

REPORT OF THE SUPERVISORY BOARD

CLOSE COOPERATION BETWEEN SUPERVISORY BOARD AND BOARD OF MANAGEMENT

In 2015, 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. The Supervisory Board was directly involved in all material decisions taken by the Board of Management. In particular, the Board of Management coordinated closely with the Supervisory Board on the Company's corporate strategy.

Five meetings of the Supervisory Board took place in 2015. At the meeting held on 11 June, apologies for absence were received from one member of the Supervisory Board; at all other meetings during 2015, all the members of the Supervisory Board were present in person.

At each of the meetings of the Supervisory Board, the Board of Management reported on the general economic, market and competitive environment for the DEUTZ Group, presented a business update and sales report that included 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 the key performance indicators that were already familiar to the Supervisory Board members from the Company's written monthly reports. These key performance indicators included 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 Supervisory Board meetings.

FOCUS OF SUPERVISORY BOARD DELIBERATIONS

The deliberations and discussions of the Supervisory Board in the year under review focused mainly on the current business position and risk situation of the DEUTZ Group as well as on the operational and strategic development of the business. Discussions centred particularly on the action planned and implemented by the Board of Management to protect profitability in 2015 and on the performance of the DEUTZ Group's business in China, which involves concentrating on the joint venture in Dalian. In the context of a strategy update, the Supervisory Board once again held detailed discussions on an action plan to achieve medium- and long-term growth targets and measures to streamline all the Company's operating processes; it also addressed options for strategic partnerships.

Other key decisions related to the budget for 2016, the medium-term planning up to 2020, the approval of capital investment and development projects, and the targets and timeframes required under the law for equal participation of women and men in managerial positions in the private and public sectors (law on the quota for women), which came into effect on 1 May 2015. As is the case every year, the Supervisory Board 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. Besides defining the Board of Management's targets for the current financial year, it also set medium-term targets for the Board of Management. Finally, it fundamentally revised the rules of procedure for the Audit Committee.

The Board of Management ensured that it provided the Supervisory Board with comprehensive, regular and timely information at all times. Between meetings, the Board of Management informed the members of the Supervisory Board in writing about all important events. In addition, the chairman of the Supervisory Board and the chairman of the Board of Management remained in close and regular contact to discuss all important transactions, imminent decisions and optimisation measures. 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.

COMPOSITION OF THE BOARD OF MANAGEMENT

There were no changes to the Board of Management of DEUTZ AG in 2015. The Supervisory Board extended Mr Michael Wellenzohn's appointment and service contract to 31 December 2018 at a Supervisory Board meeting held on 9 December 2015 following preparation by the Human Resources Committee. The appointments of Dr Helmut Leube and Dr Margarete Haase continue until 31 December 2017 and 30 April 2018 respectively.

CORPORATE GOVERNANCE: DECLARATION OF CONFORMITY WITH THREE EXCEPTIONS; EFFICIENCY REVIEW

At its meeting on 24 September 2015, the Supervisory Board held an in-depth discussion of the German Corporate Governance Code as amended on 24 June 2014 and 5 May 2015 and, together with the Board of Management, issued a declaration of conformity pursuant to section 161 AktG. This declaration includes just three variances from the Code and since 25 September 2015 has been available in the 'Investors/Corporate Governance' section of the Company's website at www.deutz.com, where it can be downloaded.

In 2015, the Supervisory Board for the first time reviewed the efficiency of its activities by inviting an external specialist to a meeting to hold structured discussions about all aspects of operating effectively. The outcome from the detailed review carried out at this meeting, in which the members of the Board of Management of DEUTZ AG also participated, was that the Supervisory Board is satisfying its statutory duties and working efficiently.

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 124 and 125 of this annual report.

The Human Resources Committee makes preparations for all Supervisory Board decisions concerning the appointment of members of the Board of Management and their contracts of employment, including the remuneration specified therein, and all issues arising in this connection. This committee met on seven occasions in 2015. The matters addressed included succession planning for the Board of Management, especially the preparation required to extend the appointment of Mr Wellenzohn, and the resolutions to be adopted by the full Supervisory Board relating to the attainment of the targets for 2014 by the Board of Management and to the targets to be set for the Board of Management for 2015, including the medium-term targets.

The work of the Audit Committee in the year under review focused on assessing the annual and consolidated financial statements for 2014 and the corresponding auditors' reports, the condensed consolidated financial statements for the six months to 30 June 2015 and their review by the auditors, the interim reports for the periods ended 31 March and 30 September 2015, and the discussion of the audit engagement for the year ended 31 December 2015, including a review of auditor quality and independence. Other matters addressed by the committee included risk management, compliance, the internal control system, strategic planning, key performance indicators, the IT system at DEUTZ and the committee's own rules of procedure. In 2015, the Audit Committee held four meetings, three of which were also attended by the external auditors.

