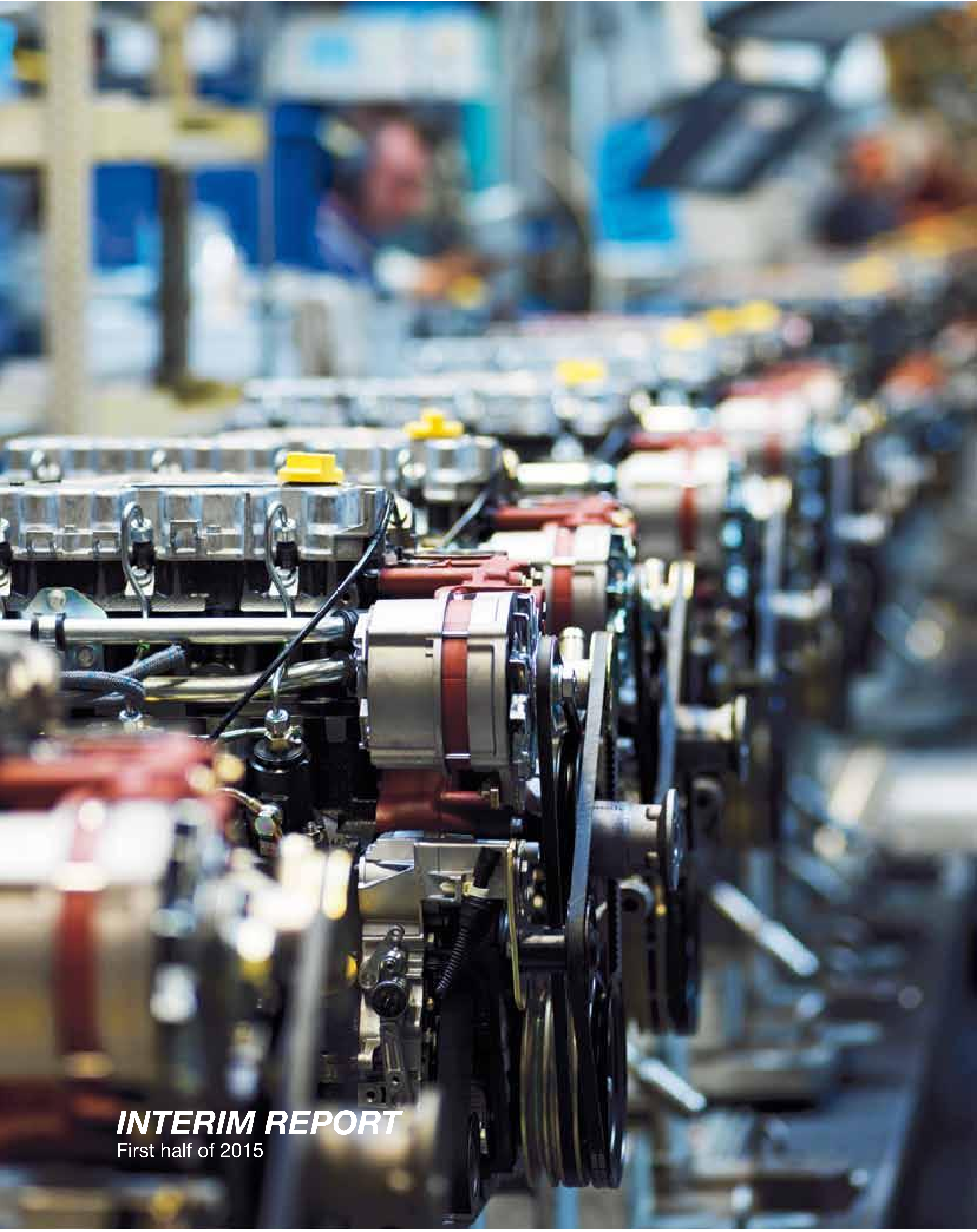


INTERIM REPORT
First half of 2015

The engine company. DEUTZ

THE FIRST HALF YEAR AT A GLANCE

DEUTZ Group: Overview

	4–6/2015	4–6/2014	**1–6/2015**	1–6/2014
€ million				
New orders	349.7	332.6	670.7	746.8
Unit sales (units)	41,213	54,622	78,120	99,079
Revenue	352.1	410.7	670.2	753.4
EBITDA	36.5	28.2	70.4	53.6
EBITDA before one-off items	36.5	42.1	70.4	67.5
EBIT	10.2	4.3	20.3	6.2
EBIT before one-off items	10.2	18.2	20.3	20.1
EBIT margin (%)	2.9	1.0	3.0	0.8
EBIT margin before one-off items (%)	2.9	4.4	3.0	2.7
Net income	9.0	3.3	16.7	2.7
Earnings per share (€)	0.07	0.02	0.14	0.02
Total assets	1,179.8	1,183.5	1,179.8	1,183.5
Non-current assets (before deferred tax assets)	554.5	583.4	554.5	583.4
Equity	535.1	489.6	535.1	489.6
Equity ratio (%)	45.4	41.4	45.4	41.4
Cash flow from operating activities	41.5	31.5	53.9	40.9
Free cash flow[1]	27.3	12.1	26.2	8.9
Net financial position[2]	33.2	–31.8	33.2	–31.8
Working capital[3]	216.4	204.0	216.4	204.0
Working capital ratio (30 June, %)[4]	15.0	13.2	15.0	13.2
Capital expenditure (excluding capitalisation of R&D, after deducting grants)	16.9	11.1	25.3	19.0
Depreciation and amortisation	26.3	23.9	50.1	47.4
R&D expenditure (after deducting grants)	8.9	11.3	19.8	25.7
thereof capitalised	3.2	6.8	5.0	15.8
Employees (number at 30 June)	3,822	4,014	3,822	4,014

[1] Free cash flow: cash flow from operating and investing activities less interest expense.
[2] Net financial position: cash and cash equivalents less current and non-current interest-bearing financial debt.
[3] Working capital: inventories plus trade receivables minus trade payables.
[4] Working capital ratio (30 June, %): working capital as at the balance sheet date divided by revenue for the previous twelve months.

DEUTZ Group: Segments

	4–6/2015	4–6/2014	**1–6/2015**	1–6/2014
€ million				
New orders				
DEUTZ Compact Engines	281.1	267.5	530.0	612.1
DEUTZ Customised Solutions	68.6	65.1	140.7	134.7
Total	**349.7**	**332.6**	**670.7**	**746.8**
Unit sales (units)				
DEUTZ Compact Engines	37,758	51,279	71,353	92,935
DEUTZ Customised Solutions	3,455	3,343	6,767	6,144
Total	**41,213**	**54,622**	**78,120**	**99,079**
Revenue				
DEUTZ Compact Engines	277.3	347.8	528.3	634.6
DEUTZ Customised Solutions	74.8	62.9	141.9	118.8
Total	**352.1**	**410.7**	**670.2**	**753.4**
EBIT before one-off items				
DEUTZ Compact Engines	2.5	10.5	6.5	5.6
DEUTZ Customised Solutions	6.3	7.2	17.3	14.3
Other	1.4	0.5	–3.5	0.2
Total	**10.2**	**18.2**	**20.3**	**20.1**

FOREWORD

Dear shareholders,
friends and partners of our company,

DEUTZ can look back on a solid first half of 2015. We were particularly encouraged by the favourable response to our fully upgraded product portfolio, the progress we have made on optimising our network of sites and the recovery of our share price.

The new orders we received in the first half of 2015 amounted to €670.7 million, a decrease of 10.2 per cent compared with the first half of 2014. At €670.2 million, revenue was down by 11.0 per cent year on year. This was in line with our expectations: last year we benefited from increased demand for engines ahead of the latest EU exhaust emissions standard. Despite the drop in revenue, operating profit (EBIT before one-off items) was on a par with the prior-year level at €20.3 million. Net income rose to €16.7 million, a significant improvement on the €2.7 million reported for the first six months of last year. We were particularly pleased with the substantial increase in free cash flow, which went up by €17.3 million to €26.2 million in the first half of the year; the figure for the past twelve months has therefore climbed to €69.3 million.

Our revenue for the second quarter of 2015, which amounted to €352.1 million, was up by 10.7 per cent on the first quarter of 2015 but down by 14.3 per cent on the second quarter of 2014. EBIT before one-off items declined from €18.2 million in the second quarter of last year to €10.2 million in the quarter under review, primarily due to the decrease in business volume. It was therefore at the same level as in the first quarter of 2015.

The DEUTZ share price rallied significantly in the second quarter of 2015, climbing by 28.5 per cent to €5.14 in the first six months of this year, thereby outperforming all benchmark indices.

Our current product campaign, 'Stage V ready', highlights the fact that all of our TCD engines with diesel particulate filters in the 2.9 to 7.8 litre cubic capacity range already meet the limits that are to be expected from 2019 according to the European Commission's proposal. This gives us a strong competitive edge.

The measures we have implemented to optimise our network of sites in Germany are continuing on schedule, and we expect them to significantly increase our efficiency. We will have vacated the Cologne-Deutz site by the end of 2016 and are building a new shaft centre at our largest site, Cologne-Porz. The foundation stone for the centre was laid on 6 July 2015, just after the end of the second quarter. Our exchange engine plant in Übersee on Lake Chiemsee is being integrated into the plant in Ulm in two stages. The first stage, which involved moving the assembly line, was successfully completed over the past few months.

