

NEW GERMANY FUND INC  
Form N-CSRS  
August 21, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM N-CSRS

Investment Company Act file number: 811-05983

The New Germany Fund, Inc.  
(Exact Name of Registrant as Specified in Charter)

345 Park Avenue  
New York, NY 10154-0004  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (212) 250-3220

Paul Schubert  
60 Wall Street  
New York, NY 10005  
(Name and Address of Agent for Service)

Date of fiscal year end: 12/31

Date of reporting period:6/30/2012

ITEM 1. REPORT TO STOCKHOLDERS

SUMMARY OF GENERAL INFORMATION

THE FUND

The New Germany Fund, Inc. (the "Fund") is a diversified, actively-managed closed-end fund listed on the New York Stock Exchange with the symbol "GF." The Fund seeks long-term capital appreciation primarily through investment in middle-market German equities. It is advised and administered by wholly-owned subsidiaries of the Deutsche Bank Group.

SHAREHOLDER INFORMATION

Prices for the Fund's shares are published weekly in the New York Stock Exchange Composite Transactions section of certain newspapers. Net asset value and market price information are published each Saturday in Barron's and other newspapers in a table called "Closed End Funds." Daily information on the Fund's net asset value is available from NASDAQ (symbol XGFNX). It is also available by calling: 1-800-437-6269 (in the U.S.) or 00-800-2287-2750 (outside of the U.S.) In addition, a schedule of the Fund's largest holdings, dividend data and general shareholder

information may be obtained by calling these numbers.

The foregoing information is also available on our web site: [www.dws-investments.com](http://www.dws-investments.com).

There are three closed-end funds investing in European equities advised and administered by wholly-owned subsidiaries of the Deutsche Bank Group:

- The New Germany Fund, Inc.—investing primarily in equity or equity linked securities of middle market German companies with up to 20% in other Western European companies (with no more than 15% in any single country).
- The European Equity Fund, Inc.—investing primarily in equity or equity-linked securities of companies domiciled in countries utilizing the euro currency (with normally at least 80% in securities of issuers in such countries).
- The Central Europe and Russia Fund, Inc.—investing primarily in equity or equity-linked securities of issuers domiciled in Central Europe and Russia (with normally at least 80% in securities of issuers in such countries).

Please consult your broker for advice on any of the above or call 1-800-437-6269 (in the U.S.) or 00-800-2287-2750 (outside of the U.S.) for shareholder reports.

This fund is diversified, but primarily focuses its investments in Germany, thereby increasing its vulnerability to developments in that country. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly.

The New Germany Fund, Inc.

Semi-Annual Report

June 30, 2012

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The New Germany

Fund, Inc.

## LETTER TO THE SHAREHOLDERS

Dear Shareholder,

For the six months ended June 30, 2012, the New Germany Fund's total return in U.S. dollars (USD) was 9.67% based on net asset value and 9.80% based on market price. During the same period, the total return of the Fund's benchmark, the Midcap Market Performance Index, was 12.35%.<sup>1</sup>

The sectors contributing positively to the Fund in the period were industrials, driven by good performance from stock picks in the aerospace and defense segments, and consumer staples, which benefited from the defensively positioned packaged food.<sup>2</sup> For the market overall, the sectors and industries outperforming during the April/May correction were food and beverages, health care and consumer staples.

The sectors and segments detracting most from performance in April/May were financials, construction and information technology. The positive performers were mostly related to the German real estate industry, which is benefiting from low interest rates and rising real estate prices. The biggest sector detractors for the Fund during the period were information technology, dragged down by weakness in the systems software and computer hardware segments, and consumer discretionary, where on a relative basis to the benchmark, the Fund underperformed even though it did not own some of the stocks in the cable and satellite and auto parts and equipment segments, which impacted the overall market.<sup>3</sup>

In the semi-annual period, the fund's stock selection in industrials, specifically in aerospace and defense companies including MTU Aero Engines Holding AG, and consumer staples including the food company Suedzucker AG, contributed positively to the funds performance. The fund's relative performance versus the benchmark suffered in large part due to two stocks included in the fund's benchmark, but not owned by the fund. The first was Sky Deutschland, a satellite TV company, which rose more than 100% in the first half year and the second was Rhön-Klinikum, a Germany-based provider of health care services which represented a 2% position in the benchmark, and whose stock price increased close to 50% due to a takeover bid on April 26 from its German competitor, Fresenius.

