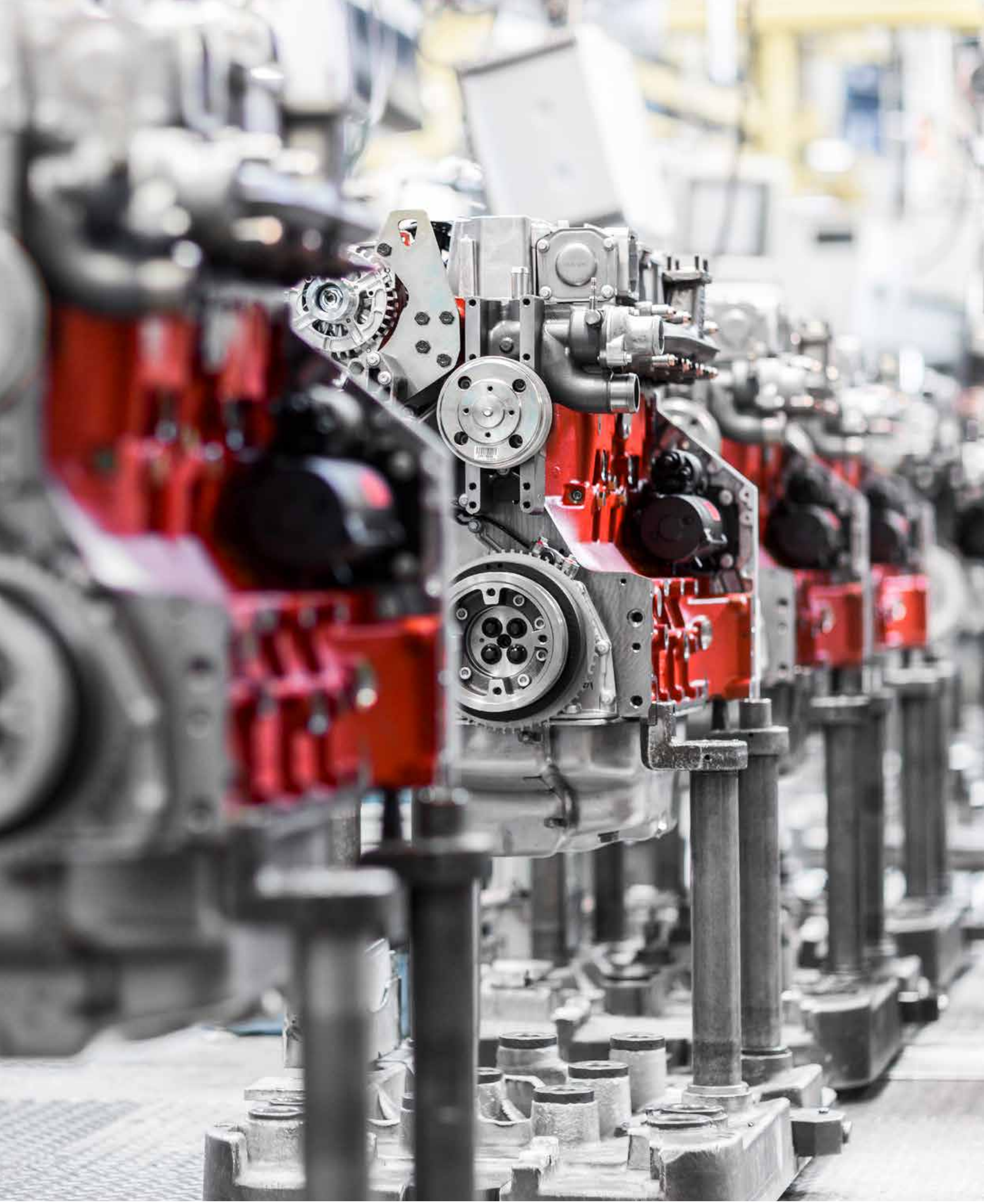


Interim report

for the first half of 2017

The engine company. DEUTZ

THE FIRST HALF YEAR AT A GLANCE

DEUTZ Group: Overview

€ million

	4–6/2017	4–6/2016	**1–6/2017**	1–6/2016
New orders	399.8	349.9	803.0	677.2
Unit sales (units)	42,446	37,594	79,599	69,706
Revenue	382.0	344.2	734.5	644.4
EBITDA	30.1	35.6	68.8	66.9
EBITDA before exceptional items	36.0	35.6	64.7	66.9
EBIT	9.3	13.4	26.9	20.7
EBIT before exceptional items	15.2	13.4	22.8	20.7
EBIT margin (%)	2.4	3.9	3.7	3.2
EBIT margin before exceptional items (%)	4.0	3.9	3.1	3.2
Net income	4.4	11.3	19.8	20.0
Earnings per share (€)	0.03	0.09	0.16	0.17
Total assets	1,101.6	1,103.8	1,101.6	1,103.8
Non-current assets	461.0	499.6	461.0	499.6
Equity	500.4	494.5	500.4	494.5
Equity ratio (%)	45.4	44.8	45.4	44.8
Cash flow from operating activities	29.0	23.4	85.2	15.4
Free cash flow[1]	14.1	11.7	53.8	–17.2
Net financial position[2]	74.8	13.1	74.8	13.1
Working capital[3]	185.2	227.1	185.2	227.1
Working capital ratio (30 Jun, %)[4]	13.7	18.6	13.7	18.6
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	9.7	14.0	18.3	30.0
Depreciation and amortisation	20.8	22.2	41.9	46.2
Research and development expenditure (after deducting grants)	14.5	12.6	31.0	22.7
thereof capitalised	3.5	1.6	7.1	2.5
Employees (30 Jun)	3,774	3,708	3,774	3,708

[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 (percentage as at balance sheet date): working capital as at the balance sheet date divided by revenue for the previous twelve months.

DEUTZ Group: Segments

€ million

	4–6/2017	4–6/2016	**1–6/2017**	1–6/2016
New orders				
DEUTZ Compact Engines	335.3	285.1	661.6	544.5
DEUTZ Customised Solutions	64.5	64.8	141.4	132.7
Total	**399.8**	**349.9**	**803.0**	**677.2**
Unit sales (units)				
DEUTZ Compact Engines	40,161	35,037	75,482	64,807
DEUTZ Customised Solutions	2,285	2,557	4,117	4,899
Total	**42,446**	**37,594**	**79,599**	**69,706**
Revenue				
DEUTZ Compact Engines	319.5	277.0	613.6	512.5
DEUTZ Customised Solutions	62.5	67.2	120.9	131.9
Total	**382.0**	**344.2**	**734.5**	**644.4**
EBIT before one-off items				
DEUTZ Compact Engines	9.9	4.2	11.4	1.9
DEUTZ Customised Solutions	5.2	11.2	11.6	21.4
Other	0.1	–2.0	–0.2	–2.6
Total	**15.2**	**13.4**	**22.8**	**20.7**

SUMMARY

“Going forward, we will be positioning ourselves much more strongly as a supplier of innovative drive systems and focusing on alternative fuels. The new E-DEUTZ strategy, for example, includes hybrid solutions, partial electrification and electric drive components. And the proceeds from the sale of property are allowing us to invest even more heavily in technology, innovation and service”, says Chairman of the DEUTZ Board of Management, Dr Frank Hiller.

