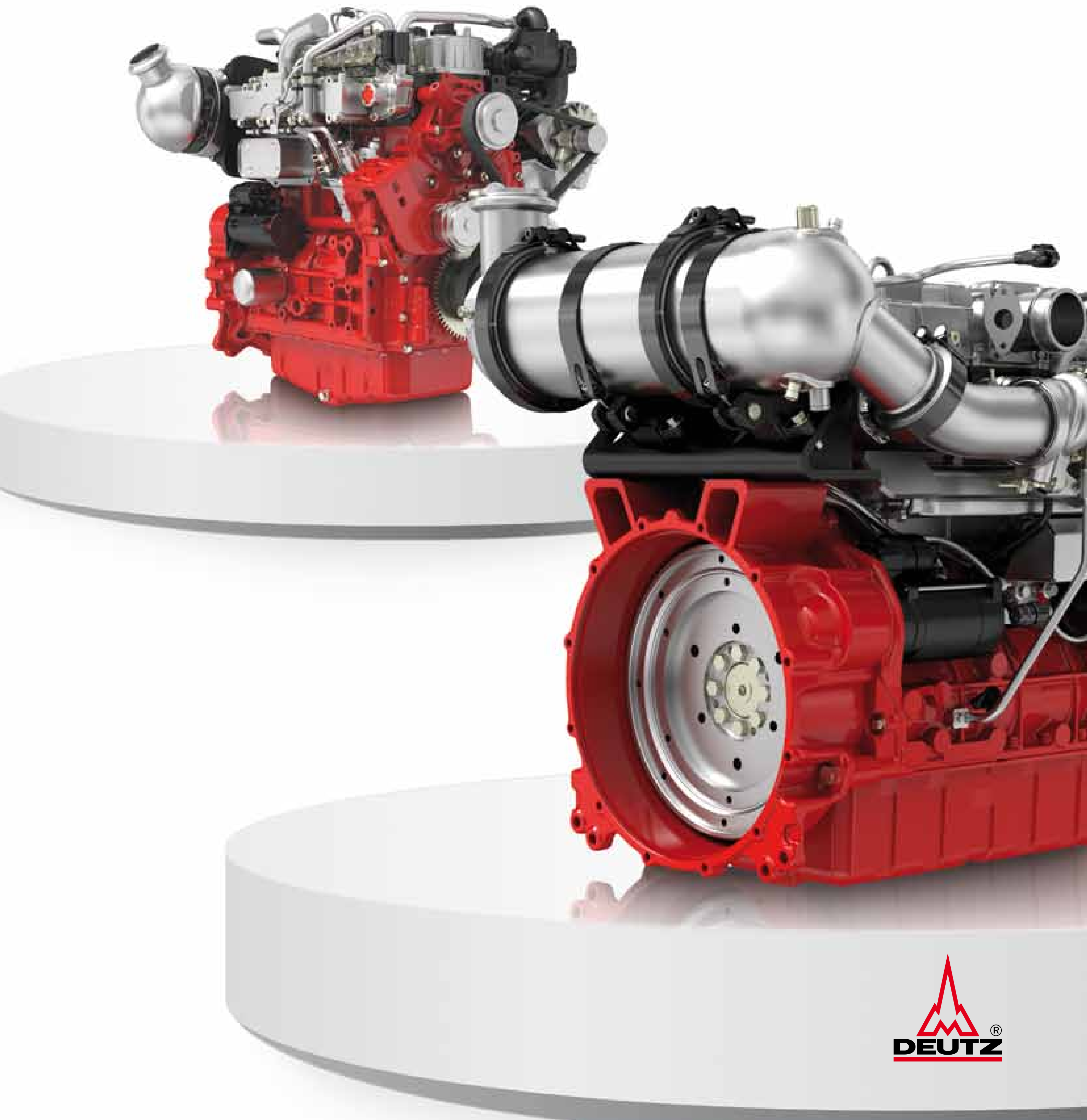
POWERING SUCCESS

Interim Report

1st to 3rd Quarter 2012



DEUTZ

THE 1ST TO 3RD QUARTER 2012 AT A GLANCE

DEUTZ Group: Key figures

	7–9/2012	7–9/2011	1–9/2012	1–9/2011
€ million				
New orders	259.5	372.7	960.5	1,169.8
Unit sales (units)	38,368	61,310	132,221	168,508
Revenue	288.4	399.4	969.4	1,123.5
thereof excluding Germany (%)	81.6	79.1	82.5	80.7
EBITDA	23.2	41.3	81.5	118.2
EBIT	3.0	25.1	24.6	69.4
EBIT margin (%)	1.0	6.3	2.5	6.2
Net income	0.1	20.7	12.2	54.6
Earnings per share (€)	–	0.17	0.10	0.45
Total assets	1,073.1	1,118.2	1,073.1	1,118.2
Non-current assets	633.1	619.0	633.1	619.0
Equity	474.2	428.8	474.2	428.8
Equity ratio (%)	44.2	38.3	44.2	38.3
Cash flow from operating activities	17.7	34.1	34.5	64.1
Free cash flow[1]	–11.8	2.1	–60.2	–23.4
Net financial position[2]	–121.3	–97.8	–121.3	–97.8
Working capital[3]	215.6	175.3	215.6	175.3
Working capital as percentage of revenue (%)[4]	15.7	11.7	15.7	11.7
Capital expenditure (excluding capitalisation of R&D)	13.0	8.5	41.9	29.8
Depreciation and amortisation	20.2	16.2	56.9	48.8
Research and development	17.6	28.6	64.4	81.1
Employees (30 September)	4,040	4,275	4,040	4,275

[1] Free cash flow: cash flow from operating and investing activities minus interest expense
[2] Net financial position: cash and cash equivalents minus current and non-current interest-bearing financial liabilities
[3] Working capital: inventories plus trade receivables minus trade payables
[4] Working Capital Ratio (as percentage at balance sheet date): Working Capital at balance sheet date divided by revenue in the past twelve months.

DEUTZ Group: Segments

	7–9/2012	7–9/2011	1–9/2012	1–9/2011
€ million				
New orders				
DEUTZ Compact Engines	197.8	299.6	746.6	937.3
DEUTZ Customised Solutions	61.7	73.1	213.9	232.5
Total	**259.5**	**372.7**	**960.5**	**1,169.8**
Unit sales (units)				
DEUTZ Compact Engines	34,406	54,264	119,017	149,215
DEUTZ Customised Solutions	3,962	7,046	13,204	19,293
Total	**38,368**	**61,310**	**132,221**	**168,508**
Revenue				
DEUTZ Compact Engines	217.7	315.2	752.5	879.8
DEUTZ Customised Solutions	70.7	84.2	216.9	243.7
Total	**288.4**	**399.4**	**969.4**	**1,123.5**
EBIT (before one-off items)				
DEUTZ Compact Engines	–8.6	15.2	–9.5	36.4
DEUTZ Customised Solutions	12.5	11.4	39.9	34.8
Other	–0.9	–1.5	–5.8	–1.8
Total	**3.0**	**25.1**	**24.6**	**69.4**

FOREWORD

Dear Shareholders and Business Associates,

A sustained recovery of the global economy remains a long way off. Ongoing problems, particularly in the euro zone, are generating widespread uncertainty. This has caused international economic institutions to lower their forecasts again. DEUTZ's business has also been negatively affected by these conditions.

Demand for our products diminished again in recent months because of continuing weak economic growth in China, among other reasons. The revenue we received in the first three quarters of 2012 amounted to €969.4 million, 13.7 per cent below the encouraging figure reported for the corresponding period of last year. New orders totalled €960.5 million in the first nine months of this year, equating to a decrease of 17.9 per cent compared with the same period of 2011. Operating profit (EBIT) was just over a third of what it had been in the first three quarters of last year, falling to €24.6 million. Besides the reduced volume of business, the main reasons for this decline were lower contributions to earnings from our joint ventures, the production start-up of new engines and negative one-off items in previous quarters.