After a strong start for equity markets during the first few months of the year, markets overall began correcting well into April and May, with a bottom seen in early June. Ongoing political uncertainty during the period, aggravated by worries about the outcome of the Greek and French elections, deepened the already existing tensions in the European sovereign bond market. Furthermore, many European markets noticed significant declines in the Purchasing Managers' Index (PMI), a leading economic indicator, to the mid-40 levels, which is consistent with a decline of gross domestic product (GDP) growth in the second quarter.<sup>4,5</sup> Concurrently, slowing growth in China and the U.S. also negatively affected the markets.

While the key German economic numbers during the first quarter were strong, they too slowed markedly in the second quarter. The most important German index, the Ifo Business Climate Index (Ifo Index), peaked in April and had a sharp setback in May and June, falling to levels last seen in Q1 2010.<sup>6</sup> The Ifo index, which gives a good indication of the six-month outlook, also fell to levels last seen in October 2011. This is further evidence that the European sovereign debt crisis is increasingly affecting the German export outlook, which has remained very firm thus far.<sup>7</sup> Germany's unemployment rate remains low at 6.7%, though the reduced Ifo index indicates slower hiring going forward. On the back of strong salary hikes in many industries early in the year, German consumer confidence, as measured by the German Consumer Confidence Index (GfK), was able to hold up very well, falling only marginally from Q1 highs and suggesting the German consumer outlook remains firm.<sup>8</sup>

For additional information about the Fund including performance, dividends, presentations, press releases, market updates, daily NAV and shareholder reports, please visit [www.dws-investments.com](http://www.dws-investments.com)

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LETTER TO THE SHAREHOLDERS (continued)

#### Economic Outlook

The German equity market, like the markets in the rest of Europe, should continue to be dominated by the European sovereign debt crisis as well as the global growth slowdown, which significantly affects the German export-driven economy. For equity markets to move significantly higher, investors will need to gain more confidence in a more

permanent resolution to the European debt crisis. This could result from significant policy action on one or more fronts: a banking union, a fiscal union, continued European Central Bank bond-buying, an enlargement of the LTRO (long-term refinancing operations) program or, best of all, from an improvement in the global economy.

While the structural trends for deleveraging in the developed world are likely to continue to drag on global growth for years to come, a cyclical upswing could materialize in the second half of the year, given the falling oil prices as well as lower prices for other commodities. These declines should lower inflationary pressure and give debt-burdened consumers some relief. Lower inflationary pressure also helps central banks ease monetary policy, especially in emerging markets, and both could stimulate world growth in the second half of the year so long as the European crisis is contained.

On April 27, 2012, the Fund's non-fundamental limit on investments in equity or equity-linked securities of non-German companies in any single Western European country was increased from 10% to 15% of total assets to provide the portfolio manager with greater flexibility.

The Fund's discount to net asset value averaged 10.24% for the six months ended June 30, 2012, compared with a discount of 9.00% for the same period a year earlier. During the period, the Fund continued to repurchase shares in the open market. In addition, on January 31, 2012, the Fund announced the extension of its Discount Management Program for another two years. Please see Note 7 for details regarding the Fund's share repurchases and Discount Management Program.

Sincerely,

Christian  
Strenger  
Chairman

Rainer  
Vermehren  
Lead Portfolio  
Manager

W. Douglas Beck  
President and Chief  
Executive Officer

The views expressed in the preceding discussion reflect those of the portfolio management team only through the end of the period of the report as stated on the cover. The management team's views are subject to change at any time based on market and other conditions and should not be construed as recommendations. Past performance is no guarantee of future results. Current and future portfolio holdings are subject to risk.