- Positive market trend continued in the second quarter of 2017
- New orders went up by 18.6 per cent to €803.0 million in the first half of the year
- Revenue increased by 14.0 per cent to €734.5 million
- Operating profit (EBIT before exceptional items) advanced by €2.1 million to €22.8 million
- Free cash flow rose significantly, by €71.0 million to €53.8 million
- Land at the former Cologne-Deutz site sold: in 2017, DEUTZ expects this sale to make a contribution to earnings in the high double-digit million euros (after taxes), which will be recognised as an exceptional item; it anticipates a further instalment of the purchase consideration in the coming years, the exact amount of which is not yet known
- AB Volvo sold its approx. 25 per cent shareholding in DEUTZ after the end of the second quarter, which means that 100 per cent of all DEUTZ shares are now in free float; the close partnership with Volvo as a customer is being continued
- Forecast for 2017 as a whole confirmed

BUSINESS PERFORMANCE IN THE DEUTZ GROUP

ECONOMIC ENVIRONMENT

Economic trend stabilises[1] The International Monetary Fund (IMF) nudged up its forecasts for global economic growth in 2017 as a whole to 3.5 per cent. The global economy grew by 3.2 per cent in 2016. Growth of 1.9 per cent is expected in the eurozone economy this year, which would be slightly above the level seen in 2016. Germany's economy is set to expand by 1.8 per cent, putting it on a par with last year. In the US, the mood has brightened somewhat compared with 2016, resulting in a growth forecast of 2.1 per cent for 2017 (2016: 1.6 per cent). China grew by 6.7 per cent last year and is expected to repeat this in 2017.

In 2016, there was still a significant reluctance to invest, but the climate for capital spending has improved considerably this year, with DEUTZ's key customer industries expanding in all regions.

NEW ORDERS

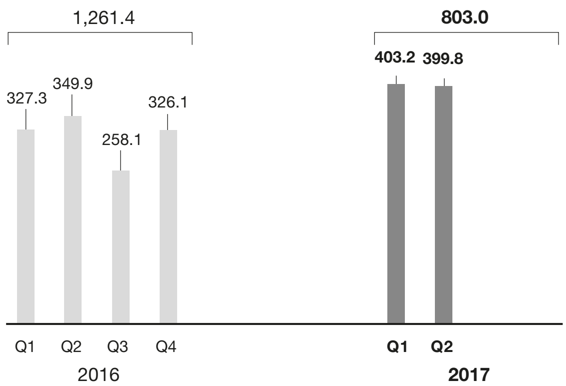
Increase in orders New orders at DEUTZ amounted to €803.0 million in the first half of 2017, up by 18.6 per cent on the first six months of last year (H1 2016: €677.2 million). All application segments except Automotive saw rises. The highest increases were in Material Handling (up by 43.2 per cent), Agricultural Machinery (up by 29.9 per cent) and Construction Equipment (up by 17.3 per cent). In the Automotive application segment, however, new orders declined by 15.0 per cent. The level of new orders exceeded revenue in the first half of 2017.

At €399.8 million, new orders in the second quarter of 2017 were on a par with the first quarter of the year (Q1 2017: €403.2 million). This represented a rise of 14.3 per cent compared with the prior-year quarter (Q2 2016: €349.9 million).

As at 30 June 2017, orders on hand stood at €253.9 million, which was 6.3 per cent higher than at 31 March 2017 and 14.4 per cent more than at 30 June 2016.

DEUTZ Group: New orders by quarter

€ million



UNIT SALES

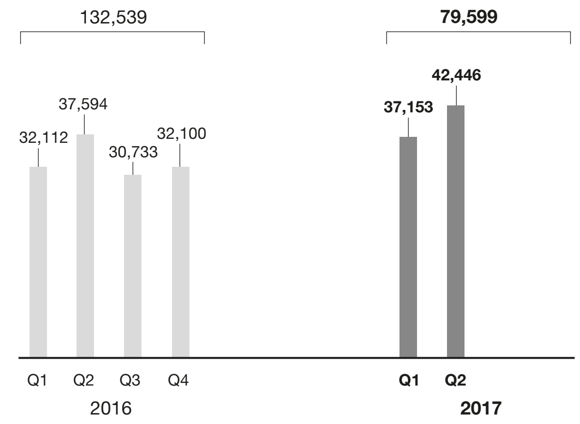
Higher unit sales DEUTZ sold 79,599 engines in the first six months of 2017, 14.2 per cent more than in the corresponding period of last year (H1 2016: 69,706 engines). Second-quarter unit sales totalled 42,446 engines, an increase of 14.2 per cent on the first quarter of this year and of 12.9 per cent on the second quarter of 2016.

In EMEA (Europe, Middle East and Africa), our largest market, we sold 54,541 engines in the first half of 2017, up by 17.0 per cent year on year. In the Asia-Pacific and Americas regions, unit sales increased by 21.7 per cent and 4.0 per cent respectively.

[1] Source: IMF, World Economic Outlook, July 2017.

DEUTZ Group: Consolidated unit sales by quarter

units

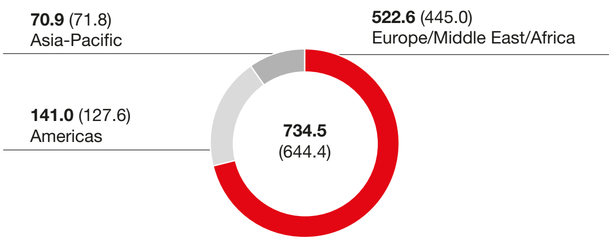


RESULTS OF OPERATIONS

REVENUE

DEUTZ Group: Revenue by region

€ million (2016 figures)

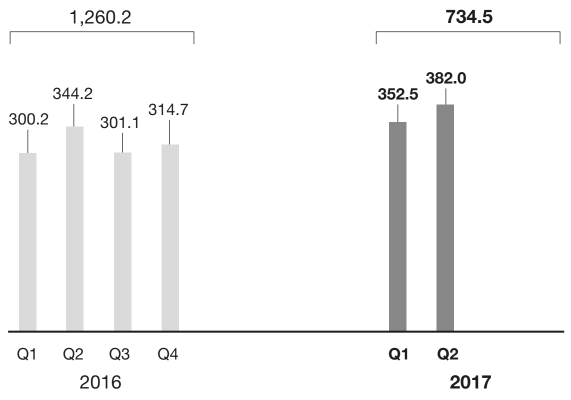


Significant year-on-year rise in revenue Revenue amounted to €734.5 million in the first half of 2017, up by 14.0 per cent year on year (H1 2016: €644.4 million). This positive trend was due to the improved market environment and to European customers having largely used up their inventories. Revenue in the second quarter of 2017 came to €382.0 million, up by 11.0 per cent on the equivalent period in 2016 and up by 8.4 per cent on the first quarter of this year.

