

## NET ASSETS

### Overview of DEUTZ AG's net assets

€ million	31 Dec 2016	31 Dec 2015
Non-current assets	494.4	493.4
Current assets	410.1	408.0
Prepaid expenses	1.6	1.8
Deferred tax assets	83.7	86.3
<b>Total assets</b>	<b>989.8</b>	<b>989.5</b>
Equity	508.8	472.2
Provisions	254.3	269.4
Liabilities	226.2	247.5
Deferred income	0.5	0.4
<b>Total equity and liabilities</b>	<b>989.8</b>	<b>989.5</b>
Working capital (€ million)	63.2	67.7
Working capital ratio (31 Dec, %)	5.5	6.1
Equity ratio (%)	51.4	47.7

Working capital: inventories plus trade receivables less trade payables.  
Equity ratio: equity / total equity and liabilities.

**Non-current assets** Non-current assets at 31 December 2016 amounted to €494.4 million (31 December 2015: €493.4 million). The small year-on-year increase was primarily the result of the higher volume of internally generated intangible assets. Unlike the development expenditure recognised in the consolidated financial statements in accordance with IFRS, development expenditure in DEUTZ AG's annual financial statements is only capitalised if it relates to projects that began after the initial application of the BilMoG at DEUTZ AG. For this reason, only development expenditure on new engine projects that are still at the development stage is capitalised. As these development projects cannot yet be depreciated or amortised, the additions were not offset by depreciation or amortisation.

**Current assets** As at 31 December 2016, current assets amounted to €410.1 million. This increase of €2.1 million compared with twelve months earlier (31 December 2015: €408.0 million) mostly resulted from the higher volume of receivables from affiliated companies and other assets as at 31 December 2016. Decreases in inventories and in cash and cash equivalents largely offset the overall increase in current assets.

**Working capital** Working capital as at 31 December 2016 was €63.2 million (31 December 2015: €67.7 million), a small year-on-year decrease of €4.5 million. The main factor in this reduction was the lower level of raw materials and consumables and of bought-in parts at the end of 2016. Consequently, trade

payables also declined. Trade receivables fell only slightly. The working capital ratio decreased to 5.5 per cent as at the balance sheet date<sup>1)</sup> (31 December 2015: 6.1 per cent) owing to the reduction in working capital coupled with the increased volume of business.

**Deferred tax assets** Deferred tax assets contracted by €2.6 million year on year to €83.7 million (31 December 2015: €86.3 million). This reduction arose, in particular, from temporary differences between the carrying amounts in the tax accounts and in the financial statements under HGB for internally generated intangible assets. Whereas development expenditure is capitalised in the financial statements under HGB, this is prohibited in the tax accounts. The resulting deferred tax liabilities were offset against deferred tax assets as far as possible.

**Equity ratio** Owing to the positive level of net income, equity advanced by €36.6 million to €508.8 million (31 December 2015: €472.2 million). The rise was partly offset by the distribution of a dividend to the shareholders of DEUTZ AG of €8.5 million for 2015. The equity ratio increased slightly to reach 51.4 per cent (31 December 2015: 47.7 per cent).

**Provisions** At 31 December 2016, provisions stood at €254.3 million (31 December 2015: €269.4 million). This year-on-year decrease of €15.1 million was primarily attributable to the reduction in provisions for potential warranty claims in the future, as well as to lower provisions for pensions and other post-retirement benefits and lower provisions for income taxes.

**Liabilities** As at 31 December 2016, liabilities had fallen by €21.3 million to €226.2 million (31 December 2015: €247.5 million). The main factor here was the decline in liabilities to banks, which were scaled back as planned. Moreover, there was a year-on-year decrease in trade payables as at the balance sheet date due to a reduction in orders of raw materials and consumables.

## EMPLOYEES

As at 31 December 2016, a total of 2,864 people were employed by DEUTZ AG. This meant that the number of employees had fallen by 79 year on year (31 December 2015: 2,943 employees). We also had a further 159 people on temporary employment contracts as at 31 December 2016, compared with 124 a year earlier. Employing temporary workers enables us to respond flexibly to any fluctuations in demand.

<sup>1)</sup> Working capital ratio as at the balance sheet date: ratio of working capital (inventories plus trade receivables less trade payables) at the end of the reporting period to revenue for the preceding twelve months.