1 The Midcap Market Performance Index is a total-return index that is composed of various mid-cap securities across all sectors of the MDAX and TecDAX. MDAX is a total-rate-of-return index of 50 mid-cap issues that rank below the DAX. DAX is a total-rate-of-return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. TecDAX is a total-return index that tracks the 30 largest and most liquid issues from the various technology sectors of the Prime Segment beneath the DAX. Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

2 Consumer staples consist of industries that manufacture essential items such as food and beverages, prescription drugs and other household products.

3 The consumer discretionary sector represents industries that produce goods and services that are not necessities in everyday life.

4 The Purchasing Managers' Index (PMI) maintained by the Institute for Supply Management (ISM), is a composite of information extracted from the responses of surveys from more than 400 purchasing managers selected for their

geographic and industry diversification. The survey measures response to topics such as production levels, new orders from customers, supplier deliveries, inventories and employment levels.

5 Gross domestic product (GDP) is the monetary value of finished goods and services produced within a country during a specific period of time.

6 The Ifo Business Climate Index is a monthly survey that measures the business climate in Germany.

7 Sovereign debt is debt that is issued by a national government.

8 The German Consumer Confidence Index (GfK ) is a survey that measures consumer confidence through purchasing decisions.

For additional information about the Fund including performance, dividends, presentations, press releases, market updates, daily NAV and shareholder reports, please visit [www.dws-investments.com](http://www.dws-investments.com)

PERFORMANCE SUMMARY AS OF JUNE 30, 2012 (unaudited)

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit [www.dws-investments.com](http://www.dws-investments.com) for the Fund's most recent performance.

TOTAL RETURNS:

	For the six-months ended June 30, 2012(b)	2011	For the years ended December 31,			
			2010	2009	2008	2007
Net Asset Value(a)	9.67%	(18.52)%	23.40%	45.22%	(46.75)%(c)	25.17%
Market Value(a)	9.80%	(18.89)%	32.21%	52.07%	(53.32)%	25.14%
Benchmark(d)	12.35%	(16.54)%	18.42%	42.33%	(47.86)%	22.10%

(a) Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value during each period. Each figure includes reinvestments of dividend and capital gain distributions, if any. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during the period.

(b) Total returns shown for the six-month period are not annualized.

(c) Return includes the effect of the \$0.18 per share accretion associated with the Fund's tender offer in-kind. Excluding this accretion, total return would have been 0.95% lower.

(d) Represents the Midcap Market Performance Index.\*

\* The Midcap Market Performance Index is a total-return index that is composed of various mid-cap securities across all sectors of the MDAX\*\* and TecDAX\*\*\*.

\*\* The MDAX is a total-rate-of-return index of 50 mid-cap issues that rank below the DAX. DAX is the total-rate-of-return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange.

\*\*\* The TecDAX is a total-return index that tracks the 30 largest and most liquid issues from the various technology sectors of the Prime Segment beneath the DAX.

Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses and it is not possible to invest directly in an index.

Investments in funds involve risks, including the loss of principal.

This Fund is diversified, but primarily focuses its investments in Germany, thereby increasing its vulnerability to developments in that country. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes and market risks. Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly.

Closed-end funds, unlike open-end funds, are not continuously offered. Shares, once issued, are traded in the open market. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the Fund's shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below, or above net asset value.

The Fund has elected to be subject to the statutory calculation, notification and publication requirements of the German Investment Tax Act (Investmentsteuergesetz) (the "Act") for the fiscal year ended December 31, 2011 and intends to elect to be subject to the Act for the fiscal year ending December 31, 2012. This election allows investors based in Germany to invest in the Fund without adverse tax consequences.

FUND FACTS AND DIVIDEND AND CAP GAINS DISTRIBUTIONS AS OF JUNE 30, 2012 (unaudited)

FUND FACTS:

Net Assets	\$262,505,938
Shares Outstanding	17,271,952
Net Asset Value (NAV) Per Share	\$ 15.20

OTHER INFORMATION:

NYSE Ticker Symbol	GF
NASDAQ Symbol	XGFNX
Dividend Reinvestment Plan	Yes

Voluntary Cash Purchase Program	Yes
Annualized Expense Ratio (6/30/12)	1.17%

Fund statistics and expense ratio are subject to change. Distributions are historical, will fluctuate and are not guaranteed.

