

CORPORATE MANAGEMENT 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 289A HGB

Declaration of compliance with some exceptions

In 2014, 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 13 May 2013 and 24 June 2014, 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 item 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 items 5.1.2 (2) sentence 3 and 5.4.1 (2) sentence 1 DCGK. This exception enables DEUTZ AG to retain the option of benefiting from the long years of experience brought to the Company by older members of the Board of Management and Supervisory Board.

The current declaration of compliance in accordance with section 161 German Stock Corporation Act (AktG), which the Board of Management and Supervisory Board submitted on 11 December 2014, can be accessed in the Investor Relations/Corporate Governance section of the Company's website at www.deutz.com. Declarations of compliance from previous years can also be viewed and downloaded there.

Description of the operating procedures of the Board of Management and Supervisory Board

At DEUTZ, responsibility for the executive function lies with the Board of Management; the Supervisory Board monitors and advises the Board of Management in its activities.

With the long-term development of the Company in mind, the Board of Management and Supervisory Board maintain an open, ongoing dialogue on all strategic decisions in the Company – a process that continued in the year under review. The primary aim of the close cooperation between the two bodies is to enhance the value of the Company over the long term for the benefit of shareholders, employees and business partners. Accordingly, the Board of Management provides the Supervisory Board with

regular, comprehensive and timely reports on all relevant issues relating to planning, business performance, risk position and risk management.

The Supervisory Board's work is based on rules of procedure, which can be downloaded from the DEUTZ AG website at www.deutz.com.

Five meetings of the Supervisory Board took place in 2014.

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.

No former members of the DEUTZ AG Board of Management are now members of the Supervisory Board.

After the scheduled election in 2013, the Supervisory Board was elected for a period that runs until the Annual General Meeting in 2018.

The principles by which the Board of Management operates are summarised in rules of procedure issued by the Supervisory Board, which can also be downloaded from the DEUTZ AG website.

Board of Management meetings generally take place every two weeks.

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

The Company's Board of Management consists of three people: Dr Ing Helmut Leube (chairman, responsible for technical and head-office functions), Dr Margarete Haase (responsible for finance, HR and investor relations) and Mr Michael Wellenzohn (responsible for sales, service and marketing). Dr Leube has been appointed until 31 December 2017, Dr Haase until 30 April 2018 and Mr Wellenzohn until 29 February 2016.

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 Supervisory Board has created four committees to enable it to perform its duties effectively. They are the Human Resources Committee, the Audit Committee, the Arbitration Committee and the Nominations Committee. The Human Resources Committee consists of two representatives of the shareholders and one employee representative, the Audit and Arbitration Committees both consist of two shareholder representatives and two employee representatives, and – following a further amendment to the relevant part of the Supervisory Board's rules of procedure – the Nominations Committee now has three members once more (previously four), all of whom represent the shareholders. The Audit Committee follows its own rules of procedure, which can be viewed on the DEUTZ AG website, while the other committees work according to the rules of procedure that apply to the (full) 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 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.

The Nominations Committee 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.

The membership of the Supervisory Board committees changed as follows in 2014: at its meeting on 11 December 2014, the Supervisory Board elected Mr Herbert 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.

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.

Disclosures relevant to corporate management practices: compliance management system, environmental and quality management, energy management

DEUTZ AG has a compliance management system that is firmly enshrined in the Company's organisational structure. The system is continually enhanced in order to meet changing requirements.

The overriding objective of the compliance management system is to prevent breaches of legislation and other applicable rules anywhere in the Company. It therefore also helps employees to familiarise themselves with the applicable laws and regulations and learn how to apply them correctly. This is supported by a code of conduct, special guidelines, including a zero-tolerance policy, and regular training.

A Compliance Officer appointed by the Board of Management coordinates compliance activities at DEUTZ AG. The individual business units and subsidiaries have their own compliance coordinators, who are responsible for compliance in their organisations and report regularly to the Compliance Officer.

