

DEUTZ GROUP: KEY FIGURES

€ million

	2015	2014	Change %
New orders	1,225.9	1,379.0	-11.1
Unit sales (units)	137,781	196,403	-29.8
Revenue	1,247.4	1,530.2	-18.5
EBITDA	112.2	120.3	-6.7
EBITDA before one-off items	112.2	137.4	-18.3
EBIT	4.9	12.8	-61.7
EBIT before one-off items	4.9	31.7	-84.5
EBIT margin (%)	0.4	0.8	-
EBIT margin before one-off items (%)	0.4	2.1	-
Net income	3.5	19.5	-82.1
Earnings per share (€)	0.04	0.18	-77.8
Dividend per share (€)	0.07	0.07	-
Total assets	1,088.1	1,149.2	-5.3
Non-current assets	520.5	563.6	-7.6
Equity	495.6	511.0	-3.0
Equity ratio (%)	45.5	44.5	-
Cash flow from operating activities	103.3	114.1	-9.5
Free cash flow ¹⁾	35.0	52.0	-32.7
Net financial position ²⁾	39.0	13.7	-
Working capital ³⁾	183.6	196.2	-6.4
Working capital ratio (31 Dec, %) ⁴⁾	14.7	12.8	-
Capital expenditure (excl. capitalisation of R&D, after deducting grants)	56.2	40.3	39.5
Depreciation and amortisation	107.3	107.5	-0.2
Research and development (after deducting grants)	40.8	53.1	-23.2
thereof capitalised	13.0	26.3	-50.6
Employees (31 Dec)	3,730	3,916	-4.7

¹⁾ Free cash flow: cash flow from operating and investing activities less net interest expense.

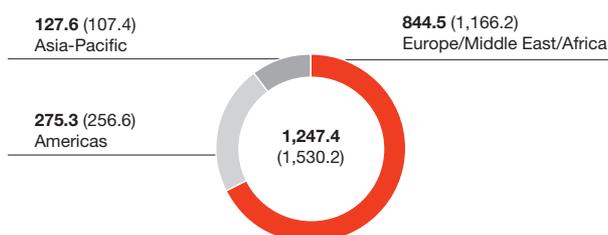
²⁾ Net financial position: cash and cash equivalents less current and non-current interest-bearing financial debt.

³⁾ Working capital: inventories plus trade receivables minus trade payables.

⁴⁾ Working capital ratio (percentage as at balance sheet date): working capital as at balance sheet date divided by revenue for the previous twelve months.

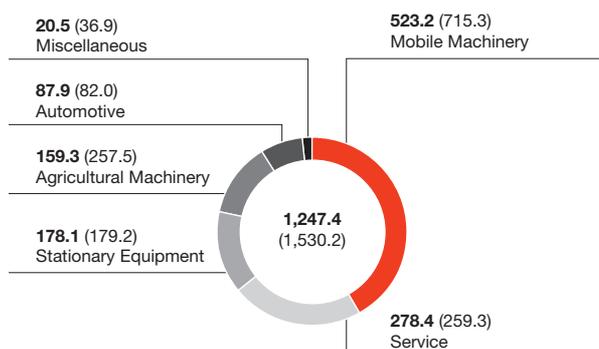
DEUTZ Group: Revenue by region

€ million (2014 figures)



DEUTZ Group: Revenue by application segment

€ million (2014 figures)



DEUTZ AG

DEUTZ AG is an independent manufacturer of diesel engines with a power output of 25 to 520 kW and is headquartered in Cologne, Germany. For more than 150 years, the name DEUTZ has been synonymous with cutting-edge technology and high-quality products. We currently employ 3,730 people and have a presence in over 130 countries.