Our largest region, EMEA, generated revenue of €522.6 million, which was 17.4 per cent more than in the first six months of last year. Revenue in the Americas rose by 10.5 per cent to reach €141.0 million. In the Asia-Pacific region, however, revenue fell by 1.3 per cent to €70.9 million as the figure for the prior-year period had included licensing income. The breakdown by application segment also reveals a mixed picture. Revenue increased significantly in the Material Handling application segment (up by 36.1 per cent), the Agricultural Machinery application segment (up by 24.5 per cent) and the Construction Equipment application segment (up by 23.0 per cent). Whereas revenue from the service business rose by 8.5 per cent, revenue in the Stationary Equipment application segment was on a par with the prior-year period and declined by 29.8 per cent in the Automotive application segment.

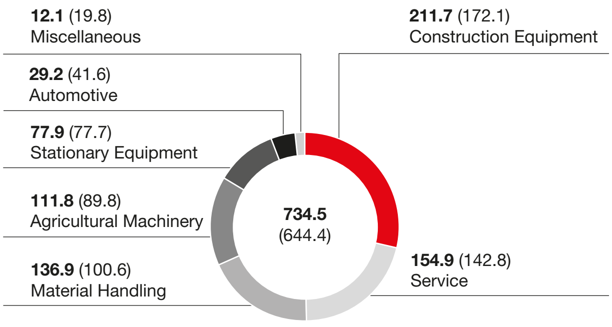
DEUTZ Group: Revenue by quarter

€ million



DEUTZ Group: Revenue by application segment

€ million (2016 figures)



EARNINGS

Operating profit before depreciation and amortisation (EBITDA before exceptional items) fell to €64.7 million in the first half of 2017, a year-on-year decline of €2.2 million (H1 2016: €66.9 million). The figure for the prior-year period had been significantly boosted by a contribution to profits of €5.5 million from a licensing transaction. As a result, the EBITDA margin (before exceptional items) narrowed from 10.4 per cent to 8.8 per cent.

Operating profit after depreciation and amortisation (EBIT before exceptional items) amounted to €22.8 million in the first half of 2017 (H1 2016: €20.7 million). This increase of €2.1 million is largely attributable to the significantly larger volume of business and the reduction in the depreciation recognised on property, plant and equipment and the amortisation recognised on intangible assets. These positive effects offset in particular a significant rise in research and development expenditure and negative currency effects resulting from the stronger euro. Furthermore, the rapid ramping up of capacities resulting from the surge in demand this year, especially in logistics, temporarily increased costs. Overall, however, DEUTZ more than compensated for the absence of the €5.5 million contribution to earnings from a licensing transaction in the prior-year period. At 3.1 per cent, the EBIT margin for the first half of 2017 was down slightly on the figure in the prior-year period (H1 2016: 3.2 per cent), which was primarily due to the licensing transaction that had occurred during that period.

Operating profit stood at €15.2 million in the second quarter of 2017, which represented a significant rise of €7.6 million on the previous quarter and a marginal increase of €1.8 million on the second quarter of 2016 (Q1 2017: €7.6 million; Q2 2016: €13.4 million). The increase compared with the first quarter of this year and with the second quarter of 2016 was primarily due to the sharp rise in the volume of business. The EBIT margin (before exceptional items) for the second quarter of 2017 was 4.0 per cent, a small improvement on the corresponding prior-year period (Q2 2016: 3.9 per cent).

Unlike in the comparable period of 2016, exceptional items totalling €4.1 million arose in the first half of 2017. Operating profit (EBIT) after these exceptional items came to €26.9 million. This represents a year-on-year increase of €6.2 million (H1 2016: €20.7 million). The exceptional items comprised income of €10.0 million relating to the disposal, in the first quarter of 2017, of the building lease of our subsidiary Ad. Strüver KG for a plot of land that was no longer being used for production purposes, and transaction costs amounting to €5.9 million, which were recognised in the second quarter after the sale contract was signed for the disposal of the land occupied by our former Cologne-Deutz site. The proceeds from the sale of the Cologne-Deutz land are expected in the fourth quarter of 2017 and will also be recognised as an exceptional item.

The cost of sales in the period under review totalled €604.7 million (H1 2016: €522.5 million). This sharp rise was primarily attributable to the increased cost of materials resulting from the larger volume of business. The gross margin[1] narrowed from 18.9 per cent in the first half of 2016 to 17.7 per cent in the first half of 2017. The decline was predominantly related to the licensing income and more favourable product mix in the prior-year period, but also by a temporary increase in freight costs in the first six months of 2017.

At €45.1 million, research and development costs were €6.3 million higher than in the first six months of last year (H1 2016: €38.8 million). The expansion of our engine portfolio was the primary reason for this budgeted increase.

Other operating income was up by €10.0 million to €17.2 million compared with the first six months of last year (H1 2016: €7.2 million). This rise was mainly caused by the disposal of the building lease of our subsidiary Ad. Strüver KG for a plot of land that was no longer being used for production purposes.

Other operating expenses went up by €3.6 million compared with the first half of last year (H1 2017: €17.8 million; H1 2016: €14.2 million). This was mainly due to the disposal of the land occupied by our former Cologne-Deutz site, for which transaction costs of €5.9 million were recognised.

Income taxes amounted to €5.7 million in the first half of this year (H1 2016: tax income of €1.3 million). This increase is primarily the result of a higher level of deferred tax income in the corresponding period of 2016.

At €19.8 million, net income in the six-month period was at the same level as in the first half of last year (H1 2016: €20.0 million). This resulted in earnings per share of €0.16 (H1 2016: €0.17).

BUSINESS PERFORMANCE IN THE SEGMENTS

BUSINESS PERFORMANCE IN THE DEUTZ COMPACT ENGINES (DCE) SEGMENT

Strong first half of 2017 New orders in the DEUTZ Compact Engines (DCE) segment amounted to €661.6 million in the first half of 2017. This was a significant 21.5 per cent increase on the €544.5 million recorded in the first six months of last year. In the second quarter of 2017, new orders totalled €335.3 million, which was 17.6 per cent higher than a year before (Q2 2016: €285.1 million) and 2.8 per cent more than in the previous quarter (Q1 2017: €326.3 million). At the midway point of 2017, orders on hand stood at €188.8 million, which was 13.2 per cent more than a year earlier (30 June 2016: €166.8 million) and 7.9 per cent more than at the end of the first quarter of 2017 (31 March 2017: €175.0 million). A total of 75,482 engines were sold in the DCE segment in the six-month period, up by 16.5 per cent year on

[1] Gross margin: ratio of revenue less cost of sales to revenue (excluding amortisation relating to capitalised development expenditure).