In light of this situation, we have taken steps to reduce costs and improve earnings. This includes reviewing our established structures once more. In addition, we are continuing to stringently apply measures to boost efficiency at our joint venture DEUTZ (Dalian) Engine Co., Ltd.

Over the past few months, we have also laid the operational and strategic foundations that will enable DEUTZ AG to remain successful in the future. For example, we continued our product offensive with the introduction of the TCD 3.6, which will be followed by the TCD 2.9 before the end of the year.

Moreover, we have laid the groundwork for tapping into new customer segments, particularly in the agricultural machinery sector and in Asia. We see Asia, and China in particular, as a significant growth market for our products. That is why we have strengthened our sales team in Beijing and entered into new sales and service partnerships. To achieve our ambitious targets for the expansion of the service business, we opened a new service centre in Madrid in late September. Another one will open in Moscow by the end of the year.

By replacing our previous funding facility at the start of July, we have secured the funding for our company's future growth over the long term and significantly expanded our range of options.

In October, we restructured our alliance with Robert Bosch GmbH and J. Eberspächer GmbH & Co. KG in the field of exhaust aftertreatment. DEUTZ and Eberspächer are selling their shares in Bosch Emission Systems GmbH & Co. KG (BESG) to the majority shareholder Bosch. DEUTZ and Bosch will intensify their future collaboration as part of an innovation partnership in the fields of exhaust aftertreatment, diesel injection technology and electronics.

In September 2012, the Swedish truck and construction equipment manufacturer AB Volvo became the largest individual shareholder in DEUTZ AG with a stake of just over 25 per cent by acquiring 22 million shares from our long-standing majority shareholder SAME DEUTZ-FAHR. The Italian agricultural machinery manufacturer SAME DEUTZ-FAHR now holds around 8.4 per cent of DEUTZ shares and will remain one of our company's major strategic partners.

Against this background, we now anticipate that our revenue and our EBIT margin for 2012 will be in the bottom half of the range of our forecast (revenue in the range of €1.3 billion to €1.4 billion and an EBIT margin of between 3.0 per cent and 4.0 per cent).

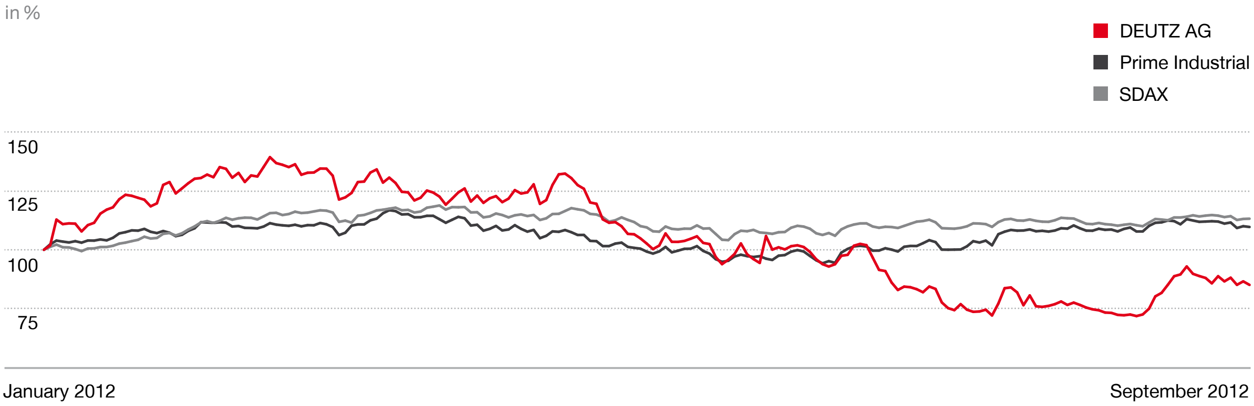
We hope that you continue to place your trust in our company: we firmly believe that DEUTZ is well equipped to face the future.

Kind regards from Cologne

Dr Helmut Leube　　　　Dr Margarete Haase

DEUTZ SHARES

Price performance of DEUTZ share



DEUTZ shares unable to keep up with the indices' strong performance Despite the uncertainties regarding future global economic growth, the DAX rallied in the third quarter. Having reached 6,416.28 points at the end of the first half of 2012, it closed 12.5 per cent higher at 7,216.15 points on 28 September 2012. This also constitutes an increase of 22.3 per cent compared with the closing price at the end of 2011. The benchmark indices relevant to DEUTZ, the SDAX and the Prime Industrial, have also performed positively so far this year. The SDAX added 5,004.14 points, 13.2 per cent above its closing price at the end of 2011. The Prime Industrial index, which includes major German industrial companies, rose by 9.7 per cent compared with the end of 2011 to 3,051.20 points.

DEUTZ shares – regarded as a cyclical stock – were unable to keep up with this trend. They fell at the very beginning of the third quarter as we were forced to revise our 2012 outlook downwards in mid-July owing to the poor economic situation. The share price reached its lowest level of the year so far on 4 September when it hit €2.96. However, it made a marked recovery over the next few weeks and closed the quarter at €3.50 on 28 September 2012 (June 2012 closing price: €4.01; 2011 year-end closing price: €4.11). DEUTZ shares reached their highest point of the year on 20 February 2012, when they peaked at €5.72.

The number of shares remains unchanged at 120,861,783 Market capitalisation consequently amounted to €423.0 million at the end of September (31 December 2011: €496.7 million). DEUTZ AG moved from Deutsche Börse's MDAX index back to the SDAX index on 24 September 2012. Unfortunately, the Company was unable to sustain its market capitalisation at a high enough level to remain in Germany's second most important share index. We will nevertheless continue with our intensive investor relations activities.

As announced in June 2012, Swedish truck and construction equipment manufacturer AB Volvo increased its shareholding in DEUTZ AG from 6.7 per cent to just over 25 per cent in September by acquiring 22 million shares from SAME DEUTZ-FAHR for approximately €130 million. It is now our company's largest individual shareholder. SAME DEUTZ-FAHR continues to hold around 8.4 per cent of DEUTZ AG shares and remains one of our major strategic business partners. 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.

DEUTZ shares continue to be observed by 13 banks and securities houses: Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, Goldman Sachs, HSBC Trinkaus & Burkhardt, Kepler Capital Markets, Metzler, National-Bank, Solventis Wertpapierhandelsbank, UBS and Viscardi Securities.

Further information on all these topics can be found on our website at www.deutz.com under Investor Relations.

Key figures for DEUTZ shares

	1–9/2012	1–9/2011
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 (€)	3.50	4.18
Share price high (€)	5.72	7.22
Share price low (€)	2.96	4.16
Market capitalisation as at 30 September (€ million)	423.0	505.2
Earnings per share (€)	0.10	0.45

Based on Xetra closing prices

INTERIM MANAGEMENT REPORT OF THE DEUTZ GROUP FOR THE 1ST TO 3RD QUARTER OF 2012

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

ECONOMIC ENVIRONMENT

Global economic situation remains uncertain[1] There were further setbacks in the global economy's recovery, which continues to be hampered by the European sovereign debt crisis and structural problems in the euro zone. The US economy is recovering at a slower rate than originally predicted. Despite the monetary policies adopted by a number of industrialised countries to create stimulus, experts have retracted their global growth forecasts recently. Uncertainty about how the economy will perform remains high.

Based on this, the International Monetary Fund (IMF) has again lowered its forecasts. The IMF is now predicting global economic growth of 3.3 per cent for 2012 as a whole. It expects the euro-zone's economy to contract by 0.4 per cent owing to the unresolved sovereign debt problems. The German economy is forecast to grow by 0.9 per cent, the strongest rate in the euro zone. In October, the ifo Business Climate Index for German trade and industry declined for the sixth time in succession, reaching 100.0 points – down by 9.7 points compared with six months earlier.[2]

Economic growth of 2.2 per cent is expected for the United States. However, the weakness of the global economy is also impacting on the emerging markets. Growth forecasts for China have been lowered to 7.8 per cent, for example.