DEUTZ AROUND THE WORLD



Key

- Production/assembly/components plant
- ▲ Sales company
- Sales office

In addition: over 800 independent DEUTZ sales and service partners in more than 130 countries

Americas

- Argentina**
●▲ Buenos Aires
- Brazil**
▲ São Paulo
- USA**
▲ Atlanta
● Pendergrass

Europe

- Germany**
● Herschbach
■ Cologne
● Übersee
● Ulm
- France**
▲ Gennevilliers/
Paris
- UK**
■ Cannock

- Russia**
▲■ Moscow
- Spain**
▲ Madrid
● Zafra

Africa

- Algeria**
■ Algiers
- Morocco**
▲ Casablanca
- South Africa**
▲ Johannesburg

Asia

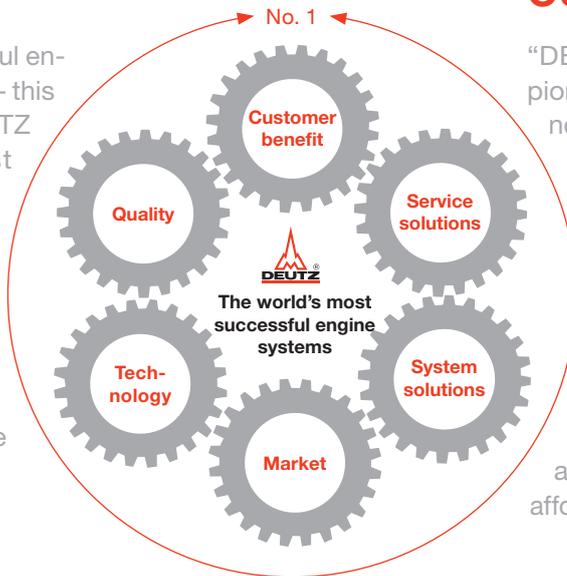
- China**
●▲ Dalian
▲■ Beijing
■ Shanghai
- India**
▲ Pune
- Singapore**
▲ Singapore
- UAE**
■ Abu Dhabi

Australia

- ▲ Melbourne

OUR VISION

“To offer the most successful engine systems in the world” – this is our vision. In 1864, DEUTZ became the world’s first engine manufacturer ever. We intend to remain ‘No. 1’ when it comes to customer benefit, quality, technology and everything to do with engine system and service solutions; not least, we intend to remain No. 1 in the market.



OUR MISSION

“DEUTZ has been a byword for pioneering spirit, passion and innovation since its foundation in 1864. We invented the internal combustion engine and have improved it every day since then. We are leading the way in developing environmentally-friendly and efficient drive technologies. Our customer-specific solutions offer long-lasting high quality and reliable performance at an affordable total cost of ownership.”

DEUTZ SEGMENTS

DEUTZ Compact Engines



- Liquid-cooled engines of up to 8 litres cubic capacity for on-road and off-road applications
- Large number of modular approaches to design
- Major joint ventures in China

DEUTZ Customised Solutions



- Air-cooled engines for on-road, off-road and marine applications
- Liquid-cooled engines of over 8 litres for on-road, off-road and marine applications
- Reconditioned (Xchange) engines for all DEUTZ engine series

DEUTZ Compact Engines

€ million	2015	2014	Change (%)
New orders	958.4	1,115.0	-14.0
Unit sales (units)	125,214	183,125	-31.6
Revenue	967.2	1,279.9	-24.4
EBIT (before one-off items)	-31.9	15.2	-

DEUTZ Customised Solutions

€ million	2015	2014	Change (%)
New orders	267.5	264.0	1.3
Unit sales (units)	12,567	13,278	-5.4
Revenue	280.2	250.3	11.9
EBIT (before one-off items)	31.3	18.8	66.5

FOREWORD

*Dear shareholders,
friends and partners of our company,*

In 2015, the year after we celebrated our 150th anniversary, we produced our nine millionth engine – another milestone in our long and illustrious history and yet another major contribution to the motorisation of the world.

But we also have plenty to offer our customers now and in the future: for example, our TCD engines equipped with a diesel particulate filter in the 2.9 to 7.8 litre cubic capacity range already meet EU Stage V, the next EU emissions standard announced for 2019. This gives our customers long-term planning certainty, flexibility and a stable technology.