**DIVIDEND AND CAPITAL GAIN DISTRIBUTIONS:\***

Record Date	Payable Date	Ordinary Income	ST Capital Gain	LT Capital Gain	Total Distribution
12/30/11	01/27/12**	\$ 0.5454	\$ 0.0000	\$ 0.0000	\$ 0.5454
05/19/11	05/31/11	\$ 0.0400	\$ 0.0000	\$ 0.0000	\$ 0.0400
12/31/10	01/28/11**	\$ 0.0650	\$ 0.0000	\$ 0.0000	\$ 0.0650
04/30/10	05/10/10	\$ 0.0535	\$ 0.0000	\$ 0.0000	\$ 0.0535
12/31/09	01/28/10**	\$ 0.1601	\$ 0.0000	\$ 0.0000	\$ 0.1601
05/04/09	05/14/09	\$ 0.0176	\$ 0.0000	\$ 0.0000	\$ 0.0176
12/15/08	12/31/08	\$ 0.1274	\$ 0.0000	\$ 0.0000	\$ 0.1274
05/06/08	05/15/08	\$ 0.0594	\$ 0.0000	\$ 0.0000	\$ 0.0594
12/21/07	01/10/08**	\$ 0.2550	\$ 0.0000	\$ 0.0000	\$ 0.2550
05/03/07	05/15/07	\$ 0.3400	\$ 0.0000	\$ 0.0000	\$ 0.3400
12/21/06	12/28/06	\$ 0.0550	\$ 0.0000	\$ 0.0000	\$ 0.0550
05/05/06	05/15/06	\$ 0.1500	\$ 0.0000	\$ 0.0000	\$ 0.1500
12/22/05	12/30/05	\$ 0.4100	\$ 0.0000	\$ 0.0000	\$ 0.4100
05/19/05	05/27/05	\$ 0.1400	\$ 0.0000	\$ 0.0000	\$ 0.1400
12/22/04	12/31/04	\$ 0.2300	\$ 0.0000	\$ 0.0000	\$ 0.2300
05/06/04	05/14/04	\$ 0.0500	\$ 0.0000	\$ 0.0000	\$ 0.0500
12/22/03	12/31/03	\$ 0.0220	\$ 0.0000	\$ 0.0000	\$ 0.0220
07/24/03	07/30/03	\$ 0.0030	\$ 0.0000	\$ 0.0000	\$ 0.0030

\* The Fund posts estimated capital gain information to its web site: [www.dws-investments.com](http://www.dws-investments.com).

\*\* Although this distribution was payable in January, it may have been taxable in the prior year.

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**SECTOR DIVERSIFICATION AS OF JUNE 30, 2012 (As a % of Net Assets) (unaudited)**

**10 LARGEST EQUITY HOLDINGS AS OF JUNE 30, 2012 (48%, as a % of Net Assets) (unaudited)**

1.	EADS (Netherlands)	9.7%
2.	Lanxess (Germany)	6.0%
3.	Continental (Germany)	5.7%
4.	Hannover Ruckversicherung	5.0%

	(Germany)	
5.	GEA Group (Germany)	4.8%
	MTU Aero Engines Holding	
6.	(Germany)	4.1%
7.	Bilfinger Berger (Germany)	3.7%
8.	Suedzucker (Germany)	3.1%
9.	Symrise (Germany)	3.0%
10.	Fraport (Germany)	2.9%

Portfolio by Market Sector and 10 Largest Equity Holdings are subject to change and not indicative of future portfolio composition.

For more complete details about the Fund's Schedule of Investments, see page 7.

Following the Fund's fiscal first and third quarter-ends, a complete portfolio holdings listing is filed with the SEC on Form N-Q. This form is available on the SEC's web site at [www.sec.gov](http://www.sec.gov), and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330. A complete list of the Fund's portfolio holdings and the Fund's sector breakdown as compared to that of its benchmark as of month end is posted on [www.dws-investments.com](http://www.dws-investments.com) on or after the last day of the following month. More frequent postings of portfolio holdings information may be made from time to time on [www.dws-investments.com](http://www.dws-investments.com).