Further decline for engineering[3] August was a weak month for the German engineering sector, with new orders decreasing by 11.0 per cent on a price-adjusted basis. Widespread uncertainty meant fewer orders were received from Germany and abroad. Between January and August 2012, new orders in the German engineering sector were down by 5.0 per cent year on year, primarily due to the low level of domestic demand. As a result, capacity utilisation fell to 86.7 per cent in July 2012 (July 2011: 89.9 per cent), which was slightly higher than its long-term average.

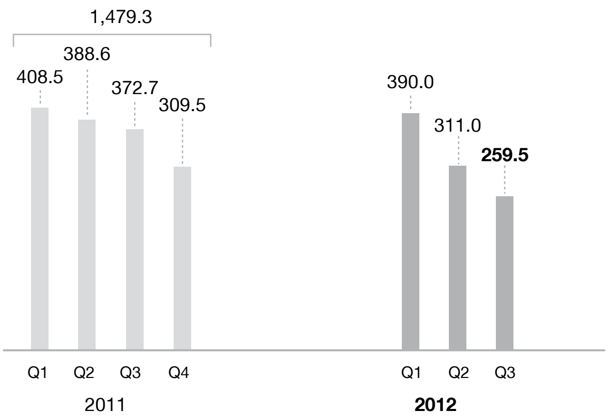
NEW ORDERS

Orders fall again DEUTZ AG took new orders worth €960.5 million in the first nine months of 2012. This equates to a year-on-year decrease of 17.9 per cent (Q1-Q3 2011: €1,169.8 million) and can be attributed to the weak economic performance of Europe and China. All application segments were affected by the decline. The only increase registered in the first three quarters of the year was in the service business, which saw new orders rise by 2.7 per cent compared with the same period of 2011. Looking at the third quarter in isolation, new orders amounted to €259.5 million, which was 30.4 per cent less than the encouraging figure of €372.7 million reported in the third quarter of 2011. New orders had amounted to €311.0 million in the second quarter of 2012.

As at 30 September 2012, orders on hand were below the high level reported a year earlier, having declined by 32.8 per cent to €219.6 million (30 September 2011: €326.9 million). Orders on hand were 12.0 per cent lower than they had been as at 30 June 2012.

DEUTZ Group: New orders by quarter[1]

€ million



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

[1] Source: IMF World Economic Outlook Update, October 2012
[2] Source: ifo Business Survey, October 2012
[3] Source: Konjunkturbulletin of the German Engineering Federation (VDMA), October 2012

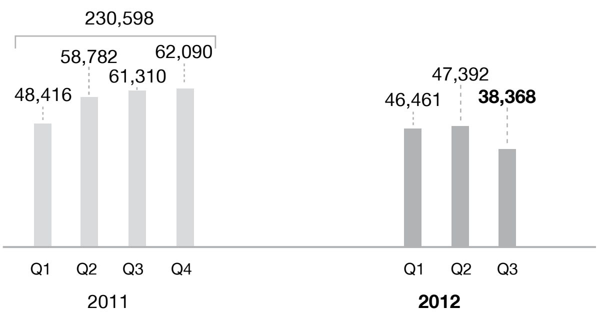
UNIT SALES

Fewer engines sold DEUTZ AG sold 132,221 engines in the first three quarters of 2012, which was 21.5 per cent fewer than in the corresponding period of 2011 (Q1-Q3 2011: 168,508 engines). However, the revenue figures show that there was still a trend toward sales of higher-value engines. Third-quarter unit sales totalled 38,368 engines, 37.4 per cent fewer than the encouraging number sold in the third quarter of 2011 (Q3 2011: 61,310 engines). We also sold fewer engines in the third quarter than in the second quarter of this year (Q2 2012: 47,392 engines).

Regional unit sales were as follows in the first nine months of the year: whereas 29,130 engines were sold in the Americas region (up by 12.1 per cent), unit sales were down by 28.4 per cent in Europe, Middle East and Africa (EMEA) and down by 15.2 per cent in Asia-Pacific.

DEUTZ Group: Unit sales by quarter

units

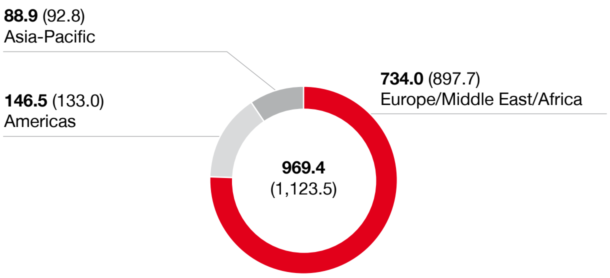


RESULTS OF OPERATIONS

REVENUE

DEUTZ Group: Revenue by regions

€ million (2011 figures)

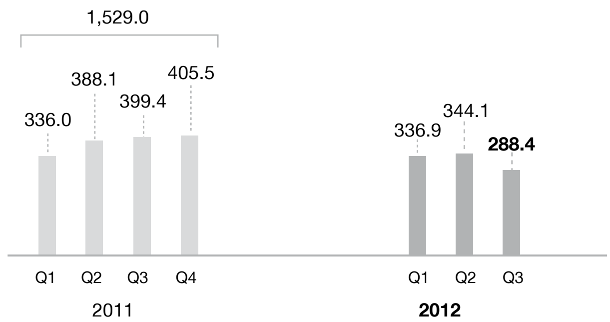


Decrease in revenue Revenue amounted to €969.4 million in the first nine months of 2012, 13.7 per cent below the impressive figure reported for the corresponding period of last year (Q1-Q3 2011: €1,123.5 million). However, the decline in revenue was low in relation to the fall in unit sales due to the greater value and complexity of the engines sold. This was because an increasing proportion of engines sold met the Tier 4 Interim emissions standard – a trend that is expected to continue. Revenue totalled €288.4 million in the third quarter, which was down on comparable periods (Q2 2012: €344.1 million; Q3 2011: €399.4 million).

Broken down by region, revenue was up by 10.2 per cent in the Americas but down by 18.2 per cent and 4.2 per cent respectively in the EMEA and Asia-Pacific regions. Analysis of the application segments shows that revenue from the service business rose by 3.1 per cent. By contrast, revenue decreased in the Mobile Machinery (down 4.1 per cent), Automotive (down 12.1 per cent) and Stationary Equipment (down 9.8 per cent) application segments. The 35.7 per cent reduction in revenue in the Agricultural Machinery application segment was due to the economic slowdown, to delays in production start-up at key customers and to advance production of engines which our European customers had already purchased by the end of 2011 in view of the stricter emissions standards that came into force this year.

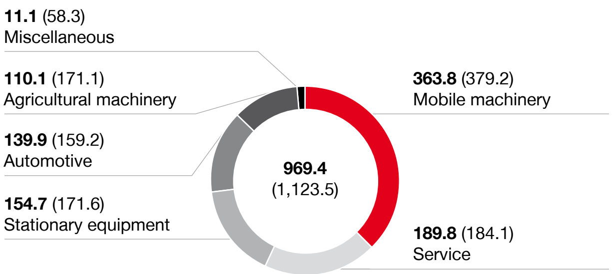
DEUTZ Group: Revenue by quarters

€ million



DEUTZ Group: Revenue by application segment

€ million (2011 figures)



EBIT

Further reduction in EBIT Operating profit (EBIT) for the first nine months of the year decreased by €44.8 million year on year to €24.6 million (Q1-Q3 2011: €69.4 million). A quarter-on-quarter analysis also reveals a downward trend: EBIT in the third quarter came to €3.0 million, which was significantly lower than it had been in the previous quarter (Q2 2012: €11.3 million). The key factors in this trend were the economic slowdown – particularly in Europe and China – and lower contributions to earnings from our joint ventures. Production start-ups for our engines meeting the COM III B and US EPA Tier 4 Interim exhaust emissions standards also had a negative impact on earnings.

Cost of materials As a percentage of total output, the cost of materials rose slightly, by 0.5 percentage points, to 64.6 per cent in the first three quarters of 2012 (Q1-Q3 2011: 64.1 per cent). This increase was due above all to the production start-up in the second half of 2011 and in this year of our engines for the European Union's COM III B exhaust emissions standard and the equivalent standard in the United States, EPA Tier 4 Interim. These engines have a far higher proportion of material costs.