We are adjusting our production capacity in China to reflect the new, lower level of market demand by focusing on our existing joint venture DEUTZ Dalian. Over recent years, DEUTZ Dalian has performed well in a challenging market and has sufficient capacities to cope with the expected future demand. That is why we have reached agreement with our partner Weichai Power on the sale of our shares in WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD., our joint venture with Weichai Power in Weifang, China. The transaction is still subject to the approval of the relevant authorities in China, particularly antitrust approval. We expect the transaction to make a small contribution to earnings.

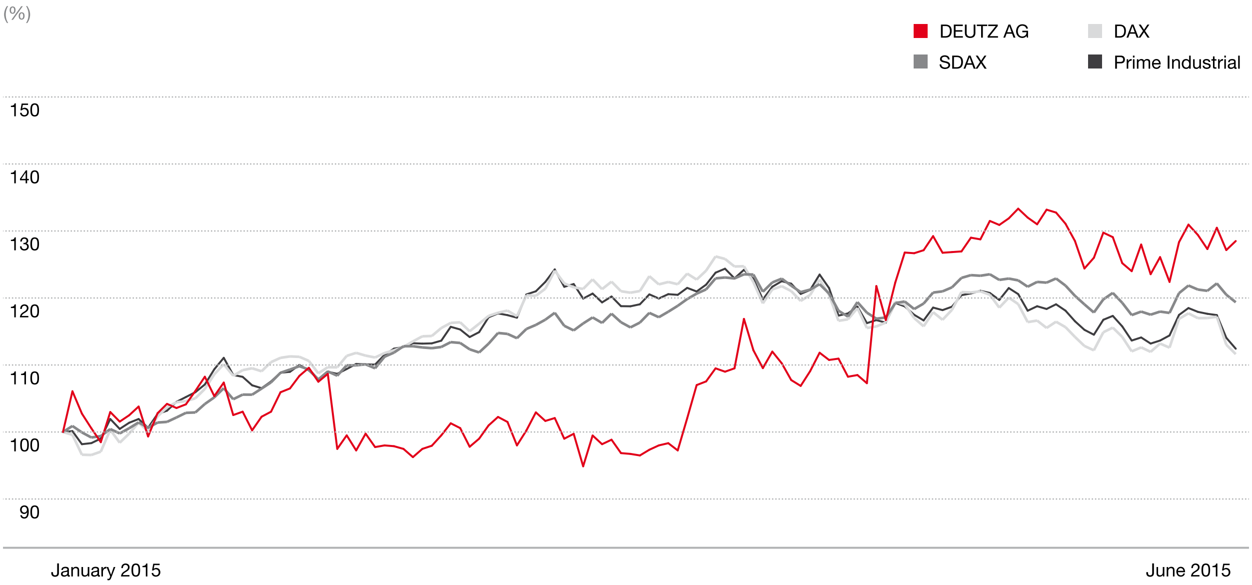
We believe that the year will continue to be a period of transition, characterised by a significant reduction in demand resulting from the advance production of engines in 2014, as mentioned above. As a result, we continue to anticipate a decline in revenue in the region of 10 per cent for 2015 but a modest improvement in the EBIT margin before one-off items to around 3 per cent.

Kind regards from Cologne,

Dr Ing Helmut Leube | Dr Margarete Haase | Michael Wellenzohn

DEUTZ SHARES

DEUTZ share price performance



Strong recovery of DEUTZ shares The stock markets maintained their largely positive trajectory in the second quarter of 2015. The SDAX, in which DEUTZ shares are listed, closed the first half of the year at 8,577.73 points, up by 19.4 per cent compared with the 2014 year-end closing price. During the same period, the Prime Industrial rose by 12.4 per cent to close at 4,772.65 points but did not perform as well in the second quarter as it had in the first three months of the year.

DEUTZ shares rose even more sharply than the benchmark indices. Having gone up at the start of the year, they then lost value and reached their lowest level for the year so far of €3.80 on 19 March 2015. However, they subsequently gained steadily and reached their highest level of the first half of the year of €5.33 on 28 May 2015. DEUTZ shares closed at €5.14 on 30 June 2015, which means they put on 28.5 per cent during the reporting period.

The number of DEUTZ shares remains unchanged at 120.9 million. Market capitalisation as at 30 June 2015 therefore came to €621.2 million (31 December 2014: €483.4 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. The free float is held by a broadly diversified range of private and institutional shareholders both in Germany and abroad. As at 30 June 2015, Old Mutual Plc held 3.1 per cent in our Company. This stake is considered a non-controlling shareholding.

Nine banks and securities houses are currently monitoring the performance of DEUTZ shares: Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, Equinet, HSBC Trinkaus & Burkhardt, Kepler Cheuvreux and Quirin Bank.

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

Key figures for DEUTZ shares

	1–6/2015	1–6/2014
Number of shares (30 Jun)	120,861,783	120,861,783
Average number of shares	120,861,783	120,861,783
Share price as at 30 Jun (€)	5.14	5.82
Share price high (€)	5.33	7.94
Share price low (€)	3.80	5.61
Market capitalisation as at 30 Jun (€ million)	621.2	703.4
Earnings per share (€)	0.14	0.02

Based on Xetra closing prices.

INTERIM MANAGEMENT REPORT OF THE DEUTZ GROUP FOR THE FIRST HALF OF 2015

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

ECONOMIC ENVIRONMENT

Global economic growth falters slightly[1] The slightly weaker first quarter of 2015, particularly in North America, caused the global economy's growth to slow a little in the first half of this year. Nonetheless, the basis for a continued economic upturn in the established industrialised countries remains intact. There was unfortunately no letup in the slowdown of economic growth in developing countries owing, among other reasons, to lower commodity prices and a credit squeeze.

The International Monetary Fund (IMF) recently lowered its prediction for global economic growth slightly, from 3.5 per cent to 3.3 per cent. The eurozone economy is expected to expand by 1.5 per cent in 2015, compared with 0.8 per cent in 2014. Germany will continue to be the main driver of this uptrend with economic growth of 1.6 per cent anticipated for 2015 – the same level as last year. The prospects for Spain are very encouraging as its economy is predicted to expand by 3.1 per cent. This follows an increase of 1.4 per cent in 2014 that saw the country move out of recession for the first time in several years.

The performance of the US economy fell short of expectations in the first quarter of 2015. However, the main factors underlying this trend are likely to be temporary and growth of 2.5 per cent is predicted for 2015 as a whole, following an increase of 2.4 per cent last year.

Growth forecasts for China remain at 6.8 per cent, down from the 7.4 per cent growth rate seen in 2014. One of the reasons for this is the continued weakening of China's construction machinery market.

German engineering at prior-year level[2] New orders in the German engineering sector stagnated in the first five months of this year. Domestic orders continued to decline, although this downward trend was offset by orders from abroad.

NEW ORDERS

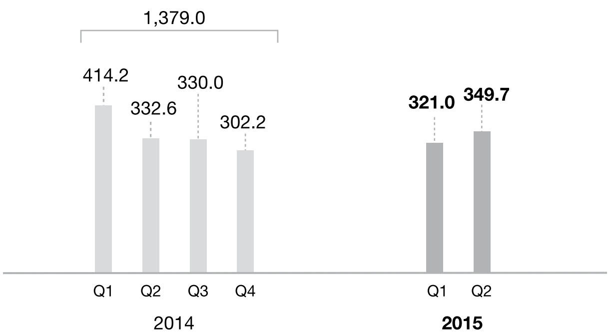
New orders firm up as the year progresses In the first half of 2015, DEUTZ received new orders worth €670.7 million, which was 10.2 per cent below the figure for the comparable period of last year (H1 2014: €746.8 million). The first quarter of last year, in particular, had seen strong demand for engines ahead of the latest EU exhaust emissions standard and consequently high levels of new orders. There was growth in the service business during the period under review. In the Automotive and Stationary Equipment application segments, new orders were on a par with the prior-year period. New orders received by the Agricultural Machinery application segment declined moderately, while those received in the Mobile Machinery application segment were down significantly on the strong first half of 2014. In the first six months of this year, new orders were at the same level as revenue.

The trend over the course of the year is positive: new orders in the second quarter of 2015 came to €349.7 million, up by 5.1 per cent year on year (Q2 2014: €332.6 million) and up by 8.9 per cent compared with the previous quarter (Q1 2015: €321.0 million).

Orders on hand amounted to €223.8 million as at 30 June 2015. This was 35.5 per cent lower than the figure reported a year earlier and 2.0 per cent lower than the figure at 31 March 2015.

DEUTZ Group: New orders by quarter

€ million



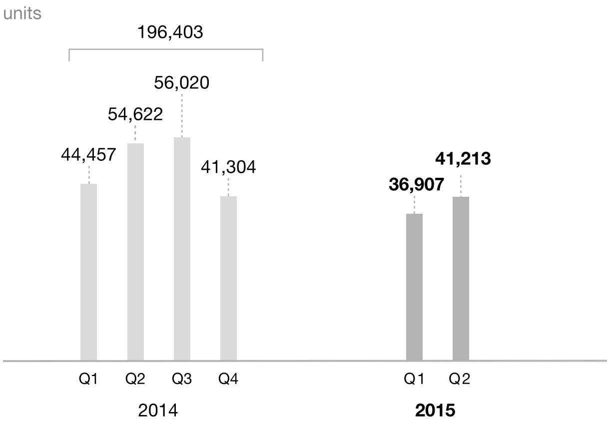
[1] Source: IMF World Economic Outlook, July 2015.
[2] Source: Konjunkturbulletin of the German Engineering Federation (VDMA), July 2015.