#### INTERVIEW WITH THE LEAD PORTFOLIO MANAGER — RAINER VERMEHREN

Question: Germany has repeatedly revised its expected fiscal revenue projections upward. How does this fit with current economic expectations?

Answer: Germany's finance minister, Wolfgang Schäuble, can indeed count on receiving higher tax revenues than what official sources were estimating just two months ago. New calculations by the German Institute for Economic Research (DIW) show that the German state is expected to collect €597.5 billion in taxes this year and €620.8 billion in 2013, surpassing previous estimates by €1 billion and € 2.7 billion, respectively, even after taking into consideration a €2 billion planned personal income tax break for 2013. Rising wages partly explain this trend, signaling higher disposable income for individuals, which could result in higher consumption. The latest readings from the German Consumer Confidence Index (GfK) support this argument.<sup>1</sup> In sharp contrast to this development, however, are the recent readings from the Ifo Business Climate Index, which have fallen back to levels last seen in Q1 2010.<sup>2</sup> In summary, while the current German consumer climate remains firm, the business outlook has started to roll over.

Question: Have earnings for the mid-cap market segment, the focus universe for this fund, continued their positive development from the past quarter?

Answer: On a relative basis, earnings estimates for the MDAX (the German index of 50 mid-cap stocks that rank below the large-cap DAX index) have been excellent, increasing by 2.7% and 3.5% over the last three-month and six-month periods, respectively. In comparison, the broad STOXX Europe 600 Index saw one of the strongest



downturns in the period, falling by 2.6% and 7.0% over the past three-month and six-month periods, respectively.<sup>3</sup> Finland, Greece, Portugal and Spain saw double-digit declines, while earnings estimates for German companies overall have fared better than the European average. Earnings estimates for the larger-capitalized DAX index also held up quite well, falling by only 2.2% over the past quarter.<sup>4</sup> The strongest German industries in the period in terms of 2012 earnings expectations upgrades include food and beverages, automobiles, and pharmaceuticals and health care. Total earnings growth in 2012 for the MDAX is expected to be 13.5%, which seems achievable if the Euro crisis is contained.

1 The German Consumer Confidence Index (GfK) is a monthly survey of more than 2,000 consumer interviews by GfK, a market research organization, on behalf of the EU commission, which gauges consumer sentiment about personal spending patterns, inflationary expectations and opinions on economic outlook.

2 The Ifo Business Climate Index is a monthly survey that queries German firms on the current German business climate as well as their expectations for the next six months.

3 The STOXX Europe 600 Index consists of a fixed number of 600 components, representing large-, mid- and small-capitalization companies across 18 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

4 The Midcap Market Performance Index is a total-return index that is composed of various mid-cap securities across all sectors of the MDAX and TecDAX. MDAX is a total-rate-of-return index of 50 mid-cap issues that rank below the DAX. DAX is a total-rate-of-return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. TecDAX is a total-return index that tracks the 30 largest and most liquid issues from the various technology sectors of the Prime Segment beneath the DAX.

Index returns assume reinvestment of dividends and, unlike fund returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

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THE NEW GERMANY FUND, INC.

SCHEDULE OF INVESTMENTS – JUNE 30, 2012 (unaudited)

Shares	Description	Value(a)
INVESTMENTS		
IN		
GERMANY –		
87.6%		
COMMON STOCKS – 81.3%		
AEROSPACE & DEFENSE – 4.1%		
145,000	MTU Aero Engines Holding	\$ 10,659,569
AUTO COMPONENTS – 6.8%		
180,000	Continental	14,986,558
120,000	ElringKlinger	2,857,845
		17,844,403
CHEMICALS – 8.9%		
247,760	Lanxess	15,629,874