Regular meetings are held to develop, discuss and coordinate compliance initiatives. These activities focus on preventing corruption, tackling money laundering and complying with export regulations (including export controls). They also ensure safety in the workplace, IT & data security, corporate security and product safety. A further aim is to prevent breaches of environmental, antitrust and insider trading laws.

As and when needed, the Board of Management and the Compliance Officer take legal advice on establishing and continuously improving the compliance management system. The internal audit department reviews the activities, and the Audit Committee monitors them on behalf of the Supervisory Board.

Compliance activities during the year under review again centred on the continuation and stepping up of regular staff training (including for staff at affiliated companies abroad), focusing on the code of conduct, money laundering, gifts, commission,

export controls and competition law. The organisational guidelines on staff recruitment requests and approvals, capital-expenditure requests and approvals, business trips and entertainment were also revised.

Another essential element of corporate management at DEUTZ AG is rigorous environmental, quality and energy management.

In 2014, DEUTZ AG once more met the ISO 9001 criteria for quality management, the ISO 14001 criteria for environmental management and the ISO 50001 criteria for energy management. Its certificates were renewed by Det Norske Veritas/Germanischer Lloyd and can be found on the DEUTZ website.

All standards set by the Deutsches Institut für Normung e.V., Berlin (DIN) can be inspected free of charge at DIN standards repositories.

CORPORATE GOVERNANCE REPORT

Basic principles and objectives of the composition of the Supervisory Board; particularly, conflicts of interest/independence of Supervisory Board members and the consideration of women

In accordance with item 5.4.1 (2) DCGK, the Supervisory Board set out the principles and objectives of its composition in a resolution adopted at its meeting on 10 December 2013. The key points of the resolution stated below in points a) to d) currently remain valid:

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks. In particular, the following applies:

a) Internationality

To reflect the international operations of the Company, at least two Supervisory Board members shall have several years' experience of international business – preferably that they have acquired abroad.

b) Potential conflicts of interest

The composition of the Supervisory Board shall also take into account potential conflicts of interest of its members.

All members of the Supervisory Board are obliged to disclose any conflicts of interest, especially those arising from an advisory function or directorship at customers, suppliers, lenders or other third parties.

Supervisory Board members shall not be directors of major competitors of DEUTZ AG.

c) Number of independent Supervisory Board members

The Supervisory Board is limiting its target concerning this aspect to the shareholder representatives. It considers this group to have an adequate number of independent members if the number of independent members equals the number of members who are not independent, i.e. at least three.

d) Standard age limit

At DEUTZ AG, there is no age limit for Supervisory Board members or for Board of Management members. This is because DEUTZ AG wants to retain the option of benefiting from the long years of experience brought to the Company by older members of the Board of Management and Supervisory Board.

The Supervisory Board had already met these targets in 2012, and since then it has met them at all times and has exceeded them in cases such as the international experience available on the Supervisory Board and the number of independent members. The current members of the Supervisory Board are all considered independent within the meaning of item 5.4.2 sentence 2 DCGK. No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review.

As far as the Supervisory Board in the above mentioned resolution dated 10 December 2013 (see page 128 of the 2013 annual report) commented on diversity in the composition of the Supervisory Board it has had to defer its target of at least two female members 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.

Consideration of women when appointing Board of Management members and filling other managerial positions

The Board of Management of DEUTZ AG currently has three members, one of whom is female; this equates to a proportion of 33.3 per cent. To ensure that women are taken into consideration for vacant managerial positions, DEUTZ AG has adopted a staff development programme under which the Board of Management and HR department endeavour to include at least one woman in the short list for all vacancies at the first and second management levels below the Board of Management (item 4.1.5 DCGK).

After the anticipated effective date of the above-mentioned draft law for the equal participation of women and men in managerial positions in the private and public sectors, the Supervisory Board and Board of Management will set the targets required by the law for the proportion of women on the Board of Management and at the two management levels below it, as well as specifying deadlines for achieving these targets. The Supervisory Board will set a target for the proportion of women on the Board of Management, and the Board of Management will set a target for the proportion of women at the two management levels below the Board of Management.