UNIT SALES

Fewer engines sold DEUTZ sold 78,120 engines in the first six months of the current year, which was 21.2 per cent fewer than in the first half of last year (H1 2014: 99,079 engines). Second-quarter unit sales amounted to 41,213 engines. This was 11.7 per cent more than in the previous quarter, when we sold 36,907 engines. Compared with the second quarter of 2014, however, unit sales were down by 24.5 per cent (Q2 2014: 54,622 engines).

The regional breakdown reveals sharp contrasts. Unit sales in our largest market, EMEA (Europe, Middle East and Africa), decreased by 32.8 per cent to 48,857 engines. However, engine sales rose by 4.9 per cent to 22,348 units in the Americas and by 37.0 per cent to 6,915 engines in the Asia-Pacific region.

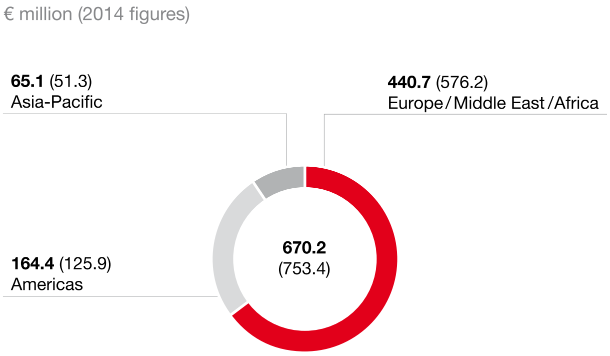
DEUTZ Group: Consolidated unit sales by quarter



RESULTS OF OPERATIONS

REVENUE

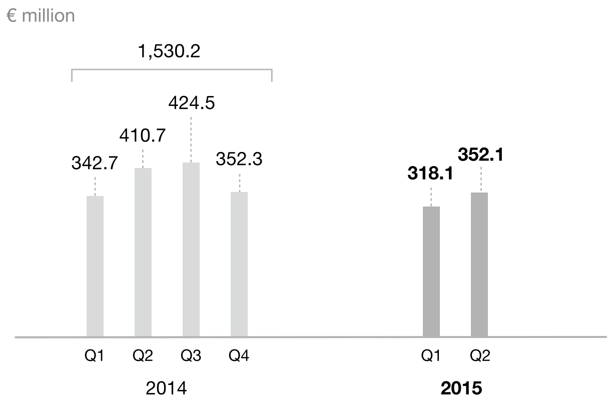
DEUTZ Group: Revenue by regions



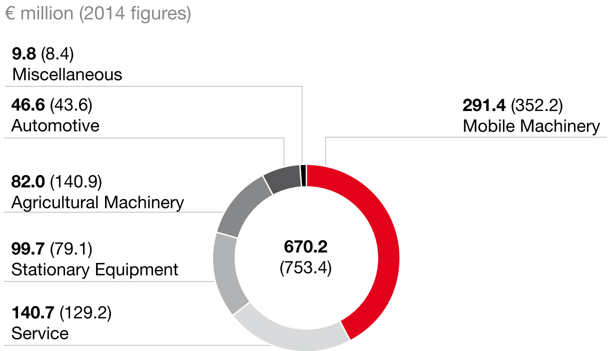
Year-on-year fall in revenue DEUTZ earned revenue of €670.2 million in the first half of this year, 11.0 per cent less than in the first six months of last year (H1 2014: €753.4 million). The general decline in revenue is in line with our expectations and is primarily attributable to the changes to emissions standards for engines under 130kW that came into force in the European Union on 1 October 2014 and to the resulting effects from the advance production of engines. Revenue for the second quarter of 2015, which amounted to €352.1 million, was up by 10.7 per cent on the first quarter of 2015 but down by 14.3 per cent on the second quarter of 2014, when we earned €410.7 million.

In our largest region, EMEA, revenue decreased by 23.5 per cent to €440.7 million in the six-month period. By contrast, revenue in the Americas went up significantly, by 30.6 per cent, to €164.4 million, while that of the Asia-Pacific region advanced by 26.9 per cent to €65.1 million. The proportion of revenue generated outside Germany stood at 87.6 per cent, far higher than the proportion of 77.0 per cent in the same period of 2014. There were significant differences between the application segments. Revenue fell by 17.3 per cent and 41.8 per cent respectively in the Mobile Machinery and Agricultural Machinery application segments, whereas in the Stationary Equipment application segment it climbed by 26.0 per cent. Revenue from the service business advanced by 8.9 per cent, while revenue in the Automotive application segment rose by 6.9 per cent.

DEUTZ Group: Revenue by quarters



DEUTZ Group: Revenue by application segment



EARNINGS

Earnings before interest, tax, depreciation and amortisation (EBITDA before one-off items) came to €70.4 million in the first six months of 2015. That equates to a year-on-year increase of €2.9 million (H1 2014: €67.5 million). Earnings were boosted by lower production costs and warranty costs, currency effects, and higher revenue from the service business. However, there were adverse effects created by diseconomies of scale from the overall decline in the business volume, higher research and development costs and a smaller contribution to earnings from our Chinese joint venture DEUTZ (Dalian) Engine Co. Ltd. on the back of China's current economic slowdown.

In the second quarter of this year, EBITDA was particularly affected by the lower volume of business and fell by €5.6 million to €36.5 million year on year (Q2 2014: €42.1 million). Compared with the previous quarter, however, EBITDA before one-off items rose by €2.6 million (Q1 2015: €33.9 million) due to the change in business volume.

Operating profit (EBIT before one-off items) after depreciation and amortisation for the first half of 2015 amounted to €20.3 million and thereby remained on a par with the corresponding prior-year period (H1 2014: €20.1 million). The slightly smaller increase in EBIT compared with the change in EBITDA was due, in particular, to impairment losses totalling €2.0 million that were recognised on intangible assets and on property, plant and equipment. These impairment losses were recognised because of the market situation and mainly related to capitalised development expenditure. By contrast, there was only a slight rise in depreciation and amortisation. The EBIT margin amounted to 3.0 per cent in the first half of the current year. Despite the fall in revenue, it was up by 0.3 percentage points compared with the first half of last year (H1 2014: 2.7 per cent). In the second quarter of 2015, the EBIT margin was 2.9 per cent (Q2 2014: 4.4 per cent).

After one-off items, operating profit (EBIT) improved by €14.1 million. Unlike in the first half of 2014, when EBIT had been reduced by one-off items of €13.9 million, there were no one-off items in the reporting period. The one-off items in the prior-year period comprised expenses in connection with measures to optimise our network of sites.

The cost of sales amounted to €555.6 million in the first half of 2015 (H1 2014: €652.2 million), representing a year-on-year decline of 14.8 per cent. This reduction was attributable, above all, to lower expenses for materials and contract workers resulting from the decline in business volume. There was also a substantial decrease in warranty costs. The ratio of cost of sales to revenue fell significantly from 86.6 per cent in the first half of 2014 to 82.9 per cent in the reporting period.

Research and development costs advanced to €36.1 million in the first half of 2015 (H1 2014: €31.0 million). This increase of €5.1 million was attributable to the greatly reduced capitalisation rate. Excluding the effects of capitalisation of own work, research and development costs were down year on year. Now that our new engines have gone into volume production, the focus of research and development activities is shifting from the development of new engines and the refinement of existing models to support for existing engine series and preliminary development. The costs incurred in connection with the support for existing engine series and with preliminary development are not capitalised. Research and development costs largely comprised staff costs, cost of materials and amortisation on completed development projects, from which investment grants received and capitalised development expenditure were deducted.

There was a small rise in selling expenses, which advanced to €35.0 million in the period under review (H1 2014: €33.2 million), and in administrative expenses, which went up to €18.6 million (H1 2014: €17.6 million). As a proportion of revenue, selling and administrative expenses also increased, to 5.2 per cent (H1 2014: 4.4 per cent) and 2.8 per cent (H1 2014: 2.3 per cent) respectively, due to the reduced volume of business.

Other operating income was up by €6.4 million to €13.3 million in the first six months of 2015 (H1 2014: €6.9 million). This was primarily attributable to effects arising on the translation of foreign currency positions. However, foreign currency gains were offset by a similar level of foreign currency losses, which are reported in other operating expenses.

Other operating expenses amounted to €14.9 million in the first six months of 2015 and were thus down by €5.6 million compared with the first half of last year (H1 2014: €20.5 million). The prior-year figure had included restructuring costs of €13.6 million. Excluding this one-off effect in the prior-year figures, other operating expenses in the reporting period increased by €8.0 million as a result of higher losses arising on the translation of foreign currency positions.

There was a loss on equity-accounted investments of €3.0 million, which represents a deterioration of €3.4 million compared with the profit on equity-accounted investments of €0.4 million reported in the first half of 2014. This change was primarily attributable to the smaller contribution to earnings from our Chinese joint venture DEUTZ (Dalian) Engine Co., Ltd., which was affected by the marked economic slowdown in China's automotive and construction machinery sectors.

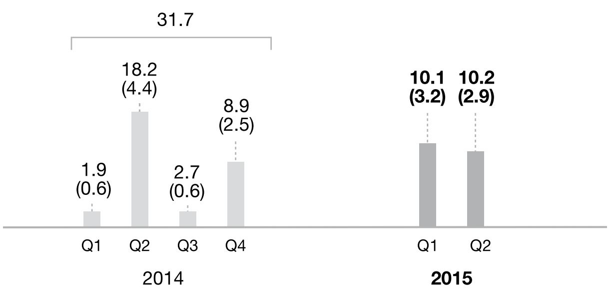
Net interest expense amounted to €2.1 million in the first half of 2015, which represented a significant year-on-year improvement of €1.2 million (H1 2014: €3.3 million). Lower utilisation of funding and improved finance conditions were the main factors here.