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255,000	Symrise		7,761,821
			23,391,695
	COMPUTERS & PERIPHERALS – 1.7%		
127,727	Wincor Nixdorf		4,534,439
	CONSTRUCTION & ENGINEERING – 4.8%		
120,181	Bilfinger Berger		9,789,579
59,567	Hochtief*		2,883,324
			12,672,903
	ELECTRICAL EQUIPMENT – 0.4%		
25,686	SGL Carbon†		1,005,740
	FOOD PRODUCTS – 4.0%		
9,000	KWS Saat		2,340,936
230,000	Suedzucker		8,153,563
			10,494,499
	HEALTH CARE PROVIDERS & SERVICES – 0.5%		
80,000	Celesio		1,308,894
	HOUSEHOLD DURABLES – 0.3%		
118,886	Loewe*†		709,262
	INDUSTRIAL CONGLOMERATES – 1.5%		
82,583	Rheinmetall		4,055,037
	INSURANCE – 5.0%		
220,000	Hannover Rueckversicherung		13,088,687
	INTERNET SOFTWARE & SERVICES – 2.6%		
395,966	United Internet		6,807,543
	IT SERVICES – 1.0%		
70,000	Bechtle†		2,582,769
Shares		Description	Value(a)
	LIFE SCIENCES TOOLS & SERVICES – 2.3%		
130,000	Gerresheimer		\$ 6,117,773
	MACHINERY – 7.6%		
473,046	GEA Group		12,586,210
200,000	Gildemeister		3,147,893
298,963	MAX Automation†		1,486,951
17,714	Pfeiffer Vacuum Technology		1,806,133
440,000	Singulus Technologies*†		1,019,405
			20,046,592
	MEDIA – 4.5%		
130,000	Axel Springer		5,587,478
100,000	Kabel Deutschland Holding*		6,232,980
			11,820,458
	METALS & MINING – 3.8%		
140,000	Aurubis		6,749,128

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80,000	Salzgitter	3,286,192
		10,035,320
	PROFESSIONAL SERVICES – 1.0%	
35,000	Bertrandt	2,620,960
	REAL ESTATE MANAGEMENT & DEVELOPMENT – 4.1%	
202,041	Deutsche Euroshop	7,168,817
381,818	TAG Immobilien	3,594,624
		10,763,441
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT – 2.2%	
210,000	Aixtron†	3,000,204
130,000	Dialog Semiconductor*	2,352,926
43,800	Suss Microtec*	503,329
		5,856,459
	SOFTWARE – 2.9%	
160,000	PSI	3,207,526
140,000	Software	4,340,438
		7,547,964
	SPECIALTY RETAIL – 2.5%	
50,000	Fielmann†	4,632,389
120,000	Tom Tailor Holding	1,958,773
		6,591,162

The accompanying notes are an integral part of the financial statements.

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THE NEW GERMANY FUND, INC.

SCHEDULE OF INVESTMENTS – JUNE 30, 2012 (unaudited) (continued)

Shares	Description	Value(a)
INVESTMENTS		
IN GERMANY – 87.6%		
(continued)		
	TEXTILES, APPAREL & LUXURY GOODS – 2.5%	
50,000	Hugo Boss	\$ 4,938,170
5,647	Puma	1,631,809
		6,569,979
	THRIFTS & MORTGAGE FINANCE – 1.1%	
170,000	Aareal Bank*	2,790,028
	TRADING COMPANIES &	

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	DISTRIBUTORS – 2.3%		
55,000	Brenntag†		6,083,769
	TRANSPORTATION INFRASTRUCTURE – 2.9%		
140,000	Fraport		7,534,261
	Total Common Stocks (cost \$176,660,097)		213,533,606
	PREFERRED STOCKS – 6.3%		
	HEALTH CARE EQUIPMENT & SUPPLIES – 2.7%		
	Draegerwerk		
30,000	(cost \$3,429,764)		2,961,379
	Sartorius		
62,632	(cost \$691,434)		4,156,149
			7,117,528
	MACHINERY – 1.1%		
	Jungheinrich†		
95,000	(cost \$3,195,087)		2,766,301
	MEDIA – 2.5%		
	ProSiebenSat.1 Media		
295,000	(cost \$6,955,308)		6,595,096
	Total Preferred Stocks (cost \$14,271,593)		16,478,925
	Total Investments in Germany (cost \$190,931,690)		230,012,531
	INVESTMENTS IN NETHERLANDS – 10.8%		
	AEROSPACE & DEFENSE – 9.7%		
719,645	EADS		25,511,611
Shares		Description	Value(a)
	LIFE SCIENCES TOOLS & SERVICES – 1.1%		
160,887	QIAGEN*		\$ 2,691,499
	Total Investments in Netherlands (cost \$19,771,066)		28,203,110
	Total Investments in Common and Preferred Stocks – 98.4% (cost \$210,702,756)		258,215,641
	SECURITIES LENDING COLLATERAL – 7.9%		
	Daily Assets Fund Institutional, 0.24%		
20,848,732	(cost \$20,848,732)(b)(c)		20,848,732
	CASH EQUIVALENTS		

