.)

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)]	Equity attributable to shareholders of DEUTZ AG	Non-controlling iterests	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**
Capital contribution							6.9	6.9
Net income			12.2			12.2	–	12.2
Other comprehensive income			–15.2	1.2	0.6	–13.4	–0.2	–13.6
Comprehensive income			–3.0	1.2	0.6	–1.2	–0.2	–1.4
Balance at 30 Sep 2012	**309.0**	**28.8**	**92.8**	**–0.2**	**11.1**	**441.5**	**6.7**	**448.2**
Balance at 1 Jan 2013	**309.0**	**28.8**	**100.1**	**–0.1**	**8.3**	**446.1**	**6.5**	**452.6**
Net income			21.0			21.0	–0.1	20.9
Other comprehensive income			1.8	0.3	–2.6	–0.5	–	–0.5
Comprehensive income			22.8	0.3	–2.6	20.5	–0.1	20.4
Balance at 30 Sep 2013	**309.0**	**28.8**	**122.9**	**0.2**	**5.7**	**466.6**	**6.4**	**473.0**

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 16 et seq. of the notes to the financial statements).

CASH FLOW STATEMENT FOR THE DEUTZ GROUP

	Note	**1–9/2013**	1–9/2012
€ million			
EBIT[1)]		**27.2**	**23.4**
Income taxes paid		–4.8	–3.0
Depreciation and amortisation		69.6	56.9
Gain/loss on disposals of fixed assets		–	–0.4
Net result from equity-accounted investments		1.6	11.8
Other non-cash expenses/income		0.2	1.4
Change in working capital		–43.2	–71.2
Change in inventories		–62.2	–29.2
Change in trade receivables		–16.3	27.7
Change in trade payables		35.3	–69.7
Change in other receivables and other current assets		–2.6	13.5
Change in provisions and other liabilities (excluding financial liabilities)		13.7	2.1
Cash flow from operating activities		**61.7**	**34.5**
Capital expenditure on intangible assets, property, plant and equipment		–61.6	–78.5
Capital expenditure on investments		–	–7.6
Proceeds from the sale of non-current assets		0.4	0.7
Cash flow from investing activities		**–61.2**	**–85.4**
Interest income		0.8	0.4
Interest expenses		–5.4	–9.7
Capital contribution by minorities		–	6.9
Cash receipts from borrowings		20.0	185.0
Repayments of loans		–10.3	–153.0
Cash flow from financing activities		**5.1**	**29.6**
Cash flow from operating activities		61.7	34.5
Cash flow from investing activities		–61.2	–85.4
Cash flow from financing activities		5.1	29.6
Change in cash and cash equivalents		**5.6**	**–21.3**
Change in cash and cash equivalents at 1 January		**52.1**	**51.6**
Change in cash and cash equivalents		5.6	–21.3
Change in cash and cash equivalents related to exchange rates		–0.2	–0.5
Change in cash and cash equivalents at 30 September		**57.5**	**29.8**

[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 nine months of 2013 and in the third quarter of 2013, other taxes amounted to €1.0 million and €0.3 million respectively (Q1–Q3 2012: €1.2 million; Q3 2012: €0.3 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 1ST TO 3RD QUARTER OF 2013

BASIC PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The condensed interim consolidated financial statements for the period ended 30 September 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 September 2013 have not been reviewed by an auditor.

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' 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 September 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. The net interest income/expense 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 September 2012:
- Increase of €22.2 million in provisions for pensions and other post-retirement benefits
- Rise of €7.0 million in deferred tax assets
- Decrease of €15.2 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 September 2013.

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 interim 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. In the first nine months of 2013, other taxes amounted to €1.0 million (Q1–Q3 2012: €1.2 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. OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

In the first three quarters of 2013, other operating income amounted to €9.8 million (Q1–Q3 2012: €17.6 million) while other operating expenses came to €13.2 million (Q1–Q3 2012: €18.6 million). The main reasons for these decreases of €7.8 million and €5.4 million respectively were lower income and expenses from foreign-currency transactions and adjustment of provisions in the first nine months of last year.