Income taxes amounted to €1.5 million in the first six months of 2015 (H1 2014: €0.2 million). This rise of €1.3 million compared to the first half of the previous year was mainly due to higher current income tax expenses on the back of increases in net income at DEUTZ AG and our US subsidiary.

In the period under review, net income improved by a substantial €14.0 million to reach €16.7 million (H1 2014: €2.7 million), resulting in earnings per share of €0.14 (H1 2014: €0.02).

DEUTZ Group: operating profit / EBIT margin by quarter

€ million (EBIT margin in %)



BUSINESS PERFORMANCE IN THE SEGMENTS

BUSINESS PERFORMANCE IN THE DEUTZ COMPACT ENGINES (DCE) SEGMENT

Year-on-year decrease in new orders The DEUTZ Compact Engines (DCE) segment took new orders amounting to €530.0 million in the first half of 2015, which was 13.4 per cent below the figure for the comparable period of last year (H1 2014: €612.1 million). The decline in orders was particularly noticeable in the Mobile Machinery application segment. The Agricultural Machinery application segment also received fewer orders. However, the Stationary Equipment application segment registered an increase. New orders amounted to €281.1 million in the second quarter, up by 5.1 per cent year on year (Q2 2014: €267.5 million) and up by 12.9 per cent on the previous quarter (Q1 2015: €248.9 million). Orders on hand amounted to €146.6 million as at the balance sheet date, which was 45.2 per cent down on the figure reported a year earlier of €267.5 million but 1.5 per cent higher than the €144.4 million reported at the end of the first quarter of 2015.

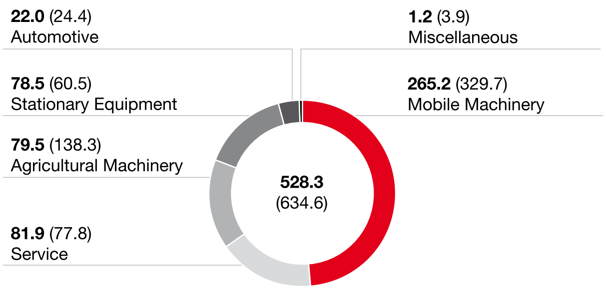
Declining unit sales in the DCE segment The DCE segment sold 71,353 engines in the first half of 2015, a year-on-year decrease of 23.2 per cent (H1 2014: 92,935 engines). The EMEA region (our largest sales market) contracted by 35.5 per cent, whereas the Americas increased by 6.7 per cent and Asia-Pacific by a substantial 48.2 per cent. A breakdown by application segment shows that only Stationary Equipment saw a rise in unit sales. Second-quarter unit sales amounted to 37,758 engines, which was 26.4 per cent below the figure in the second quarter of 2014 when 51,279 engines were sold, but 12.4 per cent more than in the previous quarter (Q1 2015: 33,595 engines).

Smaller decrease in revenue than in unit sales The revenue earned in the DCE segment went down by 16.8 per cent to €528.3 million in the first six months of the year (H1 2014: €634.6 million). The revenue of our largest region, EMEA, fell by 28.6 per cent to €360.4 million, whereas that of the Americas and Asia-Pacific regions advanced by 31.8 per cent and 17.6 per cent to €137.9 million and €30.0 million respectively. The Mobile Machinery application segment posted a decrease of 19.6 per cent in its revenue, while Agricultural Machinery revenue fell by 42.5 per cent. The revenue attributable to the Automotive application segment was down by 9.8 per cent. By contrast, revenue from the service business advanced by 5.3 per cent and revenue in the Stationary Equipment application segment grew by an impressive 29.8 per cent. In the second quarter of 2015, revenue amounted to €277.3 million, a reduction of 20.3 per cent year on year (Q2 2014: €347.8 million) but an increase of 10.5 per cent compared with the previous quarter (Q1 2015: €251.0 million).

Increase in DCE's operating profit The DEUTZ Compact Engines segment posted an operating profit (EBIT before one-off items) of €6.5 million in the reporting period (H1 2014: €5.6 million). This slight year-on-year improvement of €0.9 million was achieved despite a far smaller volume of business. The main factors underlying this trend were a fall in production costs and warranty costs combined with positive currency effects. Despite the increase in revenue, operating profit in the second quarter was down by €1.5 million compared with the previous quarter (Q2 2015: €2.5 million; Q1 2015: €4.0 million). The main reason for this fall was the substantially smaller contribution to earnings from the joint venture DEUTZ (Dalian) Engine Co., Ltd. Operating profit was €8.0 million lower than in the second quarter of last year (Q2 2014: €10.5 million). This was largely attributable to the lower volume of business and the earnings performance of the joint venture DEUTZ (Dalian) Engine Co., Ltd.

DEUTZ Compact Engines: Revenue by application segment

€ million (2014 figures)



BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS (DCS) SEGMENT

New orders slightly higher year on year The DEUTZ Customised Solutions segment (DCS) won new orders worth €140.7 million in the reporting period, up by 4.5 per cent compared to the prior-year period (H1 2014: €134.7 million). Unlike the DCE segment, this segment was not affected by the advance production of engines in 2014. The new orders received in the second quarter of 2015 amounted to €68.6 million, which was 5.4 per cent higher than the orders of €65.1 million received in the same quarter in 2014 but 4.9 per cent below the strong first quarter of 2015 when orders of €72.1 million were received. Orders on hand totalled €77.2 million as at 30 June 2015. This was 2.8 per cent less than a year earlier (30 June 2014: €79.4 million) and 8.1 per cent less than the figure at 31 March 2015 of €84.0 million.

Increase in engine sales The DCS segment sold 6,767 engines in the first six months of the year, 10.1 per cent more than in the first half of last year (H1 2014: 6,144 engines). Unit sales were down in the Americas region but rose in EMEA, our largest region, and in the Asia-Pacific region. All application segments except Agricultural Machinery registered increases. The trend over the course of the year is positive: 3,455 engines were sold in the second quarter of 2015, outstripping the second quarter of last year by 3.4 per cent (Q2 2014: 3,343 engines) and the previous quarter by 4.3 per cent (Q1 2015: 3,312 engines).

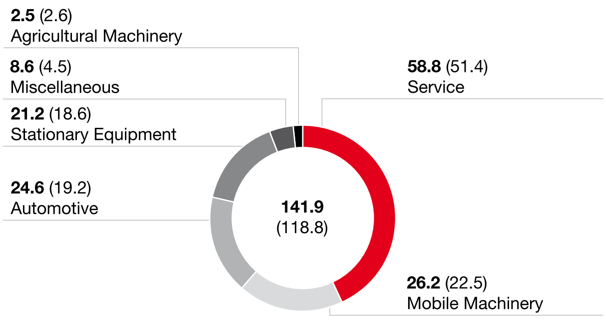
Larger rise in revenue than in unit sales The revenue generated by the DCS segment in the first six months of the year was up by 19.4 per cent to €141.9 million (H1 2014: €118.8 million). All regions generated revenue growth, with that of the EMEA region rising by 12.0 per cent, the Americas by 24.4 per cent and Asia-Pacific by 36.0 per cent. Agricultural Machinery was the only application segment with a decrease in revenue. Mobile Machinery revenue advanced by 16.4 per cent, Automotive by 28.1 per cent, Stationary Equipment by 14.0 per cent and the service business by 14.4 per cent. In the second quarter of 2015, revenue was up by 18.9 per cent to €74.8 million compared with €62.9 million in the second quarter of last year and was 11.5 per cent higher than in the first quarter of this year (Q1 2015: €67.1 million).

Sharp rise in DCS's operating profit The DEUTZ Customised Solutions segment's operating profit for the first half of 2015 was €17.3 million (H1 2014: €14.3 million). This positive year-on-year trend is due, in particular, to the larger volume of business in this segment. In the second quarter of 2015, the segment's operating profit came to €6.3 million, which was only slightly lower than in the second quarter of 2014 (Q2 2014 €7.2 million). This was mainly due to impairment losses totalling €2.0 million on intangible assets and on property, plant and equipment. Compared with the first quarter of this year, operating profit was down by €4.7 million. Currency effects were the main reason for this decrease besides the impairment losses.

Other The Other segment reported an operating loss of €3.5 million in the first half of 2015, essentially due to unrealised currency effects in connection with the measurement of a liability denominated in a foreign currency. This liability consists of an outstanding contribution to the issued capital of DEUTZ Engine (China) Co, Ltd., Linyi, China. Because we and our partner AB Volvo have decided to wind up this company, we assume that this is a temporary effect that will even out again over time. In the first half of 2014, the Other segment's operating profit had been €0.2 million. The aforementioned currency effect declined slightly in the second quarter of 2015. The Other segment generated an operating profit of €1.4 million in the second quarter of this year, compared with an operating loss of €4.9 million in the first quarter.

DEUTZ Customised Solution: Revenue by regions

€ million (2014 figures)



FINANCIAL POSITION

FUNDING

DEUTZ has a working capital facility totalling €160 million, which is provided by a syndicate of banks. This revolving facility can be drawn down as and when the Company needs it. The working capital facility was extended in May 2015 and now runs until May 2020. It is an unsecured, floating-rate facility. We can opt to utilise it as a bilateral overdraft facility (up to €60 million) or in the form of drawings under the syndicated line with interest periods of three to six months. The European Investment Bank has also granted us a loan, which had a remaining balance of €75.6 million as at the reporting date. This loan, which is also unsecured, must be repaid by mid-2020. 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 in the first half of 2015 amounted to €53.9 million (H1 2014: €40.9 million). This year-on-year increase of €13.0 million was primarily attributable to a smaller rise in working capital in the reporting period than in the corresponding period of last year.