These are some of the compelling arguments that we used to persuade the KION Group, among others, to expand the existing partnership. Under our new long-term cooperation, large forklift trucks from KION's premium brand Linde will be progressively fitted with newly developed 2.2 litre DEUTZ engines from 2019. The new three-cylinder variant of the successful TCD 2.9 four-cylinder engine expands our product portfolio, particularly for material handling and compact construction machinery applications. What is special about the engine is that it will be available in both a diesel and an LPG variant. This demonstrates that we want to retain our leading technological position in future. We will be able to achieve this aim with considerably lower development expenditure thanks to 'Stage V ready'.

Now let us take a look back at the past year: The global economy once again failed to live up to expectations in 2015, which had a negative impact on our business. This meant we suffered a difficult second half of the year, having made a solid start in the first six months.

New orders amounted to €1,225.9 million over 2015 as a whole, which represented a year-on-year fall of 11.1 per cent. We sold 137,781 engines and revenue was down by 18.5 per cent to €1,247.4 million, which was in line with our adjusted forecast. The decline was due partly to the changes to emissions standards for engines under 130kW that came into force in the European Union on 1 October 2014 and the resulting effects from the advance production of engines. Furthermore, the end customers for our engines have shown a strong reluctance to invest since the third quarter of 2015. This meant we had to lower our original forecast for the reporting year.

Our EBIT before one-off items declined from €31.7 million to €4.9 million in the year under review, primarily due to the decrease in business volume. EBIT was therefore marginally better than in our adjusted forecast in which we predicted EBIT at around break-even level. Our net income dropped from €19.5 million to €3.5 million. Nonetheless, we managed to again generate a profit despite the large decrease in business volume and the extremely low capacity utilisation compared to previous years. This is consistent with our strategic objective of operating profitably even during downturns in the business cycle and underlines the effectiveness of the steps that we have taken. It is also encouraging that, even in this situation, our EBITDA margin (before one-off-items) of 9.0 per cent was unchanged compared with the previous year and our free cash flow was in positive territory at €35.0 million.



Dr Ing Helmut Leube

Chairman of the Board of Management, responsible for technical and head-office functions



Dr Margarete Haase

Board of Management member, responsible for finance, human resources and investor and public relations



Michael Wellenzohn

Board of Management member, responsible for sales, service and marketing

We also continued as planned with the optimisation of our network of sites in 2015. This is bringing about a lasting increase in efficiency. We are consolidating our Chinese manufacturing operations in our DEUTZ Dalian joint venture due to lower growth forecasts. As part of this consolidation, we wound up our DEUTZ Engine China joint venture, sold the WEIFANG WEICHAI-DEUTZ DIESEL ENGINE CO., LTD. joint venture to our previous co-shareholder and initiated the closure of the DEUTZ Engine (Shandong) Co., Ltd. joint venture. In future, our established DEUTZ Dalian joint venture, which has adequate capacity, will satisfy local demand.

The DEUTZ share price has also been buffeted by the volatile course of business and the stock market turbulence seen in 2015. Our shares finished 2015 at €3.69, almost 8 per cent lower than their 2014 closing price. Although DEUTZ shares have recorded further significant falls since the balance sheet date against a backdrop of very weak market conditions, we believe that they will benefit substantially in the event of a general recovery of business. Moreover, we want to fulfil our stated aim of paying a consistent dividend, even in a challenging environment. Together with the Supervisory Board, we therefore propose that the dividend paid for 2015 should remain unchanged at €0.07 per share.

Given that there are no signs of a market recovery so far, we anticipate that business conditions will remain challenging in 2016 and are preparing accordingly. We will therefore continue to focus our energies on reducing costs and lowering the break-even point. Overall, we assume that revenue will stagnate or, at best, rise slightly. This will result in a modest increase in the EBIT margin.

We would like to take this opportunity to express our thanks to our employees for their hard work and for their great dedication to our Company. Our sincere thanks also go to our business partners – our customers, suppliers and all others – for the trust that they place in us. We will do everything we can to continue to justify your faith in us in future.