2. INCOME TAXES

	7–9/2013	7–9/2012	**1-9/2013**	1-9/2012
€ million				
Current tax expense	3.7	0.7	6.7	2.3
Deferred tax	–3.9	0.1	–4.8	0.1
Total	**–0.2**	**0.8**	**1.9**	**2.4**

Compared with the first nine months of 2012, the current tax expense rose by €4.4 million, essentially due to improved results of operations at DEUTZ AG and at our subsidiaries. The current tax expense was partly offset by deferred tax income of €4.8 million. This was largely owing to an increase in deferred tax assets at our Spanish subsidiary as a result of the revaluation of non-current assets in the tax accounts as part of fiscal measures taken in Spain to boost the economy. The resultant increase in book values will lead to increased depreciation and amortisation charges in future that can be offset against tax.

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:

	1–9/2013		
	before taxes	taxes	after taxes
€ million			
Actuarial gains and losses from the remeasurement of pensions and similar obligations	2.6	–0.8	1.8
Currency translation differences	–2.6	–	–2.6
Effective portion of change in fair value from cash flow hedges	0.3	–0.1	0.2
Change in fair value of available-for-sale financial instruments	0.1	–	0.1
Other comprehensive income	**0.4**	**–0.9**	**–0.5**

	1–9/2012		
	before taxes	taxes	after taxes
€ million			
Actuarial gains and losses from the remeasurement of pensions and similar obligations	–22.2	7.0	–15.2
Currency translation differences	0.4	0.0	0.4
Effective portion of change in fair value from cash flow hedges	1.4	–0.4	1.0
Change in fair value of available-for-sale financial instruments	0.2	0.0	0.2
Other comprehensive income	**–20.2**	**6.6**	**–13.6**

A pre-tax profit of €0.8 million relating to cash flow hedges was reclassified to the income statement in the first nine months of the current financial year (Q1–Q3 2012: pre-tax loss of €2.1 million).

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Capital expenditure on property, plant and equipment and on intangible assets (including grants) amounted to €53.4 million in the first nine months of 2013 (Q1–Q3 2012: €78.8 million). This was broken down into €29.6 million (Q1–Q3 2012: €42.9 million) on intangible assets – the lion's share relating to the development of new engines and refinement of existing models – and €23.8 million (Q1–Q3 2012: €35.9 million) on property, plant and equipment. Spending on property, plant and equipment predominantly related to capital investment in new production facilities and tools in connection with the production start-up of new engines. Capital expenditure was offset by depreciation and amortisation of €69.6 million (Q1–Q3 2012: €56.9 million).

Commitments to purchase property, plant and equipment and intangible assets amounted to €33.2 million as at 30 September 2013 (31 December 2012: €37.6 million).

5. INVENTORIES

Compared with 31 December 2012, inventories had grown by €60.7 million to €245.1 million as at 30 September 2013. This increase primarily related to raw materials, consumables and finished goods. The substantial rise in the level of orders on hand as at 30 September 2013 was the decisive factor in this trend.

Commitments to purchase inventories as at 30 September 2013 came to €135.1 million (31 December 2012: €93.1 million).

6. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets classified as held for sale had decreased by €1.4 million on the figure reported as at 31 December 2012. This change is due to the transfer of the pipe production facilities at the Cologne site to T.ERRE GmbH, which took place in the third quarter of 2013.

7. OTHER PROVISIONS

	30/9/2013	31/12/2012
€ million		
Non-current	29.4	25.4
Current	57.8	41.6
Total	**87.2**	**67.0**

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

8. FINANCIAL LIABILITIES

	30/9/2013	31/12/2012
€ million		
Non-current	109.8	99.6
Current	0.9	1.1
Total	**110.7**	**100.7**

OTHER INFORMATION

STAFF COSTS

	7–9/2013	7–9/2012	**1-9/2013**	7–9/2012
€ million				
Salaries	28.5	26.0	87.3	84.2
Wages	28.8	26.3	88.2	84.1
Social security contributions	10.0	9.5	29.9	30.0
Interest cost for pension provisions	1.9	2.1	4.8	6.3
Cost of severance payments/ personnel restructuring	–0.1	0.3	0.3	0.6
Total	**69.1**	**64.2**	**210.5**	**205.2**

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.