The net cash used for investing activities came to €25.6 million, a decrease of €3.0 million on the first six months of last year (H1 2014: €28.6 million). This decline was mainly due to far lower cash payments in connection with capital expenditure on property, plant and equipment and on intangible assets in the reporting period.

Financing activities in the first half of 2015 resulted in a net cash outflow of €17.8 million (H1 2014: net cash inflow of €3.1 million). As in the first half of last year, cash flow from financing activities included a dividend payment to shareholders of €8.5 million. There was also a cash outflow for current interest payments and for the scheduled repayment of part of the loan from the European Investment Bank. Conversely, funds were drawn down from the working capital facility in the first half of 2014.

Cash and cash equivalents as at 30 June 2015 had risen by €12.4 million to €114.1 million (31 December 2014: €101.7 million). The net financial position[1)] as at 30 June 2015 was €33.2 million, up by €19.5 million on the end of last year (31 December 2014: €13.7 million). The improvement compared with the end of June 2014 was an even more impressive €65.0 million (30 June 2014: minus €31.8 million).

Free cash flow[2)] was far higher than in the comparative prior-year period, increasing by €17.3 million to €26.2 million (H1 2014: €8.9 million). This was due in large part to the increase in cash flow from operating activities. In the past twelve months, free cash flow amounted to €69.3 million and has thus continued to rise.

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

NET ASSETS

Slight fall in non-current assets Non-current assets totalled €610.8 million as at 30 June 2015 (31 December 2014: €625.8 million), a decrease of €15.0 million compared with 31 December 2014. The primary factor here was the reduction in intangible assets and in property, plant and equipment. Additions were lower than depreciation and amortisation as a consequence of our new engines having now gone into volume production.

Rise in current assets At the end of the reporting period, current assets amounted to €568.6 million. This equated to an increase of €45.6 million compared with the end of last year (31 December 2014: €523.0 million). The main reason for this growth was the rise in inventories and trade receivables caused by seasonal factors and exchange rate movements. Furthermore, cash and cash equivalents were higher as at 30 June 2015.

Working capital increased[1)] Working capital had gone up by €20.2 million to €216.4 million as at 30 June 2015 due to the growth in inventories and trade receivables (31 December 2014: €196.2 million). Trade payables had also risen, which had a positive impact on working capital. The working capital ratio[2)] as at 30 June 2015 was 15.0 per cent, up by 2.2 percentage points on the ratio as at 31 December 2014 of 12.8 per cent. The average working capital ratio[3)] had also risen, amounting to 15.1 per cent as at 30 June 2015 (31 December 2014: 13.3 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 more than 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 As at 30 June 2015, equity had increased to €535.1 million (31 December 2014: €511.0 million). The main reasons for the rise of €24.1 million were the Group's net income and the effects of translating our international subsidiaries' financial statements that are prepared in foreign currencies. Higher discount rates used in the measurement of provisions for pensions and other post-retirement benefits also had a positive impact on equity. Accordingly, the equity ratio rose from 44.5 per cent as at 31 December 2014 to 45.4 per cent as at 30 June 2015.

Decline in non-current liabilities Non-current liabilities totalled €303.6 million as at 30 June 2015 (31 December 2014: €322.7 million). The decrease of €19.1 million was largely attributable to the change in provisions for pensions and other post-retirement benefits. Ongoing pension payments and higher discount rates caused provisions for pensions and other post-retirement benefits to reduce by €10.5 million compared with 31 December 2014. Non-current financial debt also continued to fall and was €7.3 million less than at 31 December 2014.

Higher current liabilities In contrast, current liabilities had increased by €25.6 million to €341.1 million as at 30 June 2015 (31 December 2014: €315.5 million). This trend was attributable, above all, to the growth in trade payables resulting from seasonal factors. Another reason was the rise in other liabilities, which was mainly caused by larger accruals for annual leave.

Total assets amounted to €1,179.8 million as at 30 June 2015 (31 December 2014: €1,149.2 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)] Inventories plus trade receivables minus trade payables.
[2)] Working capital as at the balance sheet date divided by revenue for the previous twelve months.
[3)] Average working capital at the four quarterly reporting dates divided by revenue for the previous twelve months.

RESEARCH AND DEVELOPMENT

R&D spending reduced as planned[1] Our expenditure on research and development in the first half of 2015 totalled €23.3 million, down by 35.6 per cent on the corresponding prior-year period (H1 2014: €36.2 million). Over the past few years, we have re-designed substantial parts of our engine range from scratch and implemented the latest exhaust aftertreatment technology in anticipation of the EU Stage IV / US EPA Tier 4 exhaust emissions standards (off-highway standards). The last engines for these emissions standards were launched in the market last year. Our diesel engines equipped with diesel particulate filters in the 2.9 to 7.8 litre cubic capacity range already meet the upcoming Stage V emissions standard, which is expected to apply in Europe from 2019. This means we can now significantly reduce our expenditure on R&D and invest a greater proportion in preliminary development activities. Factoring in reimbursements received from key customers and development partners, spending on research and development came to €19.8 million, which was 23.0 per cent lower than the figure for the first half of 2014 of €25.7 million. The R&D ratio (after deducting grants) – the ratio of net R&D spending to consolidated revenue – fell from 3.4 per cent in the first six months of last year to 3.0 per cent in the period under review.

R&D spending on the development of our new engines and the refinement of existing ones amounted to €11.5 million, equating to 58.0 per cent of all R&D expenditure after deducting grants (H1 2014: 81.3 per cent). Expenditure on ongoing support for existing engine series accounted for 16.7 per cent (H1 2014: 13.3 per cent), and expenditure on research and preliminary development work accounted for 25.3 per cent (H1 2014: 5.4 per cent).

The DEUTZ Compact Engines segment's spending on research and development (after deduction of grants) came to €18.5 million (H1 2014: €23.4 million), and that of the DEUTZ Customised Solutions segment came to €1.3 million (H1 2014: €2.3 million).

[1] R&D expenditure/spending is a metric with relevance to liquidity. The primary difference between R&D costs and R&D expenditure is that own work capitalised is subtracted from, and the amortisation charges on own work previously capitalised is added to, R&D costs.

EMPLOYEES

Year-on-year decrease in headcount As at 30 June 2015, 3,822 people were employed by the DEUTZ Group, 192 people fewer than a year earlier (30 June 2014: 4,014). We had also decreased our headcount by 28 people compared with the end of the first quarter (31 March 2015: 3,850). The number of contract staff more than halved year on year, falling to 288 people as at the balance sheet date. However, there were 13 more contract staff than at the end of the previous quarter. Hiring temporary workers enables us to respond flexibly to fluctuations in demand in a fast-moving market environment while continuing to grow profitably. Approximately 10 per cent of all staff at DEUTZ had fixed-term or temporary contracts as at 30 June 2015.

At the end of June, we employed 3,008 people in Germany, which was 88 fewer than a year previously and 38 fewer than at the end of the first quarter. The number of people employed at our plants in Cologne had declined by 69 year on year to 2,348. We employed 384 people in Ulm, which was ten employees fewer than a year ago.

As at the balance sheet date, DEUTZ employed 814 people outside Germany, which was 104 fewer than a year previously but ten more than at the end of the previous quarter. For production-related reasons, the decrease in headcount at our Spanish production company DEUTZ Spain was particularly pronounced, with the workforce contracting by 98 to 434 employees.

Overall, therefore, 78.7 per cent of DEUTZ employees were based in Germany as at 30 June 2015 (30 June 2014: 77.1 per cent) and 21.3 per cent in other countries (30 June 2014: 22.9 per cent).

OPPORTUNITY AND 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. However, the constantly changing market environment also presents opportunities for the Company. Pages 53 to 57 of our 2014 annual report explain the structure of our risk management system and describe certain material risks and opportunities for our financial position and financial performance in 2015. We did not identify any further material risks or opportunities in the first half of 2015. Additional information 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 and the relationship with AB Volvo (publ), Gothenburg, Sweden (group, including its subsidiaries), which is a shareholder in DEUTZ AG and able to exert a significant influence.

Further information on related party disclosures is given on page 26 et seq. of the notes to the interim consolidated financial statements.

OUTLOOK

Global economy expected to return to stronger growth[1)] The IMF is forecasting moderate economic growth for the next two years, albeit with large regional and country-specific differences. The global economy is predicted to grow at a rate of 3.3 per cent in 2015 and 3.8 per cent in 2016, compared with 3.4 per cent in 2014. The eurozone economy is likely to expand by 1.5 per cent this year and by 1.7 per cent next year. Growth rates of 1.6 per cent in 2015 and 1.7 per cent in 2016 are anticipated for Germany. The equivalent prospective growth rates for the US are 2.5 per cent and 3.0 per cent; for China, they are 6.8 per cent and 6.3 per cent.

Focus on improving efficiency Our focus this year is not only on successfully working on projects with new customers but also on optimising our network of sites, both in Germany and in China. These activities will be accompanied by further measures to boost efficiency and profitability. For example, our modern and fully upgraded product portfolio allows us to now reduce our capacities in research and development by approximately 25 per cent and cut our spending in this area significantly.

As far as revenue is concerned, we see 2015 as a year of transition, one that is dominated by a weak agricultural machinery market and lower demand resulting from the advance production of engines in 2014. The encouraging level of new customer business cannot fully make up for this situation. However, there should not be any significant effects from the advance production of engines in the years to come.

For the reasons given above, we continue to expect the decline in revenue in 2015 to be in the region of 10 per cent. Despite the decrease in revenue, the EBIT margin before one-off items should improve to roughly 3 per cent, and we do not anticipate any one-off items this year.