Staff costs totalled €205.2 million in the first nine months of this year. In absolute terms, this equated to a year-on-year decrease of €5.6 million. However, the staff costs ratio (staff costs as a percentage of total output) rose by 2.4 percentage points to 20.2 per cent as a result of the economic situation (Q1-Q3 2011: 17.8 per cent).

Other operating income in the first three quarters of 2012 amounted to €27.4 million (Q1-Q3 2011: €24.8 million). This small rise of €2.6 million meant other operating income was almost unchanged year on year. By contrast, other operating expenses declined significantly, reducing by €31.1 million to €88.7 million (Q1-Q3 2011: €119.8 million). The decrease in business volume led to a sharp fall in expenses for temporary staff and warranties; the latter also resulting from further improvements in quality. Lower consultancy costs were also a major factor in this trend.

The loss on equity-accounted investments as at 30 September 2012 was €11.8 million (Q1-Q3 2011: loss of €0.2 million), a year-on-year increase of €11.6 million. The main reasons for this rise were negative contributions to earnings from our Chinese joint ventures on the back of the general slowdown in China's economic growth and from Bosch Emission Systems GmbH & Co. KG resulting from start-up losses and an impairment loss at the joint venture.

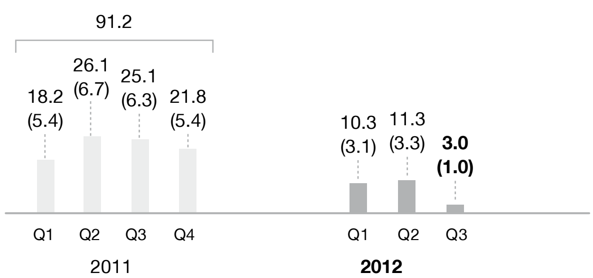
The net interest expense amounted to €8.8 million (Q1-Q3 2011: €9.8 million), a year-on-year improvement of €1.0 million. This decline can primarily be attributed to lower finance costs following the restructuring of the funding at the end of June 2012.

Income taxes totalled €2.4 million in the first nine months of this year (Q1-Q3 2011: €3.8 million) and resulted mainly from current tax expenses incurred by subsidiaries.

As a consequence of the fall in operating profit, net income decreased by €42.4 million to €12.2 million compared with the equivalent period of last year (Q1-Q3 2011: €54.6 million). Earnings per share amounted to €0.10 for the first nine months of 2012 (Q1-Q3 2011: €0.45).

DEUTZ Group: Operating profit/EBIT margin by quarter

€ million (EBIT margin in %)



BUSINESS PERFORMANCE IN THE SEGMENTS

BUSINESS PERFORMANCE DEUTZ COMPACT ENGINES (DCE)

New orders on a par with revenue The DEUTZ Compact Engines (DCE) segment took new orders worth €746.6 million in the first three quarters of 2012, a fall of 20.3 per cent compared with the first nine months of 2011 (€937.3 million). New orders totalling €197.8 million were generated in the third quarter, down on the figures reported for the comparable periods (Q2 2012: €252.3 million; Q3 2011: €299.6 million). In the first three quarters of 2012, new orders in this segment were at roughly the same level as revenue. Orders on hand amounted to €147.6 million as at the balance sheet date, a year-on-year decrease of more than a third (30 September 2011: €237.2 million).

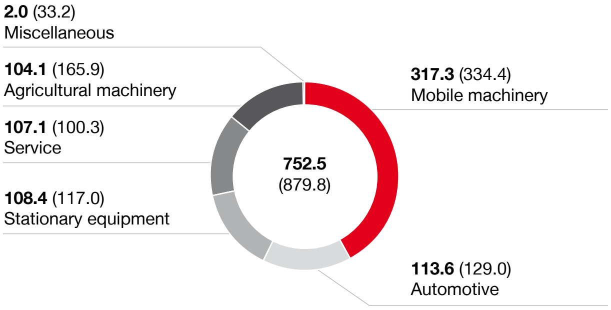
Downturn in unit sales The DCE segment sold 119,017 engines in the period under review, which was 20.2 per cent fewer than in the corresponding period of last year (Q1-Q3 2011: 149,215 engines). Third-quarter sales of 34,406 engines represented a significant decrease compared with the 54,264 engines sold in the third quarter of 2011 and the 43,032 engines sold in the second quarter of 2012.

Year-on-year decline in revenue The DCE segment generated revenue of €752.5 million, down by 14.5 per cent compared with the corresponding amount for 2011 (Q1-Q3 2011: €879.8 million). Whereas revenue rose sharply in the Americas region (by 25.7 per cent), it fell by 19.3 per cent and 12.6 per cent respectively in the EMEA and Asia-Pacific regions. The only application segment to increase its revenue was the service business, which registered a rise of 6.8 per cent. By contrast, revenue declined by 5.1 per cent in the Mobile Machinery application segment, while the Automotive and Agricultural Machinery application segments reported decreases of 11.9 per cent and 37.3 per cent respectively. Third-quarter revenue came to €217.7 million, almost a third less than in the corresponding quarter of last year (Q3 2011: €315.2 million).

Negative EBIT figure Operating profit (EBIT) in the DCE segment declined by €45.9 million year on year, resulting in an operating loss (EBIT) of €9.5 million (Q1-Q3 2011: operating profit of €36.4 million). The key factors behind this were the growing economic downturn in Europe and the negative contribution to earnings from our Chinese joint venture DEUTZ (Dalian) Engine Co., Ltd. (China), which was also caused by the economic situation. The market launch of our engines that meet the new exhaust emissions standards also impacted negatively on earnings.

DEUTZ Compact Engines: Revenue by application segment

€ million (2011 figures)



BUSINESS PERFORMANCE DEUTZ CUSTOMISED SOLUTIONS (DCS)

New orders slightly below 2011 level The DEUTZ Customised Solutions segment (DCS) won new orders worth €213.9 million in the reporting period, down by 8.0 per cent year on year (Q1- Q3 2011: €232.5 million). New orders received in the third quarter totalled €61.7 million, which was 15.6 per cent lower than the figure reported for the same period of last year (Q3 2011: €73.1 million). However, it represented a slight increase compared with the second quarter of 2012, when new orders amounted to €58.7 million. Orders on hand as at 30 September 2012 stood at €72.0 million, a decline of 19.7 per cent compared with 30 September 2011.

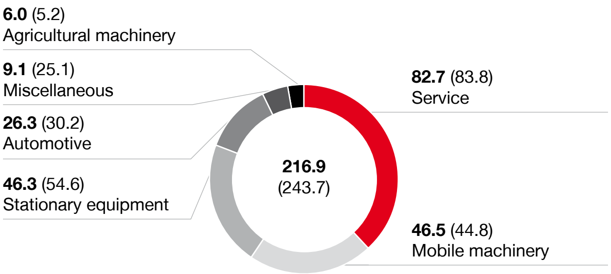
Fewer engines sold The DCS segment sold 13,204 engines in the period January to September 2012. Unit sales were therefore down by almost a third compared with the equivalent period of last year (Q1-Q3 2011: 19,293 engines). Whereas unit sales rose slightly in the Asia-Pacific region, they decreased in the EMEA and Americas regions. Third-quarter unit sales amounted to 3,962 engines, which was 43.8 per cent fewer than in the third quarter of 2011 and 9.1 per cent fewer than in the second quarter of 2012.

Year-on-year fall in revenue The DCS segment generated revenue of €216.9 million in the first nine months of 2012, corresponding to a decrease of 11.0 per cent (Q1-Q3 2011: €243.7 million). The decline in revenue was low in relation to the fall in unit sales owing to the business mix. Asia-Pacific was the only region to increase its revenue (by 6.0 per cent), with the EMEA and Americas regions reporting revenue decreases of 13.3 per cent and 18.7 per cent respectively. Revenue rose in the Mobile Machinery and Agricultural Machinery application segments. It remained roughly unchanged in the high-margin service business compared with the first nine months of 2011. The Automotive and Stationary Equipment application segments both reported a drop in revenue. Revenue for the third quarter amounted to €70.7 million, which was 16.0 per cent less than in the third quarter of 2011 and 2.2 per cent less than in the second quarter of 2012.