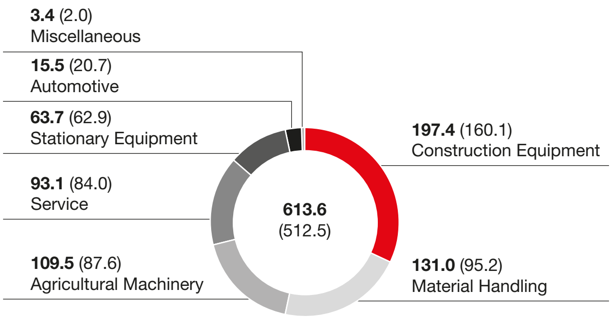
year (H1 2016: 64,807 engines). In the second quarter of the year, 40,161 engines were sold, which was 14.6 per cent higher than in the equivalent period of 2016 and 13.7 per cent more than in the first quarter of 2017. Revenue amounted to €613.6 million in the first half of 2017, which equates to a year-on-year increase of 19.7 per cent (H1 2016: €512.5 million). At €319.5 million, revenue for the second quarter of 2017 was 15.3 per cent higher than in the same period of 2016 and 8.6 per cent up on the previous quarter. Operating profit in the DCE segment amounted to €11.4 million in the first half of 2017 (H1 2016: €1.9 million). This substantial increase of €9.5 million compared with the first half of 2016 was primarily driven by the rise in the volume of business. The main countervailing effect came from the higher level of research and development expenditure. The overall positive trend is also reflected in the quarterly breakdown. Compared with the first quarter of 2017, operating profit in the second quarter was up by €8.4 million to €9.9 million due to the increased volume of business (Q1 2017: €1.5 million) and rose by €5.7 million compared with the second quarter of 2016.

DEUTZ Compact Engines

	1–6/2017	1–6/2016
New orders (€ million)	661.6	544.5
Unit sales (units)	75,482	64,807
Revenue (€ million)	613.6	512.5
EBIT (€ million)	11.4	1.9

DEUTZ Compact Engines: Revenue by application segment

€ million (2016 figures)



BUSINESS PERFORMANCE IN THE DEUTZ CUSTOMISED SOLUTIONS (DCS) SEGMENT

Year-on-year increase in orders In the period under review, the DEUTZ Customised Solutions (DCS) segment received new orders worth €141.4 million, a year-on-year increase of 6.6 per cent. New orders amounted to €64.5 million in the second quarter of 2017, which was on a par with the second quarter of 2016 but down by 16.1 per cent on the previous quarter (Q1 2016: €76.9 million). Orders on hand amounted to €65.1 million as at 30 June 2017, a year-on-year increase of 17.9 per cent (30 June 2016: €55.2 million) and a rise of 2.0 per cent on the end of the previous quarter (31 March 2017: €63.8 million). During the six-month period, 4,117 engines were sold in this segment, which was 16.0 per cent fewer than in the first half of last year. Second-quarter unit sales amounted to 2,285 engines, 10.6 per cent below the figure in the second quarter of 2016 when 2,557 engines were sold, but 24.7 per cent more than in the first quarter of the year (Q1 2017: 1,832 engines). Thanks to the positive performance of the service business, however, revenue in the DCS segment declined by just 8.3 per cent year on year to reach €120.9 million. Revenue for the second quarter of 2017, which amounted to €62.5 million, was down by 7.0 per cent on the second quarter of 2016 but up by 7.0 per cent on the first quarter of 2016.

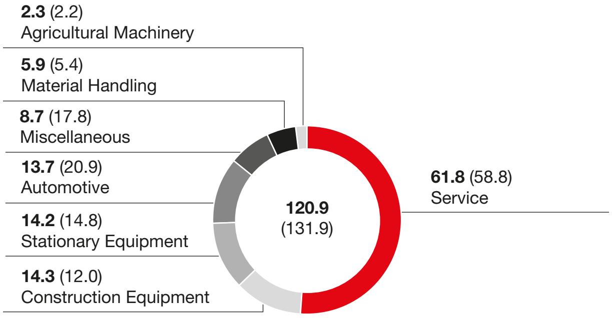
Operating profit came to €11.6 million in the first half of 2017 compared with €21.4 million in the first six months of last year. This reduction of €9.8 million is mainly due to operating profit in the prior-year period having been boosted by licensing income of €5.5 million. Furthermore, the volume of business declined in the first half of 2017. Operating profit in the second quarter of 2017 totalled €5.2 million, which was less than in the first quarter of 2017 (down by €1.2 million) and less than in the second quarter of 2016 (down by €6.0 million). This decline in operating profit compared with the second quarter of 2016 is primarily attributable to the smaller volume of business and to the effects of the business mix and currency movements.

DEUTZ Customised Solutions

	1–6/2017	1–6/2016
New orders (€ million)	141.4	132.7
Unit sales (units)	4,117	4,899
Revenue (€ million)	120.9	131.9
EBIT (€ million)	11.6	21.4

DEUTZ Customised Solutions: Revenue by application segment

€ million (2016 figures)



OTHER

In the first half of 2017, the Other segment reported an operating loss of €0.2 million (H1 2016: loss of €2.6 million).

FINANCIAL POSITION

FUNDING

In order to ensure sufficient liquidity, DEUTZ has at its disposal a syndicated, revolving credit facility of €160 million provided by a consortium of banks. On 13 June 2017, its term was extended until June 2022 on improved terms.

In addition, we have a loan from the European Investment Bank with a remaining balance of €46.8 million at 30 June 2017. The loan is repayable in instalments until July 2020.

CASH FLOW

Cash flow from operating activities amounted to €85.2 million in the first half of 2017. This constituted a very significant year-on-year improvement of €69.8 million compared with the first six months of last year (H1 2016: €15.4 million). The main reasons for this change were the sale of the building lease, the overall increase in the volume of business and, in particular, the reduction in working capital in the reporting period. By contrast, working capital had risen sharply in the comparable period of 2016.

The net cash used for investing activities came to €29.7 million in the first half of 2017, which was on a par with the prior-year period (H1 2016: €30.6 million). As in the first half of 2016, this was primarily related to capital expenditure on intangible assets and on property, plant and equipment.

Financing activities resulted in a net cash outflow of €19.5 million in the first half of 2017 (H1 2016: €17.8 million). As in the prior-year period, the outflow was predominantly due to the payment of the dividend for 2016 and the scheduled repayment of loans. The outflow also included a payment to the non-controlling interests in the subsidiary DEUTZ-Mülheim Grundstücksgesellschaft mbH. This payment was made in order to acquire further shares in the subsidiary.

Cash and cash equivalents as at 30 June 2017 had risen by €35.3 million to €127.1 million (31 December 2016: €91.8 million), mainly due to the very large increase in cash flow from operating activities. There was an even more impressive increase in the net financial position[1], which went up by €43.2 million to €74.8 million over the same period (31 December 2016: €31.6 million).

As a result of the substantial increase in cash flow from operating activities, free cash flow[2] rose by a significant €71.0 million to €53.8 million (H1 2016: minus €17.2 million). Looking at the past twelve months, free cash flow was in fact €75.7 million.