- 0.4%

	Central Cash	
	Management Fund, 0.14%	
931,963	(cost \$931,963)(c)	931,963
	Total Investments - 106.7%	
	(cost \$232,483,451)**	279,996,336
	Other Assets and Liabilities,	
	Net - (6.7%)	(17,490,398)
	NET ASSETS - 100.0%	\$262,505,938

\* Non-income producing security.

\*\* The cost for federal income tax purposes was \$232,831,323. At June 30, 2012, net unrealized appreciation for all securities based on tax cost was \$47,165,013. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$69,341,115 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$22,176,102.

† All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2012 amounted to \$19,830,416, which is 7.6% of net assets.

(a) Value stated in U.S. dollars.

(b) Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.

(c) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

For purposes of its industry concentration policy, the Fund classifies issuers of portfolio securities at the industry sub-group level. Certain of the categories in the above Schedule of Investments consist of multiple industry sub-groups or industries.

The accompanying notes are an integral part of the financial statements.

THE NEW GERMANY FUND, INC.

SCHEDULE OF INVESTMENTS - JUNE 30, 2012 (unaudited) (continued)

Fair Value Measurements

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds and credit risk). Level 3 includes significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication

of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2012 in valuing the Fund's investments. For information on the Fund's policy regarding the valuation of investments, please refer to the Security Valuation section of Note 1 in the accompanying Notes to Financial Statements.

Category	Level 1	Level 2	Level 3	Total
Common Stocks and/or Other Equity Investments(1)				
Germany	\$ 230,012,531	\$ -	\$ -	\$ 230,012,531
Netherlands	28,203,110	-	-	28,203,110
Short-Term Instruments(1)	21,780,695	-	-	21,780,695
Total	\$ 279,996,336	\$ -	\$ -	\$ 279,996,336

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2012.

(1) See Schedule of Investments for additional detailed categorizations.

The accompanying notes are an integral part of the financial statements.

THE NEW GERMANY FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2012 (unaudited)

ASSETS

Investments in non-affiliated securities, at value (cost \$210,702,756) — including \$19,830,416 of securities loaned	\$ 258,215,641
Investment in Central Cash Management Fund (cost \$931,963)	931,963
Investment in Daily Assets Fund Institutional (cost \$20,848,732)*	20,848,732
Total Investments, at value (cost \$232,483,451)	279,996,336
Foreign currency, at value (cost \$3,368,040)	3,407,248
Receivable for investments sold	216,479
Dividends receivable	41,891
Interest receivable	55,687
Foreign taxes recoverable	15,713
Other assets	27,988
Total assets	283,761,342

LIABILITIES

Payable upon return of securities loaned	20,848,732
Payable for investments purchased	8,645
Investment advisory fee payable	130,857
Fund administration fee payable	40,015
Payable for Directors' fees and expenses	33,605
Accrued expenses and other liabilities	193,550
Total liabilities	21,255,404
NET ASSETS	\$ 262,505,938

Net assets consist of:

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Paid-in capital, \$0.001 par (Authorized 80,000,000 shares)	\$ 430,906,227
Cost of 17,477,389 shares held in Treasury	(210,864,784)
Undistributed net investment income	3,246,022
Accumulated net realized loss on investments and foreign currency	(8,337,170)
Net unrealized appreciation (depreciation) on:	
Investments	47,512,885
Foreign currency	42,758
Net assets	\$ 262,505,938
Net assets value per share ( $\$262,505,938 \div 17,271,952$ shares of common stock issued and outstanding)	\$ 15.20

\* Represents collateral on securities loaned.