Further growth in operating profit for DCS The operating profit earned by the DCS segment in the first nine months of 2012 was €39.9 million (Q1-Q3 2011: €34.8 million). This was a further improvement of €5.1 million compared with the very encouraging figure reported for the corresponding period of 2011. The positive trend was largely attributable to the favourable effects of the business mix and to greater profitability.

DEUTZ Customised Solutions: Revenue by application segment

€ million (2011 figures)



FINANCIAL POSITION

FUNDING

In mid-2012, a syndicate of five German banks provided us with a €160 million working capital facility. It is a floating-rate, unsecured line and, as a revolving facility, can be drawn down as and when we need it until June 2017.

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

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

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 long term. As a result of this new funding, interest expenses will continue to fall substantially in the next few years, while our range of options has expanded significantly.

In the period under review, we fully repaid and replaced the previous working capital facility, which was for €240 million, and the remaining outstanding amounts due to noteholders, equivalent to €15.7 million.

CASH FLOW

The decline in operating profit in the first nine months of this year caused cash flow from operating activities to decrease by €29.6 million year on year to €34.5 million (Q1-Q3 2011: €64.1 million)[1].

Cash flow from investing activities in the period under review amounted to minus €85.4 million, which was an improvement of €6.5 million on the same period of 2011 (Q1-Q3 2011: minus €78.9 million). Besides the development of new engines and refinement of existing ones, the main area of capital expenditure was spending on production equipment and tools in relation to the market launch of new engines.

Net cash provided by financing activities advanced by €29.2 million year on year to €29.6 million (Q1-Q3 2011: €0.4 million). The previous loan was repaid and new loans were taken up following the restructuring of the funding in mid-2012. In addition, the Shandong Changlin Machinery Group Co., Ltd. made a capital contribution at the start of 2012 in connection with the establishment of the joint production company DEUTZ (Shandong) Engine Co., Ltd.

Holdings of cash and cash equivalents declined by €21.8 million in the reporting period owing to the increase in working capital due to seasonal factors. The net financial position[2] as at 30 September 2012 came to minus €121.3 million (31 December 2011: minus €69.6 million).

Free cash flow[3] totalled minus €60.2 million in the first nine months of this year (Q1-Q3 2011: minus €23.4 million). This decline was caused by the lower level of operating profit and increases in capital expenditure.

[1] Since the first quarter of 2012, interest income (Q1-Q3 2012: €0.4 million; Q1-Q3 2011: €0.3 million) has been reported under cash flow from financing activities. The comparative figure for 2011 has been restated accordingly.
[2] Net financial position: cash and cash equivalents less current and non-current interest-bearing financial liabilities
[3] Free cash flow: cash flow from operating and investing activities minus net interest expense

NET ASSETS

Non-current assets Non-current assets had grown by €10.0 million to €650.3 million as at 30 September 2012 (31 December 2011: €640.3 million). Whereas capital expenditure on the development of new engines and refinement of existing ones led to a rise in intangible assets, there was a decline in equity-accounted investments owing to negative contributions to earnings.

Current assets Current assets amounted to €422.4 million as at 30 September 2012, a reduction of €35.9 million compared with 31 December 2011 (€458.3 million). Falling receivables were the main reasons for this change, although the decrease in cash and cash equivalents resulting from capital expenditure and declining profitability was also a factor.

Working capital Working capital (inventories plus trade receivables minus trade payables) had risen by €73.5 million to €215.6 million as at 30 September 2012 (31 December 2011: €142.1 million). Trade receivables decreased owing to the decline in revenue and continued rigorous management of receivables. However, this decrease was more than offset, in particular, by the reduction in trade payables resulting from the business situation and by the seasonal increase in inventories. Consequently, the ratio[1)] had risen to 15.7 per cent on the reporting date (30 September 2011: 11.7 per cent). The average working capital ratio rose year on year and had reached 13.9 per cent by 30 September 2012 (30 September 2011: 10.5 per cent).

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

Equity ratio Equity was €20.7 million higher than on 31 December 2011 owing to the net income generated in the first nine months of 2012 and to the capital contribution paid by Shandong Changlin Machinery Group Co., Ltd. into the joint venture DEUTZ (Shandong) Engine Co., Ltd. in January 2012. The shares that Shandong Changlin Machinery Group Co., Ltd. holds in the joint venture are reported as non-controlling interests under Group equity because the joint venture has been fully included in DEUTZ AG's consolidated financial statements. As at 30 September 2012, equity amounted to €474.2 million (31 December 2011: €453.5 million), equivalent to an equity ratio of 44.2 per cent (31 December 2011: 41.3 per cent).

Current and non-current liabilities Whereas current liabilities had fallen by €71.0 million to €270.2 million as at the reporting date compared with €341.2 million as at 31 December 2011, non-current liabilities had risen by €24.4 million to €328.7 million (31 December 2011: €304.3 million). The decline in current liabilities was essentially attributable to the reduction in trade payables resulting from the business situation. Non-current liabilities increased because we had drawn down more from bank loans owing to the growth in working capital and the increase in capital expenditure.

Total assets amounted to €1,073.1 million as at 30 September 2012, which was slightly lower than they had been at the end of last year (31 December 2011: €1,099.0 million).

EVENTS AFTER THE REPORTING PERIOD

In October 2012, DEUTZ AG, Robert Bosch GmbH and J. Eberspächer GmbH & Co. KG decided to restructure their alliance in the field of exhaust aftertreatment. To this end, DEUTZ and Eberspächer are selling their shares in Bosch Emission Systems GmbH & Co. KG (BESG) to the majority shareholder Bosch. The transaction is subject to approval from the antitrust authorities. We expect this step to have a positive impact on the financial position and financial performance of the DEUTZ Group.

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

RESEARCH AND DEVELOPMENT

Further reduction in R&D spending DEUTZ AG's expenditure on research and development in the first nine months of 2012 amounted to €64.4 million. This equates to a year-on-year decrease of €16.7 million or 20.6 per cent (Q1-Q3 2011: €81.1 million). As announced, DEUTZ has therefore further scaled back its expenditure on research and development because the market launch of new products and work on the new exhaust emissions standards are at an advanced stage. Factoring in reimbursements from key customers and development partners, expenditure came to €49.1 million (Q1-Q3 2011: €64.8 million). In the third quarter of 2012, DEUTZ spent €17.6 million on research and development, compared with €20.9 million in the previous quarter.

The development of new engines and the refinement of existing ones accounted for the bulk of expenditure (89.6 per cent), as had been the case in the first three quarters of 2011 (89.8 per cent). We spent €57.7 million on this work (Q1-Q3 2011: €72.8 million). Another €5.4 million (8.4 per cent) was spent on support for existing engine series and €1.3 million (2.0 per cent) on fundamental research.

The DEUTZ Compact Engines segment's spending on research and development came to €58.9 million, or €43.6 million after reimbursement (Q1-Q3 2011: €70.4 million, or €54.1 million after reimbursement). This equates to a decrease of 16.3 per cent (or 19.4 per cent after reimbursement) compared with the same period of 2011. R&D expenditure in the DEUTZ Customised Solutions segment totalled €5.5 million in the first nine months of the year, almost 50.0 per cent less than in the equivalent period last year (Q1-Q3 2011: €10.7 million).

Reflecting the progress made with research and development projects, the R&D ratio for the first nine months fell from 7.2 per cent in 2011 to 6.6 per cent in 2012.

EMPLOYEES

Slightly smaller workforce at DEUTZ As at 30 September 2012, the DEUTZ Group had 4,040 employees, 235 people – or 5.5 per cent – fewer than it had employed a year earlier (30 September 2011: 4,275). The number of employees was virtually unchanged compared with 30 June 2012 (4,042 employees). We adjusted the number of contract workers to the production volume. Whereas we had employed 626 contract staff as at 30 September 2011, this had declined to just 215 people by the balance sheet date. This also represented a reduction of 109 people compared with 30 June 2012. Hiring temporary workers and contract staff enables DEUTZ AG to respond flexibly to possible fluctuations in demand in a fast-moving market environment and to continue to grow profitably. Around 12.5 per cent of all staff at DEUTZ had fixed-term or temporary contracts as at 30 September 2012.