30/9/2013							
	Measured at amortised cost		Measured at fair value			Assets not falling under the scope of IAS 39	
Assets	Loans and receivables	Available-for-sale financial assets	Available-for-sale financial assets	Derivates designated as heding instruments (without affecting profit/loss)	Held-for-trading financial assets	Carrying amount	Carrying amount on the face of the balance sheet
€ million							
Non-current financial assets	**1.3**	**5.8**	**2.1**	**–**	**–**	**1.3**	**10.5**
Current financial assets	**216.8**	**–**	**–**	**–**	**–**	**10.6**	**227.4**
Trade receivables	131.7	–	–	–	–	–	131.7
Other receivables and assets	27.6	–	–	–	–	10.6	38.2
Cash and cash equivalents	57.5	–	–	–	–	–	57.5

31/12/2012							
	Measured at amortised cost		Measured at fair value			Assets not falling under the scope of IAS 39	
Assets	Loans and receivables	Available-for-sale financial assets	Available-for-sale financial assets	Derivates designated as heding instruments (without affecting profit/loss)	Held-for-trading financial assets	Carrying amount	Carrying amount on the face of the balance sheet
€ 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

30/9/2013					
	Measured at amortised cost	**Measured at fair value**		**Assets not falling under the scope of IAS 39**	
Equity and liabilities	Financial liabilities	Derivates designated as heding 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	**110.7**	**0.2**	**–**	**2.9**	**113.8**
Financial liabilities	109.8	–	–	–	109.8
Other liabilities	0.9	0.2	–	2.9	4.0
Current financial liabilities	**229.4**	**–**	**0.4**	**9.8**	**239.6**
Financial liabilities	0.9	–	–	–	0.9
Trade payables	187.8	–	–	–	187.8
Other liabilities	41.1	–	0.4	9.8	51.3

31/12/2012					
	Measured at amortised cost	**Measured at fair value**		**Assets not falling under the scope of IAS 39**	
Equity and liabilities	Financial liabilities	Derivates designated as heding 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:

	30/9/2013		31/12/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
€ million				
Financial liabilities to banks	110.7	112.7	100.7	104.0

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

30/9/2013	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)	–	–	–	–
Held-for-trading derivatives	–	–	–	–
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 third quarter and first nine months of 2013 and of 2012 is shown in the following table:

7–9/2013	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	315.1	65.9	–	381.0	–	381.0
Intersegment revenue	–	–	–	–	–	–
Total revenue	**315.1**	**65.9**	**–**	**381.0**	**–**	**381.0**
Operating profit (EBIT)[1]	7.2	9.8	0.1	17.1	–	17.1

7–9/2012	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	217.7	70.7	–	288.4	–	288.4
Intersegment revenue	–	–	–	–	–	–
Total revenue	**217.7**	**70.7**	**–**	**288.4**	**–**	**288.4**
Operating profit (EBIT)[1]	–8.8	12.4	–0.9	2.7	–	2.7

1–9/2013	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	861.4	181.7	–	1,043.1	–	1,043.1
Intersegment revenue	–	–	–	–	–	–
Total revenue	**861.4**	**181.7**	**–**	**1,043.1**	**–**	**1,043.1**
Operating profit (EBIT)[1]	1.7	26.0	–0.5	27.2	–	27.2

1–9/2012	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Recon-ciliation	**DEUTZ Group**
€ million						
External revenue	752.5	216.9	–	969.4	–	969.4
Intersegment revenue	–	–	–	–	–	–
Total revenue	**752.5**	**216.9**	**–**	**969.4**	**–**	**969.4**
Operating profit (EBIT)[1]	–10.2	39.6	–6.0	23.4	–	23.4

