

REPORT OF THE SUPERVISORY BOARD

CLOSE COOPERATION BETWEEN SUPERVISORY BOARD AND BOARD OF MANAGEMENT

In 2014, 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 2014. Only one member of the Supervisory Board was absent at each of the meetings on 13 March and 12 June, but apologies were sent, and the other meetings in 2014 were attended in person by all the Supervisory Board members.

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. Particular attention was paid to the existing joint ventures, especially those in China, with regular reports on their performance provided by the Board of Management. During the strategy discussion, the Supervisory Board discussed the details of an action plan for achieving the Company's medium and long-term growth targets (profitable growth) and the optimisation of all operational processes ('operational excellence').

Other key decisions concerned the 2015 budget, the medium-term planning up to 2019 and the approval of capital expenditure. 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.

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 2014.

CORPORATE GOVERNANCE: DECLARATION OF COMPLIANCE WITH TWO EXCEPTIONS/ EFFICIENCY AUDIT

At its meeting on 11 December 2014, the Supervisory Board held an in-depth discussion of the German Corporate Governance Code as amended on 13 May 2013 and 24 June 2014 and, together with the Board of Management, issued a declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG). This declaration includes just two variances from the Code and since 12 December 2014 it has been available in the Investor Relations/Corporate Governance section of the Company's website at www.deutz.com, where it can be downloaded.

As it had in previous years, the Supervisory Board examined the efficiency of its work in 2014 by carrying out a survey. The results of this survey, which all of the Supervisory Board members completed, were presented at its meeting on 25 September 2014 where they were discussed at length. The Supervisory Board's finding was that it fulfilled its legal obligations and operated efficiently; more specifically, it found that all parameters had improved in comparison with the 2013 survey.

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 118 and 119 of this annual report.



Lars-Göran Moberg
Chairman of the Supervisory Board

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 once in 2014 when it discussed the resolutions to be adopted by the full Supervisory Board on the achievement of the Board of Management's targets for 2013 and the setting of Board of Management targets, including medium-term targets, for 2014.

The work of the Audit Committee in the year under review focused on the assessment of the single-entity and consolidated financial statements for 2013 and the corresponding auditors' reports, the condensed consolidated financial statements for the six months to 30 June 2014 and their review by the auditors, the interim reports for the periods ended 31 March and 30 September 2014 and the discussion of the audit engagement for the year ended 31 December 2014. At the beginning of the reporting year, the Audit Committee again dealt with the invitation to tender for the audit of the consolidated annual financial statements and the review of the interim financial statements. Other important topics discussed by the Audit Committee included risk management, compliance, the internal control system, strategic planning, key performance indicators, the adjustment of the provision for warranties in the third quarter and the performance of the DEUTZ AG plants in Germany in terms of productivity and costs. The Audit Committee met six times in 2014, with the auditors in attendance on three occasions.

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.

Following a further amendment to the relevant section of the rules of procedure for the Supervisory Board, the Nominations Committee once more consists of three (previously four) Supervisory Board members elected by the Annual General Meeting. It is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. The Nominations Committee met on four occasions in 2014 when it dealt with the search for potential successors for appointment to the Supervisory Board.

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 AND APPROVED

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 combined management report for DEUTZ AG and the DEUTZ Group (all for the 2014 financial year) were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Cologne, Germany, the auditors appointed by the Annual General Meeting on 7 May 2014. The auditors issued unqualified opinions.

The single-entity annual financial statements of DEUTZ AG, the consolidated annual 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 3 March 2015 and to the Supervisory Board meeting held on 12 March 2015 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 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.

The Supervisory Board also approved the Board of Management's proposal to use the accumulated income reported for the 2014 financial year to pay a dividend of €0.07 per dividend-bearing share.

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

As already reported, there was only one new appointment in 2014 following the election of all twelve members of the Supervisory Board in 2013. On 7 January 2014, at the request of the Board of Management and as recommended by the Nominations Committee, the local court in Cologne appointed Mr Herbert Kauffmann to succeed Dr Lodovico Bussolati as a shareholder representative on the Supervisory Board of DEUTZ AG following Dr Bussolati's resignation from his seat at the end of 2013. The Annual General Meeting of DEUTZ AG held on 7 May 2014 confirmed the appointment of Mr Kauffmann and elected him to the Supervisory Board for the remaining term of appointment of the other members of the Supervisory Board, i.e. until the 2018 Annual General Meeting.

After the end of the reporting year, at the request of the Board of Management and as proposed by the General Works Council, the local court in Cologne appointed Mr Hans-Peter Finken as an employee representative on the Supervisory Board with effect from 1 February 2015. The appointment became necessary when Mr Egbert Zieher stepped down from his post with effect from 31 January 2015.

The Supervisory Board would like to thank Mr Zieher for his outstanding work and valuable contribution over the years.

The membership of the Supervisory Board committees changed as follows in the year under review: at its meeting on 11 December 2014, the Supervisory Board elected Mr Kauffmann to succeed Mr Michael Haupt as a member of the Audit Committee and its chairman. Mr Haupt had resigned from both positions with effect from the end of that meeting.

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 item 5.4.2 sentence 2 of the German Corporate Governance Code.

The Supervisory Board has had to defer its target of at least two female members (see page 128 of the 2013 annual report) in connection with the forthcoming appointment of a member to replace Ms Persson at the Annual General Meeting on 29 April 2015 because it had to give priority to experts in the areas of agricultural machinery, service and sales.

The Supervisory Board would like to express its thanks and appreciation to all employees of DEUTZ AG in Germany and abroad, to the elected workforce representatives and to the Board of Management for their valuable efforts and the considerable dedication they showed in 2014.

Cologne, March 2015
The Supervisory Board



Lars-Göran Moberg
Chairman

EVENT AFTER THE BALANCE SHEET DATE

At the end of its meeting on 12 March 2015, the Supervisory Board appointed Mr Hans-Georg Härter as new chairman after the previous chairman, Mr Lars-Göran Moberg, had stepped down from his post; accordingly Mr Härter also becomes chairman of the Arbitration Committee, the Human Resources Committee and the Nominations Committee. As Mr Härter was previously an ordinary member of the Human Resources Committee and the Nominations Committee, the Supervisory Board appointed Mr Moberg as his successor. At the same time, Mr Paust was appointed successor of Mr Zieher as a new member of the Arbitration Committee.