

REPORT OF THE SUPERVISORY BOARD

CLOSE COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

In 2012, the Supervisory Board of DEUTZ AG continued its ongoing monitoring of the management of the business in accordance with the requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code and provided advice to the Board of Management on key decisions.

Four regular and two extraordinary Supervisory Board meetings were held in 2012. Two members of the Supervisory Board took part in the meeting held on 26 June 2012 by conference call and one member was absent from the meeting held on 27 September 2012 but had sent his apologies; at all other meetings during 2012, all the members of the Supervisory Board were present in person.

At each of the ordinary meetings of the Supervisory Board, the Board of Management reported on the general economic, market and competitive environment for DEUTZ AG, presented a business update and sales report including detailed information on the actual performance of the business over the immediately preceding period, submitted an up-to-date risk report, provided information on key operational issues and offered an overview of the results forecast for the year as a whole. These reports were made on the basis of key performance indicators including new orders, orders on hand, revenue, unit sales, EBIT, research and development expenditure, capital expenditure, working capital and headcount data, in each case compared against the prior-year figures and budget. Reports from the Human Resources and Audit Committees presented by their chairperson were also a regular item on the agenda of the ordinary meetings of the Supervisory Board.

FOCUS OF SUPERVISORY BOARD DELIBERATIONS

Our deliberations and discussions in the year under review focused mainly on the current business position and risk situation of DEUTZ AG as well as on the operational and strategic development of the business. Particular attention was paid to our existing joint ventures, especially those in China, and the plan to establish a further Chinese joint venture together with Volvo which would be for the production of four to eight-litre engines and would be majority owned by DEUTZ. The Board of Management reported on these matters on a regular basis; at our meeting on 26 June 2012 we approved the initiation of discussions with the aim of establishing a new Chinese joint venture with Volvo.

Other key decisions concerned the approval of strategic objectives, consent for DEUTZ AG to enter into a new funding facility totalling €250 million and consent for the winding-up of the joint

ventures with Bosch and Eberspächer. As is the case every year, we also adopted resolutions concerning the achievement of targets by the Board of Management – and consequently its variable remuneration for the previous year – as well as the setting of its targets for the current year.

The Board of Management ensured that it provided the Supervisory Board with comprehensive, regular and timely information at all times. Outside the meetings, the Board of Management regularly informed the members of the Supervisory Board in writing about important events. Furthermore, the chairman of the Board of Management remained in constant contact with the Supervisory Board chairman and kept him comprehensively informed in a timely manner about all major transactions and decisions that needed to be made. All the decisions that the Supervisory Board was required to take in accordance with the law and Statutes were taken on the basis of the reports and draft resolutions submitted by the Board of Management and, where necessary, following preparation by the relevant committees of the Supervisory Board.

PERSONNEL

Following thorough preparation by the Human Resources Committee, the Supervisory Board adopted the following resolutions relating to HR matters. We resolved to extend Dr Leube's term as a member of the Board of Management until 31 December 2017, to appoint him as chairman of the Board of Management for this period and to revise his service contract. We also appointed Mr Michael Wellenzohn as an additional member of the Board of Management for a period of three years and gave our approval for a service contract to be signed with him. Mr Wellenzohn has taken over responsibility for sales and marketing from Dr Leube and he has worked for DEUTZ AG since 1 March 2013. Finally, we brought Dr Margarete Haase's service contract in line with the provisions of the Act on the Appropriateness of Management Board Remuneration (VorstAG). As a result, the service contracts of all the members of the DEUTZ AG Board of Management now comply with this legislation.

CORPORATE GOVERNANCE: DECLARATION OF COMPLIANCE WITH SOME EXCEPTIONS

The Supervisory Board held an in-depth discussion of the German Corporate Governance Code as amended on 26 May 2010 and 15 May 2012 and, together with the Board of Management, issued a declaration of compliance pursuant to section 161 of the German Stock Corporation Act (AktG). This declaration includes just a few variances from the code and since 12 December 2012 has been available in the "Investors/Corporate Governance" section of the Company's website at www.deutz.com, where it can be downloaded.



Lars-Göran Moberg
Chairman of the Supervisory Board

As it had in previous years, the Supervisory Board reviewed the efficiency of its activities in 2012 by means of a detailed questionnaire that was completed by all members. The results of this survey were presented at the Supervisory Board meeting on 27 September 2012 where they were discussed at length. The overall findings were positive.