NET ASSETS

Non-current assets totalled €535.0 million as at 30 June 2017 (31 December 2016: €563.6 million). This decline of €28.6 million was largely attributable to the lower level of property, plant and equipment and intangible assets. Not only were additions offset by higher depreciation and amortisation charges, but also the carrying amounts of the land and buildings at the Cologne-Deutz site were classified as held for sale due to the successfully completed relocation to Cologne-Porz at the start of 2017 and the management's decision to enter into negotiations to sell the site. This meant that non-current assets classified as held for sale had risen by €4.1 million to €4.5 million at the balance sheet date (31 December 2016: €0.4 million).

Current assets amounted to €562.1 million as at 30 June 2017. This increase of €66.4 million compared with the end of last year (31 December 2016: €495.7 million) was caused by the far higher level of cash and cash equivalents and by the reporting date-related and volume-related increase in trade receivables. There was also an increase in the inventory of finished goods due to the rise in orders on hand.

[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.

Despite higher trade receivables and inventories, working capital[1] went down by €19.1 million to €185.2 million as at 30 June 2017 (31 December 2016: €204.3 million) as a result of the growth in trade payables. Consequently, the working capital ratio[2] had narrowed to 13.7 per cent as at 30 June 2017 (31 December 2016: 16.2 per cent). At 15.3 per cent, the average working capital ratio[3] was also lower than at the end of 2016 (31 December 2016: 17.9 per cent).

Non-current liabilities fell to €245.3 million (31 December 2016: €265.0 million) due, in particular, to lower provisions for pensions and other post-retirement benefits and a reduction in financial debt. Ongoing pension payments and higher discount rates are the main factors in this decline. The lower level of financial debt is attributable to scheduled loan payments.

By contrast, current liabilities had advanced by €52.3 million to €355.9 million as at 30 June 2017 (31 December 2016: €303.6 million). The primary reason for the increase was the rise in trade payables. This was attributable, above all, to the increased volume of raw materials and consumables ordered as a result of the rise in manufacturing output in the reporting period.

Total assets had grown to €1,101.6 million as at 30 June 2017 (31 December 2016: €1,059.7 million).

DISPOSAL OF THE COLOGNE-DEUTZ SITE

On 3 May 2017, DEUTZ AG sold the land occupied by its former Cologne-Deutz site to the real-estate project developer GERCHGROUP AG based in Düsseldorf. The premises in Cologne-Deutz, which cover an area of around 160,000 square metres, are no longer required following the site's successful relocation to Cologne-Porz. The former industrial land, which is close to the Rhine, is to be redeveloped in the coming years to create a new city district with a high proportion of housing. DEUTZ is thereby contributing to Cologne's development, particularly with regard to the urgent need for new housing within the city. For the Company, the relocation of the site is resulting in positive synergies as well as providing a significant boost to income from the sale of the land.

The financial implications of the sale are explained in more detail on page 10 in the Outlook section.

[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 stepped up as planned Research and development expenditure in the first half of 2017 amounted to €31.8 million, around a third higher than in the prior-year period. Minus reimbursements from key customers and development partners, spending on research and development came to €31.0 million in the reporting period. This represented a year-on-year increase of 36.6 per cent and was due to the planned expansion of our engine portfolio. The R&D ratio (after deducting grants) – the ratio of net research and development expenditure to consolidated revenue – stood at 4.2 per cent compared with 3.5 per cent in the equivalent period of last year.

Research and development

	1–6/2017	1–6/2016
R&D expenditure (after deducting grants, € million)	31.0	22.7
thereof DCE (€ million)	29.8	21.4
thereof DCS (€ million)	1.2	1.3
R&D ratio (as a percentage of revenue)	4.2	3.5

EMPLOYEES

More people working for DEUTZ As at 30 June 2017, the DEUTZ Group had 3,774 employees, which was 66 people or 1.8 per cent more than one year previously. Compared with 31 March 2017, the number of employees rose by 99 people or 2.7 per cent. The number of contract workers also went up year on year, from 118 to 402 as at the reporting date. The increase compared with the end of the previous quarter was 84 (31 March 2017: 318 contract workers). Hiring temporary workers enables us to respond flexibly to possible fluctuations in demand in a fast-moving market environment while continuing to grow profitably. Overall, 75.4 per cent of all DEUTZ employees were based in Germany as at the reporting date (30 June 2016: 76.3 per cent) and 24.6 per cent in other countries (30 June 2016: 23.7 per cent).

Employees

Headcount

	1–6/2017	1–6/2016
Cologne	2,210	2,203
Ulm	424	407
Other	213	218
In Germany	**2,847**	**2,828**
Outside Germany	927	880
Total	**3,774**	**3,708**

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 57 to 61 of our 2016 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 2017. No further material risks or opportunities arose in the first half of 2017.

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 the following DEUTZ AG shareholders that are in a position to exert a significant influence:

- AB Volvo (publ), Gothenburg, Sweden (including its subsidiaries). AB Volvo sold its entire stake in DEUTZ AG on 7 July 2017.

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

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

OUTLOOK

Slightly more positive outlook for the global economy[1] The IMF has nudged up its economic growth forecasts for numerous countries and regions. It now expects the global economy to expand by 3.5 per cent in 2017 as a whole and by 3.6 per cent in 2018. The eurozone economy is set to grow by 1.9 per cent this year and by 1.7 per cent next year. Growth rates of 1.8 per cent in 2017 and 1.6 per cent in 2018 are anticipated for Germany. The prospective growth rate for the US for both years is 2.1 per cent. Growth of 6.7 per cent and 6.4 per cent is predicted for China.

DEUTZ reiterates forecast We had initially anticipated that business conditions would largely stagnate in 2017, or perhaps be slightly better. However, we now see clear indications of a broad market recovery. Many European customers used up much of their inventories last year, resulting in a noticeable year-on-year increase in our business. Moreover, production for a number of projects with new customers is still being ramped up, which should have a beneficial impact on revenue growth.

We therefore continue to anticipate a marked rise in revenue for 2017 overall. This increase will be fuelled by the DCE segment, whereas we expect the DCS segment's revenue to decrease slightly. We expect the EBIT margin before exceptional items to increase moderately year on year.

Exceptional items with a positive effect In the first quarter of 2017, DEUTZ AG realised gains of €10 million from the disposal of a building lease. This was recognised as an exceptional item on the earnings side.

We expect to receive a sum of around €125 million as purchase consideration for the sale of the Cologne-Deutz site this year. The biggest instalment of the purchase consideration is scheduled to be received in December 2017. DEUTZ expects this transaction to deliver a positive contribution to earnings this year in the high double-digit million euros (after taxes), which will be recognised as an exceptional item. Depending on completion of the ongoing planning process, DEUTZ anticipates a further, final instalment of the purchase consideration in the coming years. The exact amount is not yet known and, provided the planning application is successful, will be in the mid double-digit million euros. The proceeds of the sale are giving us new opportunities to invest in our growth and strengthen our core business.