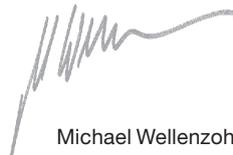
Kind regards from Cologne,



Dr Ing Helmut Leube



Dr Margarete Haase



Michael Wellenzohn

DEUTZ SHARES

The stock markets were characterised by very strong price volatility in 2015. On 10 April 2015, the DAX reached an all-time high of 12,374.73 points on the back of the European Central Bank's expansionary monetary policy. Shares subsequently came under severe pressure as the economic climate deteriorated. The DAX closed the year at 10,743.01 points and was thus 9.6 per cent higher than it had been twelve months earlier.

DEUTZ SHARES FALL COMPARED WITH PREVIOUS YEAR

The SDAX, in which DEUTZ shares are listed, rose in value by 26.6 per cent in 2015 and closed at 9,098.57 points (end of 2014: 7,186.21 points). The DAXsector Industrial, which includes major German industrial companies, gained 14.3 per cent in the reporting year to close at 4,853.88 points (end of 2014: 4,244.82 points).

By contrast, DEUTZ shares fell during 2015. They closed at €3.69 on 30 December 2015, down by 7.8 per cent on their 2014 closing price of €4.00. Having begun the year positively, the DEUTZ share price reached its high for the year of €5.59 on 4 August 2015. On 15 September 2015, we announced that revenue and earnings for the year as a whole would be lower than previously expected owing to a reluctance to invest on the part of end customers. The price of DEUTZ shares then fell substantially, reaching the low for the year of €2.86 on 24 September 2015. By the end of the year, the shares had recovered again.

Market capitalisation stood at €446.0 million as at 30 December 2015, compared with €483.4 million at the end of 2014.

Key figures for DEUTZ shares

	2015	2014
Number of shares (31 Dec)	120,861,783	120,861,783
Average number of shares	120,861,783	120,861,783
Share price as at 31 Dec (€)	3.69	4.00
Share price high (€)	5.59	7.94
Share price low (€)	2.86	3.35
Market capitalisation as at 31 Dec (€ million)	446.0	483.4
Earnings per share (€)	0.04	0.18

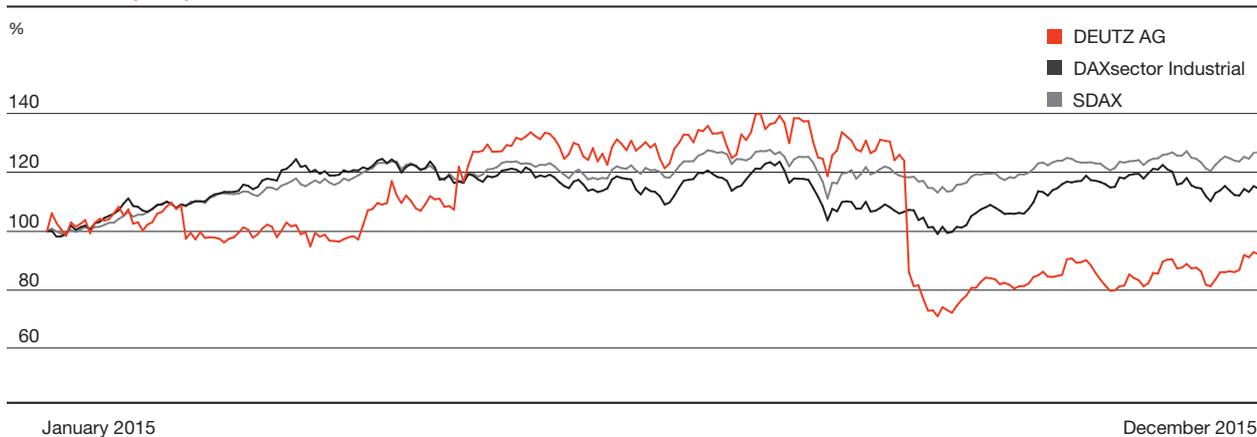
EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income for the year attributable to the shareholders of DEUTZ AG by the weighted average number of shares in issue. In the year under review, the number of DEUTZ shares in issue was 120.9 million. Basic earnings per share was therefore €0.04 compared with €0.18 in 2014.

