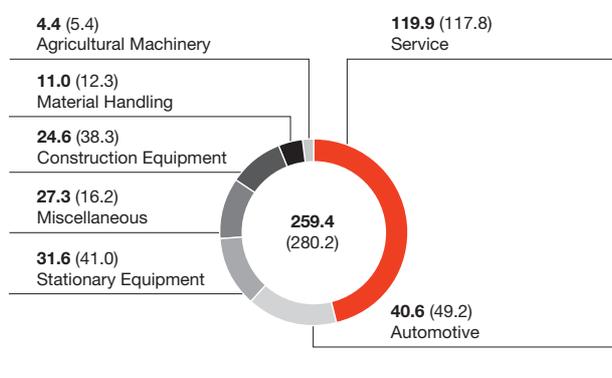


**Weaker fourth quarter** In the fourth quarter of 2016, new orders in the DCS segment totalled €58.2 million, down by 0.7 per cent year on year and down by 1.2 per cent on the previous quarter. A total of 2,231 engines were sold in the final quarter, which constituted a substantial year-on-year decrease of 23.8 per cent but was on a par with the third quarter of 2016. At €63.6 million, the DCS segment's revenue dropped by 11.0 per cent compared with the fourth quarter of 2015 and by 0.5 per cent compared with the previous quarter.

#### DEUTZ Customised Solutions: Revenue by application segment

€ million (2015 figures)



**DCS's operating profit holds steady at a high level** The operating profit of the DEUTZ Customised Solutions segment for the reporting year was €32.7 million (2015: €31.3 million). With the volume of business having reduced, this increase of €1.4 million is mainly attributable to a contribution to profits from the licensing transaction of €5.5 million at the start of the financial year. The operating profit for the segment in 2015 had been adversely affected by impairment losses totalling €2.6 million on intangible assets and on property, plant and equipment.

**Other** The operating loss reported by the Other segment came to €3.2 million (2015: operating profit of €5.5 million). In 2015, operating profit had been boosted by the sale of the shares in WEIFANG WEICHAI DEUTZ DIESEL ENGINE CO., LTD., Weifang, China. The figure for 2016 includes a loss of €1.4 million arising from the deconsolidation of DEUTZ Engine (Shandong) Co., Ltd., Linyi, China. This company is currently being wound up and no longer has any operational or strategic significance to the DEUTZ Group, so it has been deconsolidated for reasons of materiality.

## FINANCIAL POSITION

### BASIC PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

#### Overview of the DEUTZ Group's financial position

€ million	2016	2015
Cash flow from operating activities	63.8	103.3
Cash flow from investing activities	-55.4	-64.4
Cash flow from financing activities	-26.8	-29.8
Change in cash and cash equivalents	-18.4	9.1
Free cash flow from continuing operations	4.7	35.0
Cash and cash equivalents at 31 Dec	91.8	112.5
Current and non-current interest-bearing financial debt at 31 Dec	60.2	73.5
Net financial position at 31 Dec	31.6	39.0

Free cash flow: cash flow from operating and investing activities less net expense.  
Net financial position: cash and cash equivalents less current and non-current interest-bearing financial debt.

**Central responsibility for treasury** Responsibility for financial management in the DEUTZ Group lies with DEUTZ AG as the parent company of the Group. Financial management primarily consists of obtaining the necessary funds, managing their use within the Group, pooling cash resources and hedging interest-rate risk, currency risk and commodities risk throughout the Group.