The accompanying notes are an integral part of the financial statements.

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THE NEW GERMANY FUND, INC.

STATEMENT OF OPERATIONS (unaudited)

	For the six-months ended June 30, 2012
<b>NET INVESTMENT INCOME</b>	
Income:	
Dividends (net of foreign withholding taxes of \$811,104)	\$ 5,649,859
Interest	813
Income distributions — Central Cash Management Fund	858
Securities lending, including income from Daily Assets Fund Institutional, net of borrower rebates	653,038
Total investment income	6,304,568
Expenses:	
Management fee	132,963
Investment advisory fee	825,983
Fund administration fee	227,635
Custodian fee	59,647
Services to shareholders	8,869
Reports to shareholders	45,339
Directors' fees and expenses	74,813
Legal fees	129,355
Audit and tax fees	38,188
NYSE listing fee	11,765
Insurance	17,689
Miscellaneous	14,397
Net expenses	1,586,643
Net investment income	4,717,925

## REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) from:	
Investments	(1,579,276)
Foreign currency	(219,673)
Net realized gain (loss)	(1,798,949)
Change in net unrealized appreciation (depreciation) on:	
Investments	20,097,744
Foreign currency	267,235
Change in net unrealized appreciation (depreciation)	20,364,979
Net gain (loss)	18,566,030
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$23,283,955

The accompanying notes are an integral part of the financial statements.

## THE NEW GERMANY FUND, INC.

## STATEMENT OF CHANGES IN NET ASSETS

	For the six-months ended June 30, 2012 (unaudited)	For the year ended December 31, 2011
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 4,717,925	\$ 4,291,441
Net realized gain (loss)	(1,798,949)	4,569,776
Change in net unrealized appreciation (depreciation)	20,364,979	(66,807,880)
Net increase (decrease) in net assets resulting from operations	23,283,955	(57,946,663)
Distributions to shareholders from:		
Net investment income	—	(10,215,458)
Capital share transactions:		
Net proceeds from reinvestment of dividends (218,646 and 0 shares, respectively)	3,028,250	—
Cost of shares repurchased (363,994 and 638,482 shares, respectively)	(5,229,776)	(10,279,327)
Net decrease in net assets from capital share transactions	(2,201,526)	(10,279,327)
Total increase (decrease) in net assets	21,082,429	(78,441,448)
NET ASSETS		
Beginning of period	241,423,509	319,864,957
End of period (including undistributed net investment income of \$3,246,022 and distributions in excess of net investment income of \$1,471,903, as of June 30, 2012 and December 31, 2011, respectively)	\$262,505,938	\$241,423,509

The accompanying notes are an integral part of the financial statements.



## THE NEW GERMANY FUND, INC.

## FINANCIAL HIGHLIGHTS

Selected data for a share of common stock outstanding throughout each of the periods indicated:

	For the six-months ended June 30, 2012 (unaudited)	2011	2010	2009	2008	2007
Per share operating performance:						
Net asset value:						
Beginning of period	\$ 13.86	\$ 17.72	\$ 14.48	\$ 10.13	\$ 19.38	\$ 16.04
Net investment income(a)	.27	.24	.08	.17	.22(c)	.17
Net realized and unrealized gains (loss) on investments and foreign currency	1.06	(3.57)	3.21	4.27	(9.49)	3.77
Increase (decrease) from investment operations	1.33	(3.33)	3.29	4.44	(9.27)	3.94
Distributions from net investment income	—	(.59)	(.12)	(.18)	(.19)	(.60)
Total distributions	—	(.59)	(.12)	(.18)	(.19)	(.60)
Accretion resulting from tender offer	—	—	—	—	.18	—
Dilution in net asset value from dividend reinvestment	(.02)	—	(.01)	—	—	—
Increase resulting from share repurchases	.03	.06	.08	.09	.03	—
Net asset value:						
End of period	\$ 15.20	\$ 13.86	\$ 17.72	\$ 14.48	\$ 10.13	\$ 19.38
Market value:						
End of period	\$ 13.44	\$ 12.24	\$ 15.72	\$ 11.99	\$ 8.01	