Key data on stock market listing

ISIN	DE0006305006
WKN	630500
Reuters	DEZG.DE
Bloomberg	DEZ:GR
Market segment	Regulated Market/Prime Standard
Trading platforms	Xetra, Frankfurt/Main, Düsseldorf

DEUTZ share price performance in 2015



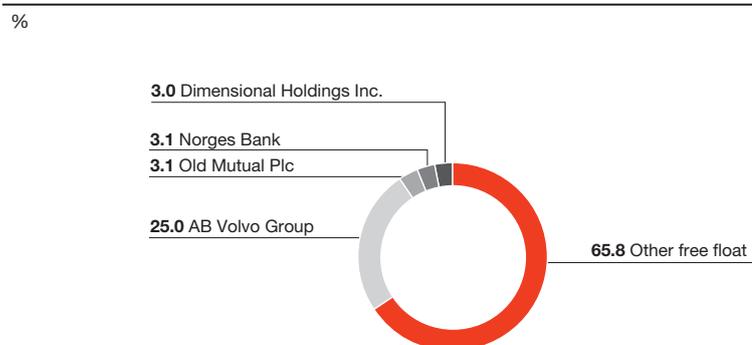
DIVIDEND ENABLES SHAREHOLDERS TO SHARE IN PROFITS

The Board of Management and Supervisory Board propose that the dividend paid for 2015 should remain unchanged at €0.07. This enables us to fulfil our aim of paying a consistent dividend, despite a difficult financial year. We plan to carry on enabling our shareholders to participate in the success of our Company in the form of a regular dividend. At the same time, we intend to continue funding a significant proportion of our growth ourselves, that is to say from our own capital.

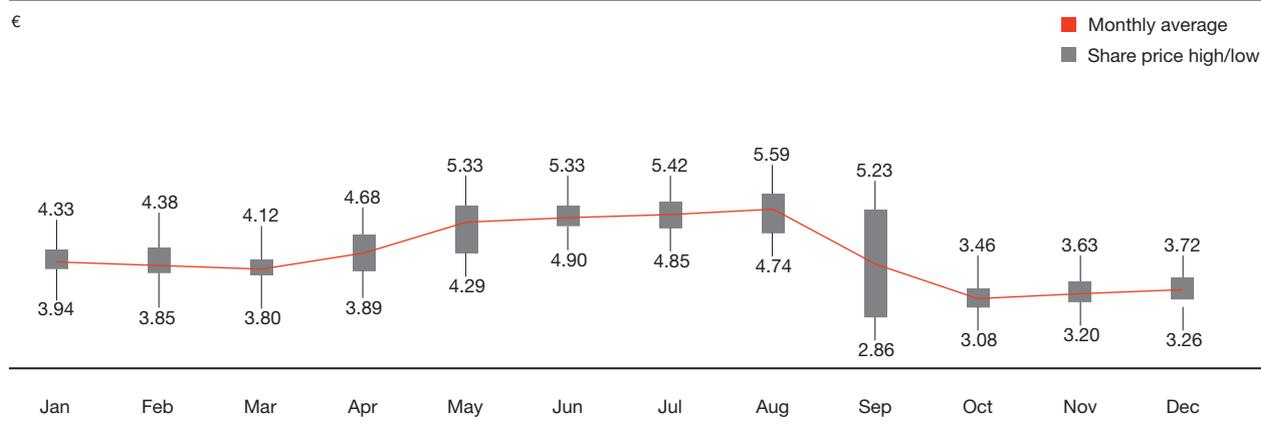
THREE-QUARTERS OF ALL DEUTZ SHARES IN FREE FLOAT

Swedish truck and construction equipment manufacturer AB Volvo is the largest individual shareholder in DEUTZ AG with a stake of just over 25 per cent. The proportion of free float shares is almost 75 per cent, and it is held by a broadly diversified range of private and institutional shareholders both in Germany and abroad. Most of the private investors are in Germany, although fund management companies based in North America held the largest proportion among the institutional investors. At the end of 2015, Old Mutual Plc and Norges Bank each held 3.1 per cent of our Company, while Dimensional Holdings Inc. held 3.0 per cent. These are considered non-controlling shareholdings.