[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 nine months of 2013 and in the third quarter of 2013, other taxes amounted to €1.0 million and €0.3 million respectively (Q1–Q3 2012: €1.2 million; Q3 2012: €0.3 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

	7–9/2013	7–9/2012	1–9/2013	1–9/2012
€ million				
Overall profit of the segments[1]	17.1	2.7	27.2	23.4
Reconciliation	–	–	–	–
Operating profit (EBIT)[1]	17.1	2.7	27.2	23.4
Interest expenses, net	–1.8	–1.8	–4.4	–8.8
Net income before income taxes	15.3	0.9	22.8	14.6
Income taxes	0.2	–0.8	–1.9	–2.4
Net income	15.5	0.1	20.9	12.2

[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 nine months of 2013 and in the third quarter of 2013, other taxes amounted to €1.0 million and €0.3 million respectively (Q1–Q3 2012: €1.2 million; Q3 2012: €0.3 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:

- AB Volvo (publ), Gothenburg, Sweden (group)

SAME DEUTZ-Fahr Group S.p.A. is no longer a related party because it disposed of its shares in DEUTZ AG on 10 September 2013. Accordingly, receivables due from SAME DEUTZ-Fahr Group S.p.A. (including its subsidiaries) as at 30 September 2013 have not been reported as receivables due from related parties.

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	
	7–9/2013	7–9/2012	7–9/2013	7–9/2012	1–9/2013	1–9/2012	1–9/2013	1–9/2012
€ million								
Associates	–	–	–	–	–	–	–	–
Joint ventures	1.2	1.4	–	5.8	3.6	20.5	–	14.7
Other investments	0.1	0.2	1.0	1.1	0.4	0.4	3.1	3.1
Total	1.3	1.6	1.0	6.9	4.0	20.9	3.1	17.8

	Receivables		Liabilities	
	30/9/ 2013	31/12/ 2012	**30/9/ 2013**	31/12/ 2012
€ million				
Associates	–	0.8	–	–
Joint ventures	3.0	3.7	–	–
Other investments	0.5	0.4	6.3	5.0
Total	**3.5**	**4.9**	**6.3**	**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 €26.4 million (31 December 2012: €25.2 million) had been recognised on €29.9 million of the Company's total receivables as at 30 September 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 third quarter	97.5	79.3	34.2	11.0
Services supplied in the third quarter	9.6	5.0	0.3	0.4
Engines and spare parts supplied in the first nine month	287.7	276.2	77.4	34.1
Services supplied in the first nine month	19.1	17.1	0.6	0.9
Receivables as at 30 Sep/31 Dec.	33.1	31.6	–	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 SEPTEMBER 2013)

No material events occurred after 30 September 2013.

Cologne, 30 October 2013

DEUTZ Aktiengesellschaft
The Board of Management

Dr Helmut Leube

Dr Margarete Haase

Michael Wellenzohn

FINANCIAL CALENDAR

Date	Event
20 March 2014	Annual Results press conference Publication Annual Report 2013
20 March 2014	Analysts' meeting
5 May 2014	Interim Report 1st Quarter 2014
7 May 2014	Annual General Meeting
7 August 2014	Interim Report 1st Half-year 2014
6 November 2014	Interim Report 1st to 3rd Quarter 2014

CONTACT

DEUTZ AG
Ottostraße 1
51149 Cologne

Investor Relations
Telephone + 49 221 822 24 91
Fax + 49 221 822 15 24 91
E-Mail ir@deutz.com
Website www.deutz.com

Public Relations
Telephone + 49 221 822 24 93
Fax + 49 221 822 15 24 93
E-Mail presse@deutz.com
Website www.deutz.com

IMPRINT

Published by
DEUTZ AG
D-51057 Cologne

Concept and layout
Kirchhoff Consult AG, Hamburg

This is a complete translation of the original German version of the Interim Report.
This Interim Report is only available as a PDF.
This Interim Report was published on 7 November 2013.

DEUTZ AG
51149 Cologne
www.deutz.com