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] Source: IMF, World Economic Outlook, July 2017.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2017

INCOME STATEMENT FOR THE DEUTZ GROUP

€ million

	Note	4–6/2017	4–6/2016	1–6/2017	1–6/2016
Revenue		**382.0**	**344.2**	**734.5**	**644.4**
Cost of sales		–313.8	–281.0	–604.7	–522.5
Research and development costs		–21.9	–19.6	–45.1	–38.8
Selling expenses		–18.5	–17.7	–37.0	–35.0
General and administrative expenses		–10.3	–8.6	–20.5	–17.4
Other operating income		3.7	3.6	17.2	7.2
Other operating expenses		–12.9	–5.4	–17.8	–14.2
Profit/loss on equity-accounted investments		1.0	–2.1	0.3	–3.0
EBIT		**9.3**	**13.4**	**26.9**	**20.7**
thereof exceptional items		**–5.9**	**–**	**4.1**	**–**
thereof operating profit (EBIT before exceptional items)		**15.2**	**13.4**	**22.8**	**20.7**
Interest expenses, net		–0.6	–1.1	–1.4	–2.0
thereof finance costs		–0.7	–1.1	–1.6	–2.1
Net income before income taxes		**8.7**	**12.3**	**25.5**	**18.7**
Income taxes	1	–4.3	–1.0	–5.7	1.3
Net income		**4.4**	**11.3**	**19.8**	**20.0**
thereof attributable to shareholders of DEUTZ AG		4.4	11.3	19.8	20.5
thereof attributable to non-controlling interests		–	–	–	–0.5
Earnings per share (€)		**0.03**	**0.09**	**0.16**	**0.17**

STATEMENT OF COMPREHENSIVE INCOME FOR THE DEUTZ GROUP

€ million

	Note	4–6/2017	4–6/2016	1–6/2017	1–6/2016
Net income		**4.4**	**11.3**	**19.8**	**20.0**
Amounts that will not be reclassified to the income statement in the future		**0.9**	**–3.4**	**2.2**	**–10.2**
Remeasurements of defined benefit plans		0.9	–3.4	2.2	–10.2
Amounts that will be reclassified to the income statement in the future if specific conditions are met		**–3.6**	**–0.3**	**–2.9**	**–2.4**
Currency translation differences		–3.3	0.9	–3.4	–0.9
Profit/loss on equity-accounted investments		–1.8	–0.1	–2.0	–1.8
Effective portion of change in fair value from cash flow hedges		1.8	–1.2	2.7	0.2
Change in fair value of available-for-sale financial instruments		–0.3	0.1	–0.2	0.1
Other comprehensive income, net of tax	**2**	**–2.7**	**–3.7**	**–0.7**	**–12.6**
Comprehensive income		**1.7**	**7.6**	**19.1**	**7.4**
thereof attributable to shareholders of DEUTZ AG		1.7	7.6	19.1	8.1
thereof attributable to non-controlling interests		–	–	–	–0.7

BALANCE SHEET FOR THE DEUTZ GROUP

€ million

Assets	Note	30 Jun 2017	31 Dec 2016
Property, plant and equipment	3	275.4	286.0
Intangible assets	3	138.0	148.5
Equity-accounted investments		39.8	41.7
Other financial assets		7.8	7.5
Non-current assets (before deferred tax assets)		**461.0**	**483.7**
Deferred tax assets		74.0	79.9
Non-current assets		**535.0**	**563.6**
Inventories		265.7	253.1
Trade receivables		136.8	113.5
Other receivables and assets		32.5	37.3
Cash and cash equivalents		127.1	91.8
Current assets		**562.1**	**495.7**
Non-current assets classified as held for sale	4	4.5	0.4
Total assets		**1,101.6**	**1,059.7**

Equity and liabilities	Note	30 Jun 2017	31 Dec 2016
Issued capital		309.0	309.0
Additional paid-in capital		28.8	28.8
Other reserves		14.2	17.1
Retained earnings and accumulated income		148.4	136.2
Equity attributable to shareholders of DEUTZ AG		**500.4**	**491.1**
Non-controlling interests		–	–
Equity		**500.4**	**491.1**
Provisions for pensions and other post-retirement benefits		166.7	175.9
Deferred tax liabilities		0.1	0.4
Other provisions		38.0	38.4
Financial debt	5	36.2	44.0
Other liabilities		4.3	6.3
Non-current liabilities		**245.3**	**265.0**
Provisions for pensions and other post-retirement benefits		14.1	14.1
Provision for current income taxes		1.8	4.1
Other provisions		54.1	55.9
Financial debt	5	16.1	16.2
Trade payables		217.3	162.3
Other liabilities		52.5	51.0
Current liabilities		**355.9**	**303.6**
Total equity and liabilities		**1,101.6**	**1,059.7**

STATEMENT OF CHANGES IN EQUITY FOR THE DEUTZ GROUP

€ million

	Issued capital	Additional paid-in capital	Retained earnings and accu-mulated income	Fair value reserve [1],[2]	Currency translation reserve [1]	Equity attributable to share-holders of DEUTZ AG	Non-controlling interests	Total
Balance at 1 Jan 2016	**309.0**	**28.8**	**134.3**	**–0.4**	**18.7**	**490.4**	**5.2**	**495.6**
Dividend payments			–8.5			–8.5		–8.5
Net income			20.5			20.5	–0.5	20.0
Other comprehensive income			–10.2	0.3	–2.5	–12.4	–0.2	–12.6
Comprehensive income			10.3	0.3	–2.5	8.1	–0.7	7.4
Balance at 30 Jun 2016	**309.0**	**28.8**	**136.1**	**–0.1**	**16.2**	**490.0**	**4.5**	**494.5**
Balance at 1 Jan 2017	**309.0**	**28.8**	**136.2**	**–2.0**	**19.1**	**491.1**	**–**	**491.1**
Dividend payments			–8.5			–8.5		–8.5
Net income			19.8			19.8		19.8
Other comprehensive income			2.2	2.5	–5.4	–0.7		–0.7
Comprehensive income			22.0	2.5	–5.4	19.1		19.1
Other changes			–1.3			–1.3		–1.3
Balance at 30 Jun 2017	**309.0**	**28.8**	**148.4**	**0.5**	**13.7**	**500.4**	**–**	**500.4**

[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

€ million

	Note	1–6/2017	1–6/2016
EBIT		**26.9**	**20.7**
Income taxes paid		–4.5	–5.1
Depreciation, amortisation and impairment of non-current assets		41.9	46.2
Gains/losses on the sale of non-current assets		–0.1	0.3
Profit/loss on equity-accounted investments		–	3.0
Other non-cash income and expenses		–	0.1
Change in working capital		15.3	–45.9
Change in inventories		–18.3	–35.8
Change in trade receivables		–26.4	–20.4
Change in trade payables		60.0	10.3
Change in other receivables and other current assets		4.8	–4.4
Change in provisions and other liabilities (excluding financial liabilities)		0.9	0.5
Cash flow from operating activities		**85.2**	**15.4**
Capital expenditure on intangible assets, property, plant and equipment		–29.8	–30.6
Capital expenditure on investments		–0.3	–0.1
Proceeds from the sale of non-current assets		0.4	0.1
Cash flow from investing activities		**–29.7**	**–30.6**
Dividend payments to shareholders		–8.5	–8.5
Interest income		0.1	0.1
Interest expense		–1.8	–2.1
Repayment of capital contributions to non-controlling interests		–1.3	–
Repayments of loans		–8.0	–7.3
Cash flow from financing activities		**–19.5**	**–17.8**
Cash flow from operating activities		85.2	15.4
Cash flow from investing activities		–29.7	–30.6
Cash flow from financing activities		–19.5	–17.8
Change in cash and cash equivalents		**36.0**	**–33.0**
Cash and cash equivalents at 1 Jan		**91.8**	**112.5**
Change in cash and cash equivalents		36.0	–33.0
Change in cash and cash equivalents related to exchange rates		–0.7	–0.1
Cash and cash equivalents at 30 Jun		**127.1**	**79.4**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2017

BASIC PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These interim financial statements for the period ended 30 June 2017 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 2016 financial year.