We had 3,226 employees in Germany at the end of the reporting period, 91 people – or 2.7 per cent – fewer than a year earlier (30 September 2011: 3,317). The number of employees had increased by 14 – or 0.4 per cent – compared with the 3,212 people employed as at 30 June 2012. Employees at our Cologne and Ulm plants numbered 2,513 and 421 respectively as at 30 September 2012, equating to year-on-year decreases of 38 and 51 employees respectively.

DEUTZ employed 814 people outside Germany as at the balance sheet date, 144 people – or 15.0 per cent – fewer than a year earlier (30 September 2011: 958). There was only a small decline of 1.9 per cent compared with 30 June 2012. The headcount reduction particularly affected our Spanish production site DEUTZ Diter, where the workforce had decreased for reasons of capacity utilisation to 498 employees as at 30 September 2012. This was 165 people – or 24.9 per cent – fewer than a year earlier (30 September 2011: 663). The number of employees at our new site in Asia, DEUTZ Beijing, went up to 27 people, a year-on-year increase of nine. Overall, 79.9 per cent of DEUTZ employees were based in Germany as at 30 September 2012 (30 September 2011: 77.6 per cent) and 20.1 per cent in other countries (30 September 2011: 22.4 per cent).

RISK REPORT

The DEUTZ Group operates on a global basis in various market segments and application segments. Consequently, the Company is exposed to a variety of risks specific to its business and to the regions in which it operates. Pages 49 to 53 of our 2011 annual report describe certain material risks for our financial position and financial performance and explain the structure of our risk management system. Additional information, including on the opportunities for our Company, is provided in the Economic Environment and Outlook sections of this interim group management report.

RELATED PARTY DISCLOSURES

In addition to its consolidated subsidiaries, the DEUTZ Group maintains relationships with related parties. These include the business relationships between the DEUTZ Group and entities in which it holds significant investments as well as the following DEUTZ AG shareholders (including their subsidiaries) that are in a position to exert a significant influence over the DEUTZ Group.
- AB Volvo (publ), Gothenburg, Sweden (group),
- SAME DEUTZ-FAHR Group S.p.A., Treviglio, Italy (group).

Further information on related-party disclosures is given on page 20 et seq. of the notes to the interim consolidated financial statements.

OUTLOOK

Global economic forecasts lowered again[1] The prospects for the global economy have taken another turn for the worse, above all because of the problems in the euro zone. Consequently, the International Monetary Fund (IMF) again lowered its expectations for further economic growth in its most recent forecast, dated October 2012, and predicted that the global economy would grow by approximately 3.3 per cent this year. The euro zone's economy is anticipated to contract by 0.4 per cent in 2012. Growth of 0.9 per cent is expected for Germany. The 2012 growth forecast for the United States has improved slightly and now stands at 2.2 per cent. Although China is being adversely affected by the weakness of the global economy, it is expected to generate growth of some 7.8 per cent.

In view of the difficult market environment, we have taken steps to reduce costs and improve earnings. This includes reviewing our established structures once more. In addition, we are continuing to stringently apply measures to boost efficiency at our joint venture DEUTZ (Dalian) Engine Co., Ltd. The priorities in our strategic projects remain unchanged: preparations for the start of production at our new production company in China (DEUTZ Engine (Shandong) Co., Ltd.) and continuation of the strategic talks with AB Volvo on extending our long-standing alliance, the aims of which include the creation of a new joint production company in China in which DEUTZ will hold a majority stake.

Against this background, we now anticipate that our revenue and our EBIT margin for 2012 will be in the bottom half of the range of our most recent forecast (revenue in the range of €1.3 billion to €1.4 billion and an EBIT margin of between 3.0 per cent and 4.0 per cent).

The economic slowdown is having a greater impact on our DCE segment because it is more cyclical than the DCS segment.

Disclaimer
This publication includes certain statements about future events and developments, together with disclosures and estimates provided by the Company. Such forward-looking statements include known and unknown risks, uncertainties and other factors that may mean that the actual performances, developments and results in the Company or those in sectors important to the Company are significantly different (especially from a negative point of view) from those expressly or implicitly assumed in these statements. The Board of Management cannot therefore make any warranty with regard to the statements made in this management report. The Company gives no undertaking that it will update forward-looking statements to bring them into line with future developments.

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

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

INCOME STATEMENT FOR THE DEUTZ GROUP

	Note	7–9/2012	7–9/2011	1–9/2012	1–9/2011
€ million					
Revenue		**288.4**	**399.4**	**969.4**	**1,123.5**
Changes in inventories and other own work capitalised		9.2	10.2	46.7	59.0
Other operating income		9.2	5.1	27.4	24.8
Cost of materials		–189.3	–264.2	–656.6	–758.3
Staff costs		–64.2	–69.8	–205.2	–210.8
Depreciation and amortisation		–20.2	–16.2	–56.9	–48.8
Other operating expenses	1	–26.7	–38.3	–88.7	–119.8
Net income from equity-accounted investments		–3.5	–1.1	–11.8	–0.2
Other investment income		0.1	–	0.3	–
EBIT		**3.0**	**25.1**	**24.6**	**69.4**
Interest expenses, net		–1.8	–3.1	–8.8	–9.8
thereof finance costs		–2.0	–3.2	–9.4	–10.2
Other taxes		–0.3	–0.4	–1.2	–1.2
Net income before taxes		**0.9**	**21.6**	**14.6**	**58.4**
Income taxes	2	–0.8	–0.9	–2.4	–3.8
Net income		**0.1**	**20.7**	**12.2**	**54.6**
thereof attributable to the shareholders of DEUTZ AG		0.1	20.7	12.2	54.6
thereof attributable to non-controlling interests		0.0[1]	–	0.0[1]	–
Earnings per share (€)[2]		**–**	**0.17**	**0.10**	**0.45**

[1] The rounded amount is less than €0.1 million
[2] Profit for the period attributable to shareholders of DEUTZ AG

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

	Note	7–9/2012	7–9/2011	1–9/2012	1–9/2011
€ million					
Net income		**0.1**	**20.7**	**12.2**	**54.6**
Currency translation differences		–1.2	5.3	0.4	0.7
Effective portion of change in fair value from cash flow hedges		0.4	–1.2	1.0	–0.7
Change in fair value of available-for-sale financial instruments		0.1	–0.2	0.2	–0.1
Other comprehensive income, net of tax	3	**–0.7**	**3.9**	**1.6**	**–0.1**
Comprehensive income		**–0.6**	**24.6**	**13.8**	**54.5**
thereof attributable to the shareholders of DEUTZ AG		–0.4	24.6	14.0	54.5
thereof attributable to non-controlling interests		–0.2	–	–0.2	–

BALANCE SHEET FOR THE DEUTZ GROUP

Assets	Note	30/9/2012	31/12/2011
€ million			
Property, plant and equipment	4	312.5	311.5
Intangible assets	4	248.6	227.8
Equity-accounted investments		61.0	71.8
Other financial assets		11.0	12.0
Non-current assets (before deferred tax assets)		633.1	623.1
Deferred tax assets		17.2	17.2
Non-current assets		**650.3**	**640.3**
Inventories	5	216.9	187.6
Trade receivables		136.0	163.6
Other receivables and assets		39.7	55.5
Cash and cash equivalents		29.8	51.6
Current assets		**422.4**	**458.3**
Non-current assets classified as held for sale		0.4	0.4
Total assets		**1,073.1**	**1,099.0**