Shareholder structure as at 31 December 2015



DEUTZ share price high and low for 2015



INTENSIVE INVESTOR-RELATIONS WORK

We provide all shareholders with prompt, transparent and comprehensive information about all significant events in our Company with the objective of gaining the strong acceptance and long-term trust of our shareholders. Last year, we worked closely with our shareholders, analysts and all other interested parties in the capital markets. The latest corporate information, such as presentations, financial reports, press releases and ad-hoc announcements, is always available on our website.

At our annual results press conference and analysts' meeting in Frankfurt am Main on 19 March 2015, we presented the DEUTZ annual financial statements and our future strategic direction. We also held conference calls when we published our quarterly results.

In 2015, we participated in a total of 15 roadshows and investor conferences in Germany, the United Kingdom, France, Switzerland and the United States. We met personally with analysts, institutional investors and private investors on various other occasions throughout the year.

NINE ANALYSTS MONITOR DEUTZ SHARES

Nine banks and securities houses currently monitor the performance of DEUTZ shares: Bankhaus Lampe, Commerzbank, Credit Suisse, Deutsche Bank, DZ Bank, Equinet, HSBC Trinkaus & Burkhardt, Kepler Cheuvreux and Quirin Bank.

Further information can be found on our website at www.deutz.com under Investor Relations.

If you need more information, visit our website or give us a call:

INVESTOR RELATIONS

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STRATEGY

We have been pursuing a clear strategy for many years. It includes expansion of our customer and product base along with globalisation and internationalisation. Our new products have particularly helped us to win many new customers recently. A new quality programme should further strengthen customer loyalty. We also aim to consolidate our network of sites to enhance our efficiency and enable the DEUTZ Group to continue achieving profitable growth.

Our growth strategy is based on three pillars:

→ The first is the **expansion of our customer base** while achieving profitable growth. Our aim is to increase business in all regions with new and existing customers. We have been very successful in signing up new customers in every region over the past few years. In the year under review, we launched many new products for our customers, demonstrating the success of our current generation of engines. At the end of 2015, we entered into an agreement with the KION Group, one of the world's two leading suppliers of forklift trucks and warehouse technology, on expanding our long-standing partnership. Starting in 2019, large forklift trucks from KION's premium brand Linde will be progressively fitted with our newly developed 2.2 litre engine for the EU Stage V emissions standard. There will be both a diesel and a liquid gas¹⁾ version of the engine.

In terms of application segments, our main focus remains on Mobile Machinery and Agricultural Machinery, but we are also active in the market for Stationary Equipment and niche applications. Our automotive business is increasingly

shifting to Asia, where we occupy a very strong position in the market by virtue of our DEUTZ Dalian joint venture.

In the service business, we also aim to continue growing sustainably and expanding our market share in terms of the total number of engines in operation. As well as the active management of dealers and ongoing product training for our dealer network because of the increased complexity of our products, we may also invest in our own service support centres in selected locations. During the year under review, we revised and modernised our sales and marketing activities for the service business. The internet is increasingly being used as a sales channel.

→ The second pillar is the **expansion of our product base** using products at the leading edge of technology. In 2014, we completed the introduction of engines that comply with the EU Stage IV/US Tier 4²⁾ emissions standards. We have fundamentally overhauled our range of engines for these emissions standards. The number of engine platforms has been streamlined without cutting back on the 25 to 520kW power output range they cover. The engines feature very compact

Strategic programme up to 2020

We supply the most successful engine systems in the world



¹⁾ Also referred to as liquefied petroleum gas or LPG.

²⁾ The EU Stage IV/US Tier 4 emissions standards are mentioned at various points in the annual report. This refers to the 97/68 Stage IV exhaust emissions standards in the European Union and the EPA Tier 4 rules for diesel engines in the USA.

installed dimensions, intelligent exhaust aftertreatment designs and lower lifecycle costs than their predecessors. This platform strategy and the possibilities offered by electronic management is considerably reducing the variety of components. Our TCD engines in the 2.9 to 7.8 litre cubic capacity range already meet the more stringent EU limits announced for 2019¹⁾. We are actively advertising this with our 'Stage V ready' campaign. In 2019, we will add a 2.2 litre engine to the power output range. It will be a three-cylinder version of the 2.9 litre, four-cylinder engine that has proved popular with customers. Both of these engines will be available in a diesel and an LPG²⁾ variant. By offering LPG variants, we are particularly looking to harness the growing market opportunities in the material handling industry, which we include in our Mobile Machinery application segment.