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 guarantees with regard to the forward-looking statements made in this management report.

[1)] IMF World Economic Outlook, July 2015.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2015

INCOME STATEMENT FOR THE DEUTZ GROUP

	Note	4–6/2015	4–6/2014	1–6/2015	1–6/2014
€ million					
Revenue		**352.1**	**410.7**	**670.2**	**753.4**
Cost of sales		–291.5	–352.1	–555.6	–652.2
Research and development costs		–17.6	–14.7	–36.1	–31.0
Selling expenses		–17.6	–16.6	–35.0	–33.2
General and administrative expenses		–10.0	–9.2	–18.6	–17.6
Other operating income		0.7	3.7	13.3	6.9
Other operating expenses		–3.3	–17.4	–14.9	–20.5
Profit/loss on equity-accounted investments		–2.6	–0.1	–3.0	0.4
EBIT		**10.2**	**4.3**	**20.3**	**6.2**
thereof one-off items		**–**	**–13.9**	**–**	**–13.9**
thereof operating profit (EBIT before one-off items)		**10.2**	**18.2**	**20.3**	**20.1**
Interest expenses, net		–1.0	–1.6	–2.1	–3.3
thereof finance costs		–1.1	–1.8	–2.3	–3.7
Net income before income taxes		**9.2**	**2.7**	**18.2**	**2.9**
Income taxes	1	–0.2	0.6	–1.5	–0.2
Net income		**9.0**	**3.3**	**16.7**	**2.7**
thereof attributable to shareholders of DEUTZ AG		9.0	3.4	17.0	2.9
thereof attributable to non-controlling interests		–	–0.1	–0.3	–0.2
Earnings per share (€)		**0.07**	**0.02**	**0.14**	**0.02**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

	Note	4–6/2015	4–6/2014	1–6/2015	1–6/2014
€ million					
Net income		**9.0**	**3.3**	**16.7**	**2.7**
Amounts that will not be reclassified to the income statement in the future		**12.1**	**–4.1**	**3.7**	**–7.5**
Remeasurements of defined benefit plans		12.1	–4.1	3.7	–7.5
Amounts that will be reclassified to the income statement in the future if specific conditions are met		**–4.0**	**1.6**	**12.2**	**–1.8**
Currency translation differences		–6.8	1.8	13.1	–1.4
Effective portion of change in fair value from cash flow hedges		2.9	–0.2	–0.8	–0.4
Change in fair value of available-for-sale financial instruments		–0.1	–	–0.1	–
Other comprehensive income, net of tax	**2**	**8.1**	**–2.5**	**15.9**	**–9.3**
Comprehensive income		**17.1**	**0.8**	**32.6**	**–6.6**
thereof attributable to shareholders of DEUTZ AG		18.3	0.6	30.8	–6.1
thereof attributable to non-controlling interests		–1.2	0.2	1.8	–0.5

BALANCE SHEET FOR THE DEUTZ GROUP

Assets	Note	30 Jun 2015	31 Dec 2014
€ million			
Property, plant and equipment	3	289.4	291.9
Intangible assets	3	195.0	211.7
Equity-accounted investments		53.6	52.4
Other financial assets		6.5	7.6
Non-current assets (before deferred tax assets)		**544.5**	**563.6**
Deferred tax assets		66.3	62.2
Non-current assets		**610.8**	**625.8**
Inventories	4	275.7	245.2
Trade receivables		130.2	122.0
Other receivables and assets		48.6	54.1
Cash and cash equivalents		114.1	101.7
Current assets		**568.6**	**523.0**
Non-current assets classified as held for sale	5	0.4	0.4
Total assets		**1,179.8**	**1,149.2**

Equity and liabilities	Note	30 Jun 2015	31 Dec 2014
€ million			
Issued capital		309.0	309.0
Additional paid-in capital		28.8	28.8
Other reserves		23.8	13.7
Retained earnings and accumulated income		146.5	134.3
Equity attributable to shareholders of DEUTZ AG		**508.1**	**485.8**
Non-controlling interests		27.0	25.2
Equity		**535.1**	**511.0**
Provisions for pensions and other post-retirement benefits		176.6	187.1
Other provisions	6	57.6	58.4
Financial debt	7	66.0	73.3
Other liabilities		3.4	3.9
Non-current liabilities		**303.6**	**322.7**
Provisions for pensions and other post-retirement benefits		14.7	14.7
Provision for current income taxes		11.4	7.8
Other provisions	6	59.1	63.0
Financial debt	7	14.9	14.7
Trade payables		189.5	171.0
Other liabilities		51.5	44.3
Current liabilities		**341.1**	**315.5**
Total equity and liabilities		**1,179.8**	**1,149.2**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

€ million	Issued capital	Additional paid-in capital	Retained earnings and accumulated income	Fair value reserve[1, 2]	Currency translation reserve[1]	Equity attributable to shareholders of DEUTZ AG	Non-controlling interests	Total
Balance at 1 Jan 2014	**309.0**	**28.8**	**139.7**	**0.2**	**2.6**	**480.3**	**24.4**	**504.7**
Dividend paid	–	–	–8.5	–	–	–8.5		–8.5
Net income	–	–	2.9	–	–	2.9	–0.2	2.7
Other comprehensive income	–	–	–7.5	–0.4	–1.1	–9.0	–0.3	–9.3
Comprehensive income	–	–	–4.6	–0.4	–1.1	–6.1	–0.5	–6.6
Balance at 30 Jun 2014	**309.0**	**28.8**	**126.6**	**–0.2**	**1.5**	**465.7**	**23.9**	**489.6**
Balance at 1 Jan 2015	**309.0**	**28.8**	**134.3**	**–1.5**	**15.2**	**485.8**	**25.2**	**511.0**
Dividend paid	–	–	–8.5	–	–	–8.5	–	–8.5
Net income	–	–	17.0	–	–	17.0	–0.3	16.7
Other comprehensive income	–	–	3.7	–0.9	11.0	13.8	2.1	15.9
Comprehensive income	–	–	20.7	–0.9	11.0	30.8	1.8	32.6
Balance at 30 Jun 2015	**309.0**	**28.8**	**146.5**	**–2.4**	**26.2**	**508.1**	**27.0**	**535.1**

[1] On the balance sheet these items are aggregated under 'Other reserves'.
[2] Reserves from the measurement of cash flow hedges and reserves from the measurement of available-for-sale financial assets.

CASH FLOW STATEMENT FOR THE DEUTZ GROUP

	Note	1–6/2015	1–6/2014
€ million			
EBIT		**20.3**	**6.2**
Income taxes paid		–2.8	–3.0
Depreciation, amortisation and impairment of non-current assets		50.1	47.4
Gains/losses on the sale of non-current assets		–0.1	–
Profit/loss on equity-accounted investments		3.2	–0.4
Change in working capital		–14.7	–30.5
Change in inventories		–24.4	–53.7
Change in trade receivables		–5.2	–1.0
Change in trade payables		14.9	24.2
Change in other receivables and other current assets		6.4	–4.3
Change in provisions and other liabilities (excluding financial liabilities)		–8.5	25.5
Cash flow from operating activities		**53.9**	**40.9**
Capital expenditure on intangible assets, property, plant and equipment		–26.2	–33.6
Capital expenditure on investments		–0.1	–0.1
Proceeds from the sale of non-current assets		0.7	5.1
Cash flow from investing activities		**–25.6**	**–28.6**
Dividend payments to shareholders		–8.5	–8.5
Interest income		0.2	0.4
Interest expense		–2.3	–3.8
Cash receipts from borrowings		–	15.0
Repayments of loans		–7.2	–
Cash flow from financing activities		**–17.8**	**3.1**
Cash flow from operating activities		53.9	40.9
Cash flow from investing activities		–25.6	–28.6
Cash flow from financing activities		–17.8	3.1
Change in cash and cash equivalents		**10.5**	**15.4**
Cash and cash equivalents at 1 Jan		**101.7**	**58.9**
Change in cash and cash equivalents		10.5	15.4
Change in cash and cash equivalents related to exchange rates		1.9	–0.3
Cash and cash equivalents at 30 Jun		**114.1**	**74.0**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2015

BASIC PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These interim financial statements for the period ended 30 June 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and the relevant interpretations of the International Accounting Standards Board (IASB) regarding interim financial reporting (IAS 34) as adopted by the European Union. Consequently, these interim consolidated financial statements do not contain all the information and notes required by IFRS for consolidated financial statements for a full financial year, and should therefore be read in conjunction with the IFRS consolidated financial statements published for the 2014 financial year.

The condensed interim consolidated financial statements for the period ended 30 June 2015 – consisting of the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, and selected notes to the consolidated financial statements – and the interim group management report for the period from 1 January to 30 June 2015 have been reviewed by an auditor pursuant to section 37w of the German Securities Trading Act (WpHG).

SIGNIFICANT ACCOUNTING POLICIES

With the exception of the new interpretations and amendments to existing standards 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 2014. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for 2014. 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.

IFRIC 21 'Levies' The IASB published this interpretation in May 2013. IFRIC 21 deals with the question of when to recognise a liability for certain levies imposed by a government, and offers guidance on the matter. Initial application of IFRIC 21 has not had any material impact on the interim consolidated financial statements.

Collective standard amending various IFRSs (2011–2013)
The amendments published by the IASB in December 2013 are primarily concerned with clarifying ambiguous provisions in standards. Initial application of the amendments has not had any material impact on the interim consolidated financial statements.