Equity and liabilities	Note	30/9/2012	31/12/2011
Issued capital		309.0	309.0
Additional paid-in capital		28.8	28.8
Other reserves		10.9	9.1
Retained earnings		79.1	79.1
Accumulated income		39.7	27.5
Equity attributable to owners of DEUTZ AG		**467.5**	**453.5**
Non-controlling interests		6.7	–
Equity		**474.2**	**453.5**
Provisions for pensions and other post-retirement benefits		142.9	148.5
Deferred tax provisions		3.2	2.8
Other provisions	6	28.0	29.3
Financial liabilities	7	149.6	119.3
Other liabilities		5.0	4.4
Non-current liabilities		**328.7**	**304.3**
Provisions for pensions and other post-retirement benefits		15.6	15.6
Provision for current income taxes		0.2	0.2
Other provisions	6	52.5	43.0
Financial liabilities	7	1.5	1.9
Trade payables		137.3	209.1
Other liabilities		63.1	71.4
Current liabilities		**270.2**	**341.2**
Total equity and liabilities		**1,073.1**	**1,099.0**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

	Issued capital	Additional paid-in capital	Retained earnings	Fair value reserve[1), 2)]	Currency translation reserve[1)]	Accumulated income/loss	Total Group interest	Non-controlling interests	**Total**
€ million									
Balance at 1 Jan 2011	**309.0**	**28.8**	**79.1**	**0.1**	**5.3**	**–48.0**	**374.3**	**–**	**374.3**
Comprehensive income				–0.8	0.7	54.6	54.5	–	54.5
Balance at 30 Sep 2011	**309.0**	**28.8**	**79.1**	**–0.7**	**6.0**	**6.6**	**428.8**	**–**	**428.8**
Balance at 1 Jan 2012	**309.0**	**28.8**	**79.1**	**–1.4**	**10.5**	**27.5**	**453.5**	**–**	**453.5**
Capital contribution							–	6.9	6.9
Comprehensive income				1.2	0.6	12.2	14.0	–0.2	13.8
Balance at 30 Sep 2012	**309.0**	**28.8**	**79.1**	**–0.2**	**11.1**	**39.7**	**467.5**	**6.7**	**474.2**

1) On the face of the balance sheet these items are aggregated under “Other reserves”
2) Reserves from the measurement of cash flow hedges and reserves from the measurement of available-for-sale financial assets

CASH FLOW STATEMENT FOR THE DEUTZ GROUP

€ million	Note	**1–9/2012**	1–9/2011
EBIT		**24.6**	**69.4**
Other taxes paid		–1.2	–1.2
Income taxes paid		–3.0	–1.3
Depreciation and amortisation		56.9	48.8
Gain/loss on disposals of fixed assets		–0.4	–0.1
Net result from equity-accounted investments		11.8	0.2
Other non-cash expenses/income		1.4	1.5
Change in working capital		–71.2	–60.3
Change in inventories		–29.2	–58.2
Change in trade receivables		27.7	7.0
Change in trade payables		–69.7	–9.1
Change in other receivables and other current assets		13.5	–19.9
Change in provisions and other liabilities (excluding financial liabilities)		2.1	27.0
Cash flow from operating activities		**34.5**	**64.1**
Capital expenditure on intangible assets, property, plant and equipment		–78.5	–74.2
Capital expenditure on investments		–7.6	–5.1
Proceeds from sale of parts of business		0.7	0.4
Cash flow from investing activities		**–85.4**	**–78.9**
Interest income[1]		0.4	0.3
Interest expenses		–9.7	–8.9
Capital contribution by minorities		6.9	–
Cash receipts from borrowings	7	185.0	20.0
Repayments of loans	7	–153.0	–11.0
Cash flow from financing activities		**29.6**	**0.4**
Cash flow from operating activities		34.5	64.1
Cash flow from investing activities		–85.4	–78.9
Cash flow from financing activities		29.6	0.4
Change in cash and cash equivalents		**–21.3**	**–14.4**
Change in cash and cash equivalents at 1 January		**51.6**	**67.9**
Change in cash and cash equivalents		–21.3	–14.4
Change in cash and cash equivalents related to exchange rates		–0.5	0.1
Change in cash and cash equivalents at 30 September		**29.8**	**53.6**

[1] Interest income, which amounted to €0.4 million (Q1–Q3 2011: €0.3 million), is now reported under cash flow from financing activities instead of cash flow from operating activities in order to show interest income and interest expense associated with financing activities. The prior-year figures have been restated accordingly to improve comparability.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 1ST TO 3RD QUARTER 2012

BASIC PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The DEUTZ Group's condensed interim consolidated financial statements prepared for the parent company DEUTZ AG for the period ended 30 September 2012 are based on uniform accounting policies. The interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Accounting Standards Board (IASB) regarding interim financial reporting (IAS 34) as adopted by the European Union. Consequently, these interim consolidated financial statements do not contain all the information and notes required by IFRS for consolidated financial statements for a full financial year, and should therefore be read in conjunction with the IFRS consolidated financial statements published for the 2011 financial year.

The condensed interim consolidated financial statements for the period ended 30 September 2012 – consisting of the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, and selected notes to the consolidated financial statements – and the interim group management report for the period from 1 January to 30 September 2012 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 2011. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2011. If they are material, revenue-related and cyclical items are deferred during the year on the basis of annual business plans.

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

Changes in basis of consolidation On the basis of a joint venture contract dated 12 January 2012, DEUTZ and Shandong Changlin Machinery Group paid their capital contributions into the new production company DEUTZ Engine (Shandong) Co., Ltd., which has its registered office in Linyi/China, in the third quarter of this year. DEUTZ holds 70 per cent of voting shares in the joint venture through DEUTZ Asien Verwaltungs GmbH. The joint venture has been fully included in the consolidated financial statements of DEUTZ AG using the acquisition method. The Shandong Changlin Machinery Group's holding of 30 per cent of the voting shares are reported as non-controlling interests under Group equity. In addition, the subsidiaries OOO DEUTZ Vostok, whose registered office is in Moscow/Russia, and DEUTZ Engine China GmbH, whose registered office is in Cologne, were included in the consolidated financial statements of DEUTZ AG in the third quarter of 2012. The capital contributions for these two new companies – of €257 thousand and €25 thousand – were paid on 14 August 2012 and 12 September 2012 respectively. DEUTZ AG holds 100 per cent of voting shares in both companies. They were included in the consolidated financial statements of DEUTZ AG using the acquisition method.

Changes in presentation Interest income is now reported under cash flow from financing activities instead of under cash flow from operating activities so that both interest income and interest expense are now shown under financing activities. Interest income for the period 1 January to 30 September 2012 amounted to €0.4 million (Q1-Q3 2011: €0.3 million). The prior-year figures have been restated accordingly to improve comparability.

Significant estimates and assumptions The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires estimates and assumptions to be made that have an impact on the recognition, measurement and reporting of assets and liabilities, the disclosure of contingent assets and liabilities at 30 September 2012 and on the reporting of income and expenses in the reporting period. We would also refer you to the relevant information in the notes to our consolidated financial statements for the 2011 financial year.

Additional disclosures In addition to the information required by IFRS, the DEUTZ Group reports a figure for EBIT before one-off items, which it uses for internal purposes to gauge the profitability of its business. One-off items are defined as significant income generated or expenses incurred outside the scope of the Company's ordinary business activities as defined by DEUTZ.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. OTHER OPERATING EXPENSES

Other operating expenses for the first nine months of 2012 fell by €31.1 million compared with the corresponding period of last year to €88.7 million (Q1-Q3 2011: €119.8 million). This positive trend is due, in particular, to the decline in business volume, which resulted in significantly lower expenses for temporary staff and warranties; the latter also resulting from further improvements in quality. Lower consultancy costs and decreased freight forwarding costs also had a positive impact.

2. INCOME TAXES

	7–9/2012	7–9/2011	1–9/2012	1–9/2011
€ million				
Current tax expense	0.7	0.8	2.3	1.5
Deferred tax expense	0.1	0.1	0.1	2.3
Total	**0.8**	**0.9**	**2.4**	**3.8**

Income taxes predominantly comprised current tax expense in the period under review. The considerable rise in current tax expense can be attributed, above all, to the positive results of operations achieved by our subsidiaries outside Germany compared with the first three quarters of 2011. By contrast, deferred tax expenses fell sharply due, in particular, to the smaller increase in temporary differences between the recognition of property, plant and equipment of our Spanish subsidiary DEUTZ DITER S.A.U. in the tax accounts and in the consolidated balance sheet. In 2011, the Company had been able to make greater use of special accelerated depreciation allowances.