The condensed interim consolidated financial statements for the period ended 30 June 2017 – 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 2017 have been reviewed by an auditor pursuant to section 37w of the German Securities Trading Act (WpHG).

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim consolidated financial statements are essentially the same as those used in the most recent consolidated financial statements for the year ended 31 December 2016. Further information on the accounting policies used can be found in the notes to the consolidated financial statements for the year ended 31 December 2016.

If they are material, revenue-related and cyclical items are accrued during the year. 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.

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, on 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.

SELECTED EXPLANATORY DISCLOSURES

Selected explanatory disclosures relating to the interim consolidated financial statements are provided below. Further disclosures relating to the balance sheet, income statement and cash flow statement as well as the segment reporting can be found in the interim group management report.

1. INCOME TAXES

There was an income tax expense of €5.7 million in the first half of 2017 compared with tax income of €1.3 million in the comparable period of last year. This change is primarily due to the much higher level of deferred tax income that was recognised in the first six months of 2016.

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:

€ million	1–6/2017			1–6/2016		
	Before taxes	**Taxes**	**After taxes**	Before taxes	Taxes	After taxes
Amounts that will not be reclassified to the income statement in the future	**3.2**	**–1.0**	**2.2**	**–14.9**	**4.7**	**–10.2**
Remeasurements of defined benefit plans	3.2	–1.0	2.2	–14.9	4.7	–10.2
Amounts that will be reclassified to the income statement in the future if specific conditions are met	**–1.7**	**–1.2**	**–2.9**	**–2.3**	**–0.1**	**–2.4**
Currency translation differences	–3.4	–	–3.4	–0.9	–	–0.9
Profit/loss on equity-accounted investments	–2.0	–	–2.0	–1.8	–	–1.8
Effective portion of change in fair value from cash flow hedges	3.9	–1.2	2.7	0.3	–0.1	0.2
Change in fair value of available-for-sale financial instruments	–0.2	–	–0.2	0.1	–	0.1
Other comprehensive income	**1.5**	**–2.2**	**–0.7**	**–17.2**	**4.6**	**–12.6**

A pre-tax loss of €0.8 million relating to cash flow hedges was reclassified to the income statement in the first six months of 2017 (H1 2016: pre-tax profit of €0.7 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 €25.4 million in the first half of the year (H1 2016: €32.4 million). This was broken down into €16.6 million (H1 2016: €27.9 million) on property, plant and equipment and €8.8 million (H1 2016: €4.5 million) on intangible assets.

Additions to property, plant and equipment were mainly in connection with replacement investment in machinery and tools. The additions also related to the final measures to optimise our network of sites. In the first half of 2017, the final capital investment was made in connection with stage two of the relocation of the exchange engine plant from Übersee to Ulm and with the construction of the shaft centre in Cologne-Porz. The bulk of capital expenditure on intangible assets was channelled into the development of engines, whereby particular emphasis was placed on the development of new engines and therefore the expansion of our product range.

Capital expenditure was offset by depreciation and amortisation of €41.9 million (H1 2016: €44.7 million).

Commitments to purchase property, plant and equipment and intangible assets amounted to €38.0 million as at 30 June 2017 (31 December 2016: €36.6 million).

4. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The increase in non-current assets classified as held for sale is related to the reclassification of the carrying amounts of the land and buildings at the Cologne-Deutz site. These were classified as held for sale due to the successfully completed relocation to Cologne-Porz at the start of 2017 and the management's decision to enter into negotiations to sell the site. Reclassification did not have any impact on the net income for the period.

Contingent liabilities Transaction costs incurred in connection with the sale of the land at the DEUTZ site were recognised as a liability as at 30 June 2017. Depending on completion of the ongoing planning process, these costs may rise by a further €4.9 million.

5. FINANCIAL DEBT

€ million	**30 Jun 2017**	31 Dec 2016
Non-current	36.2	44.0
Current	16.1	16.2
Total	**52.3**	**60.2**

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

OTHER INFORMATION

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.

Financial instruments (assets)

30 Jun 2017	Measured at amortised cost	Measured at fair value				Assets not within the scope of IAS 39	
€ million	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**
Non-current financial assets	**0.5**	**0.3**	**5.0**	**0.1**	**–**	**1.9**	**7.8**
Current financial assets	**280.8**	**–**	**–**	**1.1**	**0.2**	**14.3**	**296.4**
Trade receivables	136.8	–	–	–	–	–	136.8
Other receivables and assets	16.9	–	–	1.1	0.2	14.3	32.5
Cash and cash equivalents	127.1	–	–	–	–	–	127.1

Financial instruments (assets)

31 Dec 2016	Measured at amortised cost	Measured at fair value				Assets not within the scope of IAS 39	
€ million	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**
Non-current financial assets	**0.5**	**0.3**	**5.2**	**–**	**–**	**1.5**	**7.5**
Current financial assets	**234.4**	**–**	**–**	**–**	**–**	**8.2**	**242.6**
Trade receivables	113.5	–	–	–	–	–	113.5
Other receivables and assets	29.1	–	–	–	–	8.2	37.3
Cash and cash equivalents	91.8	–	–	–	–	–	91.8

Financial instruments (liabilities)

30 Jun 2017	Measured at amortised cost	Measured at fair value		Liabilities not within the scope of IAS 39	
€ million	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
Non-current financial liabilities	**37.9**	**0.5**	**–**	**2.1**	**40.5**
Financial debt	35.2	–	–	1.0	36.2
Other liabilities	2.7	0.5	–	1.1	4.3
Current financial liabilities	**278.3**	**–**	**–**	**7.6**	**285.9**
Financial debt	16.1	–	–	–	16.1
Trade payables	217.3	–	–	–	217.3
Other liabilities	44.9	–	–	7.6	52.5

Financial instruments (liabilities)

31 Dec 2016	Measured at amortised cost	Measured at fair value		Liabilities not within the scope of IAS 39	
€ million	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
Non-current financial liabilities	**47.0**	**0.9**	**–**	**2.4**	**50.3**
Financial debt	42.9	–	–	1.1	44.0
Other liabilities	4.1	0.9	–	1.3	6.3
Current financial liabilities	**219.9**	**2.4**	**0.3**	**6.9**	**229.5**
Financial debt	16.2	–	–	–	16.2
Trade payables	162.3	–	–	–	162.3
Other liabilities	41.4	2.4	0.3	6.9	51.0

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 2017		31 Dec 2016	
€ million	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets	**281.6**	**281.3**	**235.2**	**234.9**
Available-for-sale financial assets measured at cost	0.3	–	0.3	–
Trade receivables	136.8	136.8	113.5	113.5
Other receivables and assets	17.4	17.4	29.6	29.6
Cash and cash equivalents	127.1	127.1	91.8	91.8
Financial liabilities	**316.2**	**318.2**	**268.0**	**269.8**
Financial debt – liabilities to banks	51.3	53.3	60.2	62.0
Trade payables	217.3	217.3	162.3	162.3
Other liabilities	47.6	47.6	45.5	45.5

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 €0.3 million (31 December 2016: €0.3 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 2017.