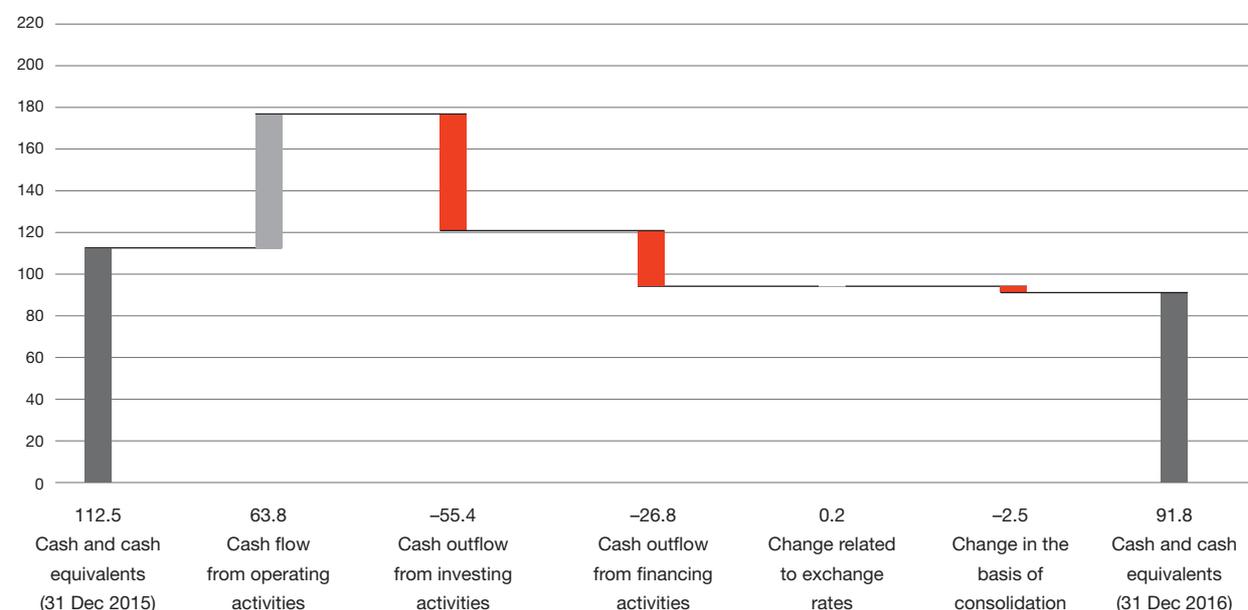
### FUNDING

**Syndicated credit line and loan from the European Investment Bank ensure sufficient liquidity** In order to ensure sufficient liquidity, DEUTZ has at its disposal a syndicated, revolving working capital facility of €160 million provided by a consortium of banks. It is a floating-rate, unsecured line and is due to mature in May 2020. DEUTZ can elect whether to utilise the cash line as a bilateral overdraft facility (up to €60 million) or to draw down amounts with interest periods of three to six months.

In addition, we have an amortising loan from the European Investment Bank with a remaining balance of €54 million at 31 December 2016. This loan, which is also unsecured, is repayable in instalments until July 2020. We have hedged the interest-rate risk arising from this loan.

**DEUTZ Group: Change in cash and cash equivalents**

€ million



As part of the contractual agreements for both loans, DEUTZ is obliged to comply with certain financial covenants. They do not limit our leeway for growth projects, however. The working capital facility and the loan from the European Investment Bank have enabled us to secure funding for our projects and for further growth over the coming years.

**Receivables management optimised by means of factoring** The sale of receivables is an important way of optimising receivables management. Because the credit quality of our customer receivables is excellent, factoring is also a cost-effective way of improving working capital, especially as considerable cash resources are tied up by the preliminary financing of production and due to the payment terms that we have granted to our customers. The volume of sales of receivables on the balance sheet date was higher than at the end of 2015 as a result of the business situation, the volume as at 31 December 2016 being around €111 million (31 December 2015: €99 million).

**FREE CASH FLOW**

Cash flow from operating activities amounted to €63.8 million in 2016 (2015: €103.3 million). This year-on-year fall of €39.5 million was mainly due to the change in working capital. Whereas there had been a marked decrease in working capital in 2015, the level of working capital rose significantly in the reporting period. This change was primarily due to the reporting date-related increase in trade receivables and the simultaneous reduction in trade payables caused by a drop in orders of raw materials and consumables at the end of the reporting year.

Cash outflow from investing activities came to €55.4 million in 2016. This represented a year-on-year decrease of €9.0 million that was caused, in particular, by lower cash payments in connection with development activities (2015: €64.4 million).

Financing activities in 2016 resulted in a net cash outflow of €26.8 million (2015: €29.8 million). As in the previous year, cash flow used for financing activities included a dividend payment to shareholders of €8.5 million.