MATTERS HANDLED EFFICIENTLY BY FOUR COMMITTEES

The Supervisory Board has created four committees to enable it to perform its duties effectively. These committees prepare various topics and resolutions for the full Supervisory Board. Details of all members of the Supervisory Board and its committees, as well as other directorships held by its members, are shown separately on pages 100 acc. 101 of this annual report.

The Human Resources Committee makes preparations to enable the Supervisory Board to decide about the following matters: the appointment of members of the Board of Management; the content, conclusion and amendment of employment contracts for members of the Board of Management appointed by the Supervisory Board, including the remuneration specified in the employment contracts; all issues arising between members of the Board of Management and the Company in this connection. The committee met sixteen times in the year under review when it focused on preparations for the decisions mentioned above (under the heading Personnel) and on resolutions related to the achievement of the Board of Management's targets for 2011 and to the setting of Board of Management targets for 2012.

The work of the Audit Committee in the year under review focused on evaluating the single-entity and consolidated financial statements for 2011 and the corresponding auditors' reports, the condensed consolidated financial statements for the six months to 30 June 2012 and their review by the auditors, the interim reports for the periods ended 31 March and 30 September 2012 and the discussion of the audit engagement for the year ended 31 December 2012. Other important topics discussed by the Audit Committee included risk management, compliance, the internal control system, strategic planning, key performance indicators and the development of equity investment structures. The Audit Committee met on four occasions in 2012. The auditors attended three meetings of this committee.

The Arbitration Committee set up pursuant to section 27 (3) of the German Codetermination Act (MitbestG) is responsible for the activities described in section 31 (3) of the Act. It did not need to be convened during the year under review.

The Nominations Committee consists of three Supervisory Board members elected by the Annual General Meeting and is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. The Nominations Committee met on five occasions in 2012. It examined the appointment criteria and remuneration systems for the Supervisory Board and also dealt with the nomination of successors for Dr Carozza and Dr Lichtenauer who resigned from the Supervisory Board with effect from 25 September 2012.

The entire Supervisory Board was informed of the outcome of all discussions in the committees and gave its approval to the recommendations for board resolutions submitted by the committees.

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS AUDITED IN DETAIL

The single-entity annual financial statements of DEUTZ AG prepared by the Board of Management in accordance with the German Commercial Code (HGB), the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the respective management reports (in each case for the year ended 31 December 2012) were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany, the auditors appointed by the Annual General Meeting on 26 April 2012. The auditors issued unqualified opinions.

The single-entity annual financial statements of DEUTZ AG, the consolidated annual financial statements, the respective management reports and the auditors' reports were made available to all members of the Supervisory Board and were examined by the Supervisory Board. The auditors explained their audit findings in detail to the Audit Committee meeting held on 4 March 2013 and to the Supervisory Board meeting held on 14 March 2013 and answered any supplementary questions raised.

The Supervisory Board noted with approval the findings of the auditors' reports on DEUTZ AG and the DEUTZ Group. The conclusive findings of the Supervisory Board's own audit have not led to any reservations about either the single-entity annual financial statements or the consolidated annual financial statements, and the Supervisory Board has therefore approved them. The annual financial statements have thus been adopted.

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

Following the resignations of Dr Carozza and Dr Lichtenauer from the DEUTZ AG Supervisory Board with effect from 25 September 2012, at the request of the Board of Management, and as recommended by the Nominations Committee, the local court in Cologne appointed Ms Sofia Frändberg and Mr Torbjörn Holmström as members of the DEUTZ AG Supervisory Board with effect from 26 September 2012. The Supervisory Board would like to thank Dr Carozza and Dr Lichtenauer for their outstanding work and valuable contributions.

The membership of the Supervisory Board committees did not change in 2012.

CONFLICTS OF INTEREST

The Supervisory Board members Dr Francesco Carozza (member until 25 September 2012) and Dr Lodovico Bussolati were or are subject to a conflict of interest because of their functions in companies in the SAME DEUTZ-FAHR Group, which are also major customers of DEUTZ AG. The same applies to Supervisory Board members Sofia Frändberg and Torbjörn Holmström owing to their functions in the VOLVO Group. In each case, the chairman of the Supervisory Board reviewed whether this conflict of interest restricted/restricts the opportunity for the involvement of Dr Carozza, Ms Frändberg, Mr Holmström and/or Dr Bussolati in the work of the Supervisory Board. This was not the case in 2012.

The Supervisory Board would like to express its thanks and appreciation to all employees of DEUTZ AG in Germany and abroad, to the elected employee representatives and to the Board of Management for their valuable efforts and the considerable dedication they showed in 2012.

Cologne, March 2013

The Supervisory Board



Lars-Göran Moberg
Chairman