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:

	1–9/2012		
	before taxes	taxes	after taxes
€ million			
Currency translation differences	0.4	–	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	–	0.2
Other comprehensive income	**2.0**	**–0.4**	**1.6**

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

In the first nine months of 2012, a loss of €2.1 million before taxes (Q1-Q3 2011: profit of €1.3 million) related to cash flow hedges was reclassified to the income statement.

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the first nine months of 2012, capital expenditure on property, plant and equipment and on intangible assets including investment grants totalled €35.9 million and €42.9 million respectively. These amounts were largely offset by depreciation and amortisation of €34.5 million and €22.4 million. Spending on property, plant and equipment predominantly related to capital investment in production facilities and tools in connection with production start-ups of new engines. Capital expenditure on intangible assets largely went on the development of new engines and refinement of existing ones to meet new exhaust emissions standards.

Commitments to purchase property, plant and equipment and intangible assets amounted to €51.9 million as at 30 September 2012 (31 December 2011: €50.2 million).

5. INVENTORIES

As at 30 September 2012, inventories had risen by €29.3 million to €216.9 million (31 December 2011: €187.6 million) primarily due to seasonal effects. This increase was due, in particular, to higher inventories of work in process, but also related to finished goods, raw materials and consumables.

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

6. OTHER PROVISIONS

	30/9/2012	31/12/2011
€ million		
Non-current	28.0	29.3
Current	52.5	43.0
Total	**80.5**	**72.3**

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

7. FINANCIAL LIABILITIES

	30/9/2012	31/12/2011
€ million		
Non-current	149.6	119.3
Current	1.5	1.9
Total	**151.1**	**121.2**

The rise in non-current financial liabilities compared with 31 December 2011 amounted to €30.3 million and was predominantly because we had drawn down more of the existing funding components. During the reporting period we fully repaid and replaced the existing working capital facility and the remaining outstanding amounts due to noteholders. For further details of our current funding arrangements please refer to the relevant information provided in the “Financial position” section of our interim group management report.

SEGMENT REPORTING

Information about the segments of the DEUTZ Group for the third quarter and first nine months of 2012 and of 2011 is shown in the following table:

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 before one-off items)	–8.6	12.5	–0.9	3.0	–	3.0

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

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 before one-off items)	–9.5	39.9	–5.8	24.6	–	24.6

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

30/9/2012	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	Total segments	Recon-ciliation	DEUTZ Group
€ million						
Segment assets (Inventories/trade receivables)	258.7	94.2	–	352.9	–	352.9
Segment liabilities (Trade payables)	118.8	18.5	–	137.3	–	137.3
Working capital	**139.9**	**75.7**	**–**	**215.6**	**–**	**215.6**

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

Reconciliation from overall profit of the segments to net income

	7–9/2012	7–9/2011	1–9/2012	1–9/2011
€ million				
Overall profit of the segments	**3.0**	**25.1**	**24.6**	**69.4**
Reconciliation	–	–	–	–
Operating profit (EBIT before one-off items)	**3.0**	**25.1**	**24.6**	**69.4**
One-off items	–	–	–	–
EBIT	**3.0**	**25.1**	**24.6**	**69.4**
Interest expenses, net	–1.8	–3.1	–8.8	–9.8
Other taxes	–0.3	–0.4	–1.2	–1.2
Net income before income taxes	**0.9**	**21.6**	**14.6**	**58.4**
Income taxes	–0.8	–0.9	–2.4	–3.8
Net income	**0.1**	**20.7**	**12.2**	**54.6**

RELATED PARTY DISCLOSURES

In addition to its consolidated subsidiaries, the DEUTZ Group maintains relationships with related parties.

These include the business relationships between the DEUTZ Group and its long-term equity investments as well as the following DEUTZ AG shareholders (including their subsidiaries), which are in a position to exert a significant influence over the DEUTZ Group. These shareholders are

- 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 the DEUTZ Group's **long-term equity investments:**

	Goods and services		Other expenses incurred in connection with goods and services		Goods and services		Other expenses incurred in connection with goods and services	
	7–9/2012	7–9/2011	**7–9/2012**	7–9/2011	**1–9/2012**	1–9/2011	**1–9/2012**	1–9/2011
€ million								
Associates	–	–	–	–	–	–	–	–
Joint ventures	1.4	8.9	5.8	3.7	20.5	23.9	14.7	5.3
Other investments	0.2	0.1	1.1	1.0	0.4	0.3	3.1	3.0
Total	**1.6**	**9.0**	**6.9**	**4.7**	**20.9**	**24.2**	**17.8**	**8.3**

	Receivables		Liabilities	
	30/9/2012	31/12/2011	**30/9/2012**	31/12/2011
€ million				
Associates	–	0.9	–	–
Joint ventures	4.8	15.1	4.3	8.8
Other investments	0.4	–	6.3	4.9
Total	**5.2**	**16.0**	**10.6**	**13.7**

The decrease in goods supplied and services rendered to joint ventures in the third quarter of 2012 compared with the corresponding period of 2011 is predominantly attributable to the smaller volume of business transacted with our joint venture DEUTZ (Dalian) Engine Co. Ltd. on the back of weaker growth in China.

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

Impairment losses of €24.9 million (31 December 2011: €23.8 million) had been recognised on €30.1 million of the Company's receivables as at 30 September 2012 (31 December 2011: €38.9 million). Some of these receivables and liabilities resulted from loans. Taken together, neither the interest and similar income nor the interest expense and similar charges arising from the interest paid on these loans are material.

The following table gives a breakdown of the significant business relationships between the DEUTZ Group and its shareholders, including their subsidiaries:

	Volvo Group		SAME DEUTZ-FAHR Group	
	2012	2011	**2012**	2011
€ million				
Engines and spare parts supplied in the third quarter	79.3	64.5	11.0	40.3
Services in the third quarter	5.0	5.6	0.4	0.3
Engines and spare parts supplied in the first nine months	276.2	263.3	34.1	75.0
Services in the first nine months	17.1	18.1	0.9	2.4
Receivables as at 30 Sep/31 Dec	56.9	42.4	9.5	19.5

EVENTS AFTER THE BALANCE SHEET DATE (30 SEPTEMBER 2012)

In October 2012, DEUTZ AG, Robert Bosch GmbH and J. Eberspächer GmbH & Co. KG decided to restructure their alliance in the field of exhaust aftertreatment. To this end, DEUTZ and Eberspächer are selling their shares in Bosch Emission Systems GmbH & Co. KG (BESG) to the majority shareholder Bosch. The transaction is subject to approval from the antitrust authorities.

We expect this step to have a positive impact on the financial position and financial performance of the DEUTZ Group.

SUPERVISORY BOARD

In connection with the increase by AB Volvo (publ) of its shareholding in DEUTZ AG to 25 per cent plus one share, Dr Francesco Carozza and Dr Michael Lichtenauer stepped down from the Supervisory Board of DEUTZ AG with effect from 25 September 2012. The local court in Cologne appointed Ms Sofia Frändberg and Mr Torbjörn Holmström as the new members of the DEUTZ AG Supervisory Board with effect from 26 September 2012.

Cologne, 5 November 2012

DEUTZ Aktiengesellschaft
The Board of Management

Dr Helmut Leube

Dr Margarete Haase

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report presents a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.”

Cologne, 5 November 2012

DEUTZ Aktiengesellschaft
The Board of Management

Dr Helmut Leube

Dr Margarete Haase

FINANCIAL CALENDAR

Date	Event	Location
19 March 2013	Annual Results press conference Publication Annual Report 2012	Cologne
19 March 2013	Analysts' meeting	Frankfurt/Main
30 April 2013	Annual General Meeting	Cologne

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