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 is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. The committee met on three occasions in 2015. The committee handled the search for possible candidates to be put forward for any vacancies on the



Hans-Georg Härter

Chairman of the Supervisory Board

Supervisory Board and addressed the implications for the composition of the Supervisory Board of DEUTZ AG arising from the law on the quota for women.

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.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AUDITED IN DETAIL AND APPROVED

The annual financial statements of DEUTZ AG prepared by the Board of Management in accordance with the German Commercial Code (HGB), the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the combined management report for DEUTZ AG and the DEUTZ Group, in each case for the year ended 31 December 2015, were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Cologne, Germany, the auditors appointed by the Annual General Meeting on 29 April 2015. The auditors issued unqualified opinions.

The annual financial statements of DEUTZ AG, the consolidated financial statements, the combined management report, the Board of Management's proposal for the appropriation of profit 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 1 March 2016 and to the Supervisory Board meeting held on 10 March 2016 and answered any supplementary questions raised.

The Supervisory Board approved 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 annual financial statements or the consolidated financial statements, and the Supervisory Board has therefore approved them. The annual financial statements have thus been adopted.

The Supervisory Board also approved the Board of Management's proposal to use the accumulated income reported for the 2015 financial year to pay a dividend of €0.07 per dividend-bearing share.

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The changes in the composition of the Supervisory Board in 2015 are described below.

At the request of the Board of Management, and in accordance with the proposal by the General Works Council, the local court in Cologne on 27 January 2015 appointed Mr Hans-Peter Finken as an employee representative on the Supervisory Board of DEUTZ AG with effect from 1 February 2015 for the remaining term of the current Supervisory Board membership cycle. The appointment became necessary when Mr Egbert Zieher stepped down from his post with effect from 31 January 2015.

At the end of the Supervisory Board meeting held on 12 March 2015, Mr Hans-Georg Härter was appointed as the new chairman to replace Mr Lars-Göran Moberg, who had stepped down from the role.

Following the resignation of three shareholder representatives on the Supervisory Board, namely Ms Eva Persson, Mr Moberg and Mr Michael Haupt, at the end of the 2015 Annual General Meeting on 29 April 2015, the meeting elected Dr Hermann Garbers, Mr Leif Peter Karlsten and Mr Alois Ludwig as shareholder representatives on the Supervisory Board of DEUTZ AG for the remaining term of the current Supervisory Board membership cycle.

The Supervisory Board would like to thank Ms Persson, Mr Moberg and Mr Haupt for their outstanding work and valuable contribution, which in some cases has been for many years. We would like to express our special gratitude to Mr Moberg for his commitment and successful contribution as chairman of the Supervisory Board since 2009.

The changes to the composition of the Supervisory Board committees in 2015 were as follows:

As the election of Mr Härter as chairman of the Supervisory Board on 12 March 2015 succeeding Mr Moberg also meant that Mr Härter automatically became chairman of the Human Resources Committee and the Nominations Committee – two committees of which he was already an ordinary member – and of the Arbitration Committee and the Audit Committee, the Supervisory Board on the same day appointed Mr Moberg as the second shareholder representative on the Human Resources Committee and as a member of the Nominations Committee. The Supervisory Board also decided that Mr Dietmar Paust would be appointed as the second employee representative on the Arbitration Committee to succeed Mr Zieher.

At its meeting on 29 April 2015, the Supervisory Board then elected Mr Herbert Kauffmann to succeed Mr Moberg as the second shareholder representative on the Human Resources Committee and to succeed Mr Haupt as the second shareholder representative on the Arbitration Committee. It also elected Mr Kauffmann and Mr Göran Gummeson to replace Mr Haupt and Mr Moberg on the Nominations Committee.

CONFLICTS OF INTEREST / INDEPENDENCE OF SUPERVISORY BOARD MEMBERS / PROPORTION OF WOMEN ON THE SUPERVISORY BOARD

No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review.

The current members of the Supervisory Board of DEUTZ AG are all considered independent within the meaning of article 5.4.2 sentence 2 of the German Corporate Governance Code.

The Supervisory Board welcomes the fact that the law on the quota for women has now come into force and that, as a consequence, the Supervisory Board will have at least four women members after the elections marking the start of the next membership cycle in 2018, if not before.

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 2015.

Cologne, March 2016
The Supervisory Board



Hans-Georg Härter
Chairman