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 reporting 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 2017

€ million

	Carrying amount	**Fair value**	Level 1	Level 2	Level 3
Financial assets					
Securities	3.0	3.0	3.0	–	–
Available-for-sale financial assets measured at fair value	2.0	2.0	–	–	2.0
Currency forwards	1.4	1.4	–	1.4	–
Financial liabilities					
Interest-rate swaps	0.5	0.5	–	0.5	–
Financial debt	51.3	53.3	–	–	53.3

31 Dec 2016

€ million

	Carrying amount	**Fair value**	Level 1	Level 2	Level 3
Financial assets					
Securities	3.2	3.2	3.2	–	–
Available-for-sale financial assets measured at fair value	2.0	2.0	–	–	2.0
Financial liabilities					
Currency forwards	2.9	2.9	–	2.9	–
Interest-rate swaps	0.7	0.7	–	0.7	–
Financial debt	60.2	62.0	–	–	62.0

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.

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

The available-for-sale financial assets measured at fair value relate to the equity investment in DEUTZ Engine (Shandong) Co., Ltd., Linyi, China. As this company is no longer operational and is currently being wound up, the fair value of the equity investment was determined on the basis of the company’s net asset value as at 30 June 2017. There were no changes in fair value in the period under review. There was no intention to dispose of these financial assets as at 30 June 2017.

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

SEGMENT REPORTING

Information about the segments of the DEUTZ Group for the first half of 2016 and the first half of 2017 is shown in the following table:

1–6/2017	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Reconciliation	**DEUTZ Group**
€ million						
External revenue	613.6	120.9	–	734.5	–	734.5
Intersegment revenue	–	–	–	–	–	–
Total revenue	**613.6**	**120.9**	**–**	**734.5**	**–**	**734.5**
Operating profit/loss (EBIT before exceptional items)	11.4	11.6	–0.2	22.8	–	22.8

1–6/2016	DEUTZ Compact Engines	DEUTZ Customised Solutions	Other	**Total segments**	Reconciliation	**DEUTZ Group**
€ million						
External revenue	512.5	131.9	–	644.4	–	644.4
Intersegment revenue	–	–	–	–	–	–
Total revenue	**512.5**	**131.9**	**–**	**644.4**	**–**	**644.4**
Operating profit (EBIT before exceptional items)	1.9	21.4	–2.6	20.7	–	20.7

Reconciliation from overall profit (loss) of the segments to net income

€ million

	1–6/2017	1–6/2016
Overall profit (loss) of the segments	**22.8**	**20.7**
Reconciliation	–	–
EBIT before exceptional items	**22.8**	**20.7**
Exceptional items	4.1	–
EBIT	**26.9**	**20.7**
Interest expenses, net	–1.4	–2.0
Net income before income taxes	**25.5**	**18.7**
Income taxes	–5.7	1.3
Net income	**19.8**	**20.0**

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. On 7 July 2017, AB Volvo sold its entire stake in DEUTZ AG.

The following table shows the volume of material business relationships with entities in which the DEUTZ Group holds significant investments:

	Goods and services provided		Other expenses in connection with goods and services received		Receivables		Payables	
€ million	**1–6/2017**	1–6/2016	**1–6/2017**	1–6/2016	**30 Jun 2017**	31 Dec 2016	**30 Jun 2017**	31 Dec 2016
Associates	–	–	–	–	–	–	–	–
Joint ventures	4.4	3.1	–	–	1.8	2.9	–	–
Other investments	0.3	0.2	2.4	2.3	–	0.2	3.6	3.0
Total	**4.7**	**3.3**	**2.4**	**2.3**	**1.8**	**3.1**	**3.6**	**3.0**

The increase in goods supplied and services rendered to joint ventures compared with the corresponding period of 2016 is primarily the result of the business relationship with our joint venture DEUTZ (Dalian) Engine Co., Ltd.

Receivables due from joint ventures amounting to €3.5 million had been written off in full as at 30 June 2017 (31 December 2016: €3.7 million, also written off in full). As at 30 June 2017, an amount of €14.2 million of the Company's total receivables due from other investments had been written off in full (31 December 2016: impairment losses of €13.9 million recognised on an amount of €14.0 million). The resulting expense related to impaired receivables due from other investments came to €0.1 million in the period under review (H1 2016: no expense).

Some of these receivables and liabilities resulted from loans. 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):

€ million	**1–6/2017**	1–6/2016
Engines & spare parts supplied	134.7	126.4
Services provided	0.4	1.0

Receivables due from AB Volvo (including its subsidiaries) amounted to €10.7 million as at 30 June 2017 (31 December 2016: €7.1 million).

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.

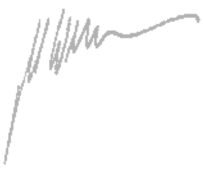
Related parties also include the Supervisory Board and the Board of Management. No significant business relationships exist between members of these boards and the DEUTZ Group.

Cologne, 26 July 2017

DEUTZ Aktiengesellschaft
The Board of Management

Dr Frank Hiller

Dr Margarete Haase



Michael Wellenzohn

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report 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, 26 July 2017

DEUTZ Aktiengesellschaft
The Board of Management

Dr Frank Hiller

Dr Margarete Haase

Michael Wellenzohn

CERTIFICATE ISSUED AFTER REVIEW BY THE AUDITORS

To DEUTZ AG, Cologne

We have reviewed the condensed interim consolidated financial statements – 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 2017, 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, 28 July 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

FINANCIAL CALENDAR

2017	
7 November 2017	Interim management statement for the first to third quarter of 2017 Conference call with analysts and investors

2018	
14 March 2018	Annual Results Press Conference Analysts' meeting 2017 annual financial statements
26 April 2018	Annual General Meeting in Cologne
3 May 2018	Interim management statement for the first quarter of 2018 Conference call with analysts and investors
2 August 2018	Interim report for the first half of 2018 Conference call with analysts and investors
8 November 2018	Interim management statement for the first to third quarter of 2018 Conference call with analysts and investors

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