

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 289a HGB

Declaration of conformity with some exceptions

In 2015, 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 24 June 2014 and 5 May 2015, 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. Furthermore, there is no general limit on length of membership of the Supervisory Board, contrary to article 5.4.1 (2) sentence 1 of the German Corporate Governance Code. 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.

The current declaration of conformity in accordance with section 161 AktG, which the Board of Management and Supervisory Board submitted on 24 September 2015, can be accessed in the Investors / 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.

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 2015.

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.

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

The Supervisory Board is 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 Helmut Leube (chairman, responsible for technical and head-office functions), Dr Margarete Haase