System solutions complete our product portfolio. In order to meet the latest emissions legislation, engines now have to include exhaust aftertreatment systems. Developing, testing and certifying these engine systems is our responsibility. We will continue to work on developing solutions to improve the energy efficiency of our products. In addition, we are expanding our application expertise – an area in which we are already considered market leaders – both at our R&D centre in Cologne and in the regions.

A profitable service business makes us less exposed to fluctuations in the economic cycle. We plan to exploit opportunities presented by the greater complexity of engines that meet new emissions standards and to expand our service business accordingly. For example, we intend to offer additional services and to create a wider range of spare parts and add-on components.

→ The third pillar is the **globalisation and internationalisation** of the DEUTZ Group, because the geographical focus of the market is shifting and the trend is increasingly towards basing assembly nearer to the customer. Against this background, we want to create structures in the three major economic areas of Europe, America and Asia that, in addition to their sales, marketing and service activities, will also encompass local assembly, purchasing, logistics and application development activities. These activities will need to be closely interlinked and centrally coordinated.

Back in 2014, we decided to carry out a comprehensive optimisation of our network of sites in Germany in order to increase efficiency. We are consolidating two sites in Cologne. As part of this, we are currently building a shaft centre for the production of camshafts and crankshafts at our largest site in Cologne-Porz and it will be ready for use later this year. At the Cologne-Deutz site, which will be cleared, we are currently applying for planning permission to create a new city district near the Rhine. The site is to be sold within the next few years. Our exchange engine plant in Übersee on Lake Chiemsee is closing and being integrated into the

plant in Ulm. We successfully moved the assembly line in the reporting year. All other functions will move in 2017.

In 2015, we also decided to consolidate our Chinese manufacturing operations in view of the lower growth forecasts and the capacity available at our DEUTZ Dalian joint venture. Implementation of this decision is already at an advanced stage. Detailed information can be found in the section on international joint ventures on page 36. Going forward, we aim to continue satisfying local demand from our partners and other target customers using local Chinese production operations.

ZERO-ERROR STRATEGY

We introduced a zero-error strategy in 2015. The purpose of this quality assurance programme is to detect errors when they first begin to materialise, i.e. before they actually occur. And if errors do occur, we have to learn from them in order to not make the same mistakes again. The overarching aim, therefore, is to establish a culture of prevention and avoidance in relation to errors.

We strive to make the products that we supply to our customers perfect and thus always to meet or even exceed our customers' expectations. The challenge here is that we produce a large number of variants in order to provide customers with bespoke solutions and the complexity of our products has risen significantly in recent years as a result of emissions legislation.

GLOBAL MEGATRENDS DRIVING ENGINE GROWTH

Demographic change, increasing urbanisation and ongoing globalisation are the megatrends that shape our business. Apart from the occasional downturn in the economic cycle, global demand is therefore rising continually. This also impacts on demand for agricultural machinery, infrastructure investment and transport. These global megatrends are therefore underpinning growth in the global engine market.

There are only limited natural resources to meet this demand, however. Hence the imposition of increasing numbers of environmental and climate change regulations in practically every industrialised country and emerging market. Consequently, emissions legislation has been the major technology driver in the diesel engine market in recent years. We are, of course, delighted to take up the emissions legislation challenge because, as a leading technology company, we regard this legislation as an opportunity. Emissions legislation in the emerging economies is generally at least one step behind.

To this extent, the structural growth drivers at DEUTZ are the engine systems that meet the new emissions standard, which are of considerably higher value and more complex than their respective predecessors.

¹⁾The EU Commission's Stage V proposals as published on 25 September 2014.

²⁾Also referred to as liquefied petroleum gas or LPG.

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