



Hans-Georg Härter
Chairman of the Supervisory Board

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 140 to 141 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. The committee met on six occasions in 2017. Among the main matters addressed were the preparation of the resolutions to be adopted by the full Supervisory Board in relation to Dr Strecker succeeding Dr Haase on the Board of Management, to the achievement of the Board of Management's targets for 2016 and to the setting of Board of Management targets, including medium-term targets, for 2017.

The work of the Audit Committee in the year under review focused on monitoring the financial accounting process, on assessing the annual and consolidated financial statements and the combined management report of DEUTZ AG and the Group for 2016 and the corresponding auditors' reports, the condensed consolidated financial statements for the six months to 30 June 2017 and their review by the auditors, the interim management statements for the periods ended 31 March and 30 September 2017, and the discussion of the audit engagement for the year ended 31 December 2017, including a review of auditor quality and independence. Other matters addressed by the committee included risk management, compliance, the internal control system, internal audit, strategic planning, key performance indicators as well as the non-financial report that had to be produced for the 2017 financial year for the first time and other obligations resulting from implementation of the CSR directive (2014/95/EU). In 2017, 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 Nominations Committee met once in 2017, during which it focused on preparations for the Supervisory Board election to be held in 2018.

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 2017, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Cologne, Germany, the auditors appointed by the Annual General Meeting on 4 May 2017. 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 27 February 2018 and to the Supervisory Board meeting held on 8 March 2018 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. Finally, the Supervisory Board audited the separate combined non-financial report. This was the first time that it was required to fulfil this obligation pursuant to section 171 (1) sentence 4 AktG. It did not identify any issues.

The Supervisory Board also approved the Board of Management's proposal to use the accumulated income reported as at December 31, 2017 to pay a dividend of €0.15 per dividend-bearing share.

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The changes in the composition of the Supervisory Board in 2017 are described below.

At the request of the Board of Management, the local court in Cologne on 19 May 2017 appointed Mr Gerhard Gehweiler as an employee representative on the Supervisory Board of DEUTZ AG with effect from 1 June 2017 for the remaining term of the current Supervisory Board membership cycle. The appointment became necessary when Dr Herbert Vossel stepped down from his post with effect from 31 May 2017. The Supervisory Board would like to thank Dr Vossel for his work and valuable contribution.

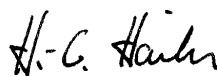
At its meeting on 9 March 2017, the Supervisory Board elected Ms Füssel to succeed Mr Paust as a member of the Arbitration Committee.

CONFLICTS OF INTEREST / INDEPENDENCE OF SUPERVISORY BOARD MEMBERS / THANKS

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 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 2017.

Cologne, March 2018
The Supervisory Board



Hans-Georg Härter
Chairman

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

For DEUTZ, a responsible approach to management that meets the standards of good corporate governance forms the basis for enhancing shareholder value over the long term. This is one of the main reasons why we attach great importance to the implementation of the German Corporate Governance Code (DCGK) and ensure quality and transparency in all key decisions and processes in our Company.

CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 289F HGB

Declaration of conformity with some exceptions

In 2017, the Board of Management and the Supervisory Board once again carefully considered to what extent it was proper and consistent with the Company's objectives for DEUTZ to apply all the guidelines and recommendations of the DCGK. As a result, DEUTZ AG complies with the recommendations of the Code, as amended on 7 February 2017, with the following exceptions:

1. The D&O insurance taken out by DEUTZ AG for the members of the Supervisory Board does not provide for any excess, contrary to article 3.8 (2) and (3) DCGK. In the case of Supervisory Board members, an excess of this type is, as before, not considered an appropriate means of control.
2. There is no age limit at DEUTZ AG for members of either the Board of Management or Supervisory Board, contrary to articles 5.1.2 (2) sentence 3 and 5.4.1 (2) sentence 1 DCGK.
3. Furthermore, there is no general limit on length of membership of the Supervisory Board, contrary to article 5.4.1 (2) sentence 1 DCGK. These exceptions enable DEUTZ AG to retain the option of benefiting from the experience brought to the Company by older members of the Board of Management and Supervisory Board and by long-standing members of the Supervisory Board.
4. DEUTZ AG does not yet have a skills profile for the Supervisory Board, contrary to article 5.4.1 (2) sentence 1 DCGK. The DEUTZ AG Supervisory Board is currently drawing up a skills profile ahead of the Supervisory Board election to be held in 2018.

The current declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG), which the Board of Management and Supervisory Board submitted on 21 September 2017, can be accessed in the 'Investor Relations/Corporate Governance' section of the Company's website at www.deutz.com. Declarations of conformity from previous years can also be viewed and downloaded there.

Composition of the Board of Management and Supervisory Board; composition and operating procedures of Supervisory Board committees

At the time this annual report was published, the Company's Board of Management comprised four members: Dr Frank Hiller (Chairman, technical and head-office functions), Dr Margarete Haase (finance, human resources, purchasing and information services until 31 March 2018; no areas of responsibilities in the subsequent period up to 30 April 2018), Mr Michael Wellenzohn (sales, service and marketing) and Dr Andreas Strecker (no areas of responsibility initially; responsible for finance, human resources, purchasing and information services from 1 April 2018).

At the Supervisory Board meeting on 8 December 2017, following preparatory work by the Human Resources Committee, the Supervisory Board appointed Dr Andreas Strecker as a member of the Board of Management and as the Company's Human Resources Director for the period from 1 March 2018 to 28 February 2021. He succeeds Dr Margarete Haase, whose term of appointment continues until 30 April 2018. The Supervisory Board would like to thank Dr Haase for her very successful work.

By means of a resolution dated 31 January 2018, following preparatory work by the Human Resources Committee, the Supervisory Board extended Mr Wellenzohn's appointment by five years for the period from 1 January 2019 to 31 December 2023.

In accordance with the provisions of the German Codetermination Act (MitbestG), the Supervisory Board of DEUTZ AG comprises twelve members, six members being the representatives of the shareholders and six members being the representatives of the employees.

The changes in the composition of the Supervisory Board in 2017 are as follows:

At the request of the Board of Management, the local court in Cologne on 19 May 2017 appointed Mr Gerhard Gehweiler as an employee representative on the Supervisory Board of DEUTZ AG with effect from 1 June 2017 for the remaining term of the current Supervisory Board membership cycle. The appointment became necessary when Dr Herbert Vossel stepped down from his post with effect from 31 May 2017.