Significant estimates and assumptions The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires estimates and assumptions to be made that have an impact on the recognition, measurement and reporting of assets and liabilities, the disclosure of contingent assets and liabilities as at the balance sheet date and on the reporting of income and expenses in the period under review.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. INCOME TAXES

€ million	**4–6/2015**	4–6/2014	**1–6/2015**	1–6/2014
Current tax expense	3.6	2.4	6.6	4.0
Deferred taxes	–3.4	–3.0	–5.1	–3.8
Total	**0.2**	**–0.6**	**1.5**	**0.2**

The increase in income taxes was mainly attributable to the higher current income tax expenses, which in turn were due to improvements in the net income reported by DEUTZ AG and DEUTZ Corporation, Atlanta, USA.

2. OTHER COMPREHENSIVE INCOME

Other comprehensive income comprises the elements of the statement of comprehensive income not reported in the income statement. The taxes resulting from other comprehensive income are also shown in the following table:

	1–6/2015			1–6/2014		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
€ million						
Amounts that will not be reclassified to the income statement in the future	**5.4**	**–1.7**	**3.7**	**–11.0**	**3.5**	**–7.5**
Remeasurements of defined benefit plans	5.4	–1.7	3.7	–11.0	3.5	–7.5
Amounts that will be reclassified to the income statement in the future if specific conditions are met	**11.9**	**0.3**	**12.2**	**–2.0**	**0.2**	**–1.8**
Currency translation differences	13.1	–	13.1	–1.4	–	–1.4
Effective portion of change in fair value from cash flow hedges	–1.1	0.3	–0.8	–0.6	0.2	–0.4
Change in fair value of available-for-sale financial instruments	–0.1	–	–0.1	–	–	–
Other comprehensive income	**17.3**	**–1.4**	**15.9**	**–13.0**	**3.7**	**–9.3**

A pre-tax loss of €4.1 million relating to cash flow hedges was reclassified to the income statement in the first six months of the current financial year (H1 2014: pre-tax profit of €0.1 million).

3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Capital expenditure on property, plant and equipment and on intangible assets (after deducting grants) amounted to €30.3 million in the first half of the year (H1 2014: €34.8 million). This was broken down into €22.5 million (H1 2014: €17.2 million) on property, plant and equipment and €7.8 million (H1 2014: €17.6 million) on intangible assets.

Additions to property, plant and equipment mainly related to measures aimed at optimising our network of sites, such as the construction of a shaft centre in Cologne-Porz. There were also additions in connection with replacement investments in machinery and tools. The bulk of capital expenditure on intangible assets was channelled into the refinement of engines. The sharp fall in capital expenditure on intangible assets is essentially explained by the fact that, now that our new engines have gone into volume production, the focus of research and development activities is shifting from development and refinement to support for existing engine series and preliminary development. The costs incurred in connection with the support for existing engine series and with preliminary development are not capitalised.

Capital expenditure was offset by depreciation and amortisation of €48.1 million (H1 2014: €47.4 million). Impairment losses totalling €2.0 million were also recognised during the reporting period (H1 2014: €0.0 million). Of this amount, €1.9 million related to completed intangible assets and €0.1 million to property, plant and equipment. The impairment losses were recognised in connection with our series of engines with a capacity of more than eight litres and are due to the market situation. The impairment testing of these intangible assets and property, plant and equipment was carried out at the level of a cash-generating unit that represents the engine series in question. The recoverable amount, which was calculated on the basis of the value in use, came to €12.3 million. An interest rate of 7.7 per cent was used in the measurement.

Commitments to purchase property, plant and equipment and intangible assets amounted to €42.9 million as at 30 June 2015 (31 December 2014: €39.4 million).

4. INVENTORIES

Inventories had grown by €30.5 million to €275.7 million as at 30 June 2015 (31 December 2014: €245.2 million). This increase was mainly due to some production work being brought forward to the first half of the year because of the holiday shutdown planned for the start of the second half of the year. The euro/US dollar exchange rate was also a significant factor in the increase, which primarily related to finished goods and work in progress.

Commitments to purchase inventories as at 30 June 2015 came to €62.0 million (31 December 2014: €72.9 million).

5. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Of the non-current assets classified as held for sale as at 30 June 2015, an amount of €0.4 million related to the land and buildings of Deutz-Mülheim Grundstücksgesellschaft mbH, Düsseldorf, which are situated in Cologne. The land and buildings of Deutz-Mülheim Grundstücksgesellschaft mbH are allocated to the DEUTZ Compact Engines segment.

This line item also includes DEUTZ AG’s 50 per cent stake in the joint venture WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD. in Weifang, China. In June 2015, a written agreement on the sale of the shares was reached with the Chinese joint venture partner, Weichai Power. The agreement will only come into effect if certain conditions precedent are met; we do not expect this to happen until the second half of this year. The shares in the joint venture were previously consolidated under the equity method; after conclusion of the agreement, they were reclassified as held for sale. The carrying amount calculated using the equity method was recognised at a nominal €1.00 at the time of reclassification. Reclassification therefore did not have any impact on the net income for the period. The cumulative income and expenses recognised in other comprehensive income amounted to income of €0.1 million as at 30 June 2015. The shares in WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD. are allocated to the Other segment.

6. OTHER PROVISIONS

	30 Jun 2015	31 Dec 2014
€ million		
Non-current	57.6	58.4
Current	59.1	63.0
Total	**116.7**	**121.4**

The decrease in other provisions was largely attributable to a reduction in provisions for warranties and restructuring. However, there were higher accruals during the financial year.

7. FINANCIAL DEBT

	30 Jun 2015	31 Dec 2014
€ million		
Non-current	66.0	73.3
Current	14.9	14.7
Total	**80.9**	**88.0**

The decline in non-current financial debt was the result, above all, of the repayment, as planned, of the loans from the European Investment Bank.

OTHER INFORMATION

STAFF COSTS

	4–6/2015	4–6/2014	**1–6/2015**	1–6/2014
€ million				
Wages	28.4	30.0	59.4	60.9
Salaries	31.2	30.7	62.4	61.6
Social security contributions	10.9	10.8	20.8	20.7
Net interest cost for provisions for pensions and other post-retirement benefits	1.0	1.4	1.9	2.8
Cost of post-employment benefits and other long-term benefits	–	–	0.1	0.1
Other staff costs	0.4	0.2	0.6	0.4
Total	**71.9**	**73.1**	**145.2**	**146.5**

The following table shows the breakdown of staff costs by functional area:

	4–6/2015	4–6/2014	**1–6/2015**	1–6/2014
€ million				
Cost of sales	44.1	45.4	88.9	89.9
Research and development costs	7.3	8.8	16.2	18.6
Selling expenses	11.8	10.8	23.8	22.0
Administrative expenses	7.6	6.5	14.1	12.8
Other operating expenses	1.1	1.6	2.2	3.2
Total	**71.9**	**73.1**	**145.2**	**146.5**

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 Jun 2015						
	Measured at amortised cost	**Measured at fair value**				**Assets not within the scope of IAS 39**	
Assets	Loans and receivables	Available-for-sale financial assets	Available-for-sale financial assets	Derivatives designated as hedging instruments (recognised as other comprehensive income/loss)	Held-for-trading financial assets	Carrying amount	Carrying amount on the balance sheet
€ million							
Non-current financial assets	**1.3**	**0.2**	**2.8**	**–**	**–**	**2.2**	**6.5**
Current financial assets	**281.4**	**–**	**–**	**–**	**–**	**11.5**	**292.9**
Trade receivables	130.2	–	–	–	–	–	130.2
Other receivables and assets	37.1	–	–	–	–	11.5	48.6
Cash and cash equivalents	114.1	–	–	–	–	–	114.1

	31 Dec 2014						
	Measured at amortised cost	**Measured at fair value**				**Assets not within the scope of IAS 39**	
Assets	Loans and receivables	Available-for-sale financial assets	Available-for-sale financial assets	Derivatives designated as hedging instruments (recognised as other comprehensive income/loss)	Held-for-trading financial assets	Carrying amount	Carrying amount on the balance sheet
€ million							
Non-current financial assets	**2.5**	**0.2**	**2.7**	**–**	**–**	**2.2**	**7.6**
Current financial assets	**269.0**	**–**	**–**	**–**	**–**	**8.8**	**277.8**
Trade receivables	122.0	–	–	–	–	–	122.0
Other receivables and assets	45.3	–	–	–	–	8.8	54.1
Cash and cash equivalents	101.7	–	–	–	–	–	101.7

	30 Jun 2015				
	Measured at amortised cost	**Measured at fair value**		**Liabilities not within the scope of IAS 39**	
Liabilities	Financial liabilities	Derivatives designated as hedging instruments (recognised as other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	Carrying amount on the balance sheet
€ million					
Non-current financial liabilities	**66.6**	**0.9**	**–**	**1.9**	**69.4**
Financial debt	66.0	–	–	–	66.0
Other liabilities	0.6	0.9	–	1.9	3.4
Current financial liabilities	**243.5**	**3.0**	**0.6**	**8.8**	**255.9**
Financial debt	14.9	–	–	–	14.9
Trade payables	189.5	–	–	–	189.5
Other liabilities	39.1	3.0	0.6	8.8	51.5

	31 Dec 2014				
	Measured at amortised cost	**Measured at fair value**		**Liabilities not within the scope of IAS 39**	
Liabilities	Financial liabilities	Derivatives designated as hedging instruments (recognised as other comprehensive income/loss)	Held-for-trading financial liabilities	Carrying amount	Carrying amount on the balance sheet
€ million					
Non-current financial liabilities	**74.1**	**1.1**	**–**	**2.0**	**77.2**
Financial debt	73.3	–	–	–	73.3
Other liabilities	0.8	1.1	–	2.0	3.9
Current financial liabilities	**219.2**	**1.7**	**0.2**	**8.9**	**230.0**
Financial debt	14.7	–	–	–	14.7
Trade payables	171.0	–	–	–	171.0
Other liabilities	33.5	1.7	0.2	8.9	44.3

The following table shows the carrying amounts and fair values of all financial instruments included in the consolidated financial statements that fall within the scope of IFRS 7 'Financial Instruments: Disclosures' and that are not reported at fair value.

	30 Jun 2015		31 Dec 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
€ million				
Financial assets	**282.9**	**282.7**	**271.7**	**271.5**
Other loans	1.3	1.3	1.3	1.3
Available-for-sale financial assets measured at cost	0.2	–	0.2	–
Trade receivables	130.2	130.2	122.0	122.0
Other receivables and assets	37.1	37.1	46.5	46.5
Cash and cash equivalents	114.1	114.1	101.7	101.7
Financial liabilities	**310.1**	**314.2**	**293.3**	**296.7**
Financial debt – liabilities to banks	80.9	85.0	88.0	91.4
Trade payables	189.5	189.5	171.0	171.0
Other liabilities	39.7	39.7	34.3	34.3

In the case of cash and cash equivalents, trade receivables, trade payables and other current financial assets and liabilities (due within one year), the carrying amounts are virtually the same as the fair values owing to the short residual maturity.

The available-for-sale financial assets with a carrying amount of €0.2 million (31 December 2014: €0.2 million) are investments. They are measured at amortised cost because their fair value cannot be reliably determined due to their not being listed on a market and due to a lack of market data for comparable instruments. There was no intention to dispose of these financial assets as at 30 June 2015.

The fair value of non-current financial assets and liabilities is computed by discounting estimated future cash flows using arm's length discount rates and taking into account our own credit risk and that of our counterparties based on credit ratings and exchange rates on the balance sheet date.
The following table shows the assignment to the three levels of

the IFRS 13 measurement hierarchy of the fair values as at the balance sheet date of financial assets and liabilities that were measured at fair value in the consolidated financial statements, or for which a fair value was disclosed in the notes to the financial statements:

30 Jun 2015	Carrying amount	Fair value	Level 1	Level 2	Level 3
€ million					
Financial assets					
Securities	2.8	2.8	2.8	–	–
Financial liabilities					
Currency forwards	3.6	3.6	–	3.6	–
Interest-rate swaps	0.9	0.9	–	0.9	–
Financial debt	80.9	85.0	–	85.0	–

31 Dec 2014	Carrying amount	Fair value	Level 1	Level 2	Level 3
€ million					
Financial assets					
Securities	2.7	2.7	2.7	–	–
Financial liabilities					
Currency forwards	1.9	1.9	–	1.9	–
Commodity derivatives	–[1]	–[1]	–	–[1]	–
Interest-rate swaps	1.1	1.1	–	1.1	–
Financial debt	88.0	91.4	–	91.4	–

Level 1: Measurement is based on the price of identical assets or liabilities in active markets.
Level 2: Measurement is based on the price of a similar instrument in active markets/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.

[1] Rounded figures are below €0.1 million.

The fair value of securities is derived from prices in active markets.

The fair value of derivative financial instruments (currency forwards, interest-rate swaps and, in the prior-year period, commodity derivatives) is calculated over the remaining term of the instrument using current exchange rates, market interest rates, yield curves and, in the prior-year period, commodity prices. Our own credit risk and that of our counterparties is also taken into account. The disclosures are based on valuations by banks.

SEGMENT REPORTING

Information about the segments of the DEUTZ Group for the second quarter and first half of 2015 and of 2014 is shown in the following table:

4–6/2015	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total for all segments**	Reconciliation	**DEUTZ Group**
€ million						
External revenue	277.3	74.8	–	352.1	–	352.1
Intersegment revenue	–	–	–	–	–	–
Total revenue	**277.3**	**74.8**	**–**	**352.1**	**–**	**352.1**
Operating profit (EBIT before one-off items)	2.5	6.3	1.4	10.2	–	10.2

4–6/2014	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total for all segments**	Reconciliation	**DEUTZ Group**
€ million						
External revenue	347.9	62.8	–	410.7	–	410.7
Intersegment revenue	–	–	–	–	–	–
Total revenue	**347.9**	**62.8**	**–**	**410.7**	**–**	**410.7**
Operating profit (EBIT before one-off items)	10.5	7.2	0.5	18.2	–	18.2

1–6/2015	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total for all segments**	Reconciliation	**DEUTZ Group**
€ million						
External revenue	528.3	141.9	–	670.2	–	670.2
Intersegment revenue	–	–	–	–	–	–
Total revenue	**528.3**	**141.9**	**–**	**670.2**	**–**	**670.2**
Operating profit (EBIT before one-off items)	6.5	17.3	–3.5	20.3	–	20.3

1–6/2014	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total for all segments**	Reconciliation	**DEUTZ Group**
€ million						
External revenue	634.7	118.7	–	753.4	–	753.4
Intersegment revenue	–	–	–	–	–	–
Total revenue	**634.7**	**118.7**	**–**	**753.4**	**–**	**753.4**
Operating profit (EBIT before one-off items)	5.6	14.3	0.2	20.1	–	20.1

Reconciliation from overall profit of the segments to net income

	4–6/2015	4–6/2014	1–6/2015	1–6/2014
€ million				
Overall profit of the segments	**10.2**	**18.2**	**20.3**	**20.1**
Reconciliation	–	–	–	–
EBIT before one-off items	**10.2**	**18.2**	**20.3**	**20.1**
One-off items	–	–13.9	–	–13.9
EBIT	**10.2**	**4.3**	**20.3**	**6.2**
Interest expenses, net	–1.0	–1.6	–2.1	–3.3
Net income before income taxes	**9.2**	**2.7**	**18.2**	**2.9**
Income taxes	–0.2	0.6	–1.5	–0.2
Net income	**9.0**	**3.3**	**16.7**	**2.7**

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 and the relationship with AB Volvo (publ), Gothenburg, Sweden (including its subsidiaries), which is a shareholder in DEUTZ AG and able to exert a significant influence.

Related parties also include the Supervisory Board and the Board of Management.

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:

	Goods and services provided		Other expenses in connection with goods and services received		Goods and services provided		Other expenses in connection with goods and services received	
	4–6/2015	4–6/2014	**4–6/2015**	4–6/2014	**1–6/2015**	1–6/2014	**1–6/2015**	1–6/2014
€ million								
Associates	–	–	–	–	–	–	–	–
Joint ventures	1.2	1.2	–	–	1.9	4.7	–	–
Other investments	0.1	0.2	1.2	1.1	0.3	0.3	2.3	2.2
Total	**1.3**	**1.4**	**1.2**	**1.1**	**2.2**	**5.0**	**2.3**	**2.2**

	Receivables		Liabilities	
	30 Jun 2015	31 Dec 2014	**30 Jun 2015**	31 Dec 2014
€ million				
Associates	–	–	–	–
Joint ventures	1.5	0.6	–	–
Other investments	0.7	0.2	3.4	2.9
Total	**2.2**	**0.8**	**3.4**	**2.9**

The decrease in goods supplied and services rendered to joint ventures compared with the corresponding period of 2014 is primarily the result of the business relationship with our joint venture DEUTZ (Dalian) Engine Co., Ltd. and relates to the decline in this Chinese company's volume of unit sales.

Impairment losses of €29.2 million (31 December 2014: €30.0 million) had been recognised on €30.9 million of the Company's total receivables due from investments as at 30 June 2015 (31 December 2014: €30.2 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 the shareholder AB Volvo (publ), Gothenburg, Sweden (including its subsidiaries):

	2015	2014
€ million		
Engines and spare parts supplied in the second quarter	78.1	68.4
Services rendered in the second quarter	1.8	5.2
Engines and spare parts supplied in the first half-year	138.5	134.7
Services rendered in the first half-year	3.6	10.2
Receivables as at 30 Jun/31 Dec	**18.7**	18.2

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

EVENTS AFTER THE BALANCE SHEET DATE (30 JUNE 2015)

No material events occurred after 30 June 2015.

Cologne, 29 July 2015

DEUTZ Aktiengesellschaft
The Board of Management

Dr Ing Helmut Leube

Dr Margarete Haase

Michael Wellenzohn

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review 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, 29 July 2015

DEUTZ Aktiengesellschaft
The Board of Management

Dr Ing Helmut Leube   Dr Margarete Haase   Michael Wellenzohn

REVIEW REPORT

To DEUTZ AG, Cologne

We have reviewed the condensed interim consolidated financial statements – comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of DEUTZ AG, Cologne, for the period from 1 January to 30 June 2015, which are part of the half-year financial reporting pursuant to section 37w Wertpapierhandelsgesetz (WpHG, German Securities Trading Act).

The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, and of the interim group management report in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the Company's Board of Management. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Public Auditors in Germany). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Cologne, 31 July 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Bernd Boritzki	ppa. Gerd Tolls
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

2015	
6 August 2015	Interim report for the first half of 2015 Conference call with analysts and investors
5 November 2015	Interim report for the first to third quarters of 2015 Conference call with analysts and investors
2016	
17 March 2016	Annual Results Press Conference in Cologne Analysts' meeting in Frankfurt
28 April 2016	Annual General Meeting
3 May 2016	Interim report for the first quarter of 2016 Conference call with analysts and investors
4 August 2016	Interim report for the first half of 2016 Conference call with analysts and investors
8 November 2016	Interim report for the first to third quarters of 2016 Conference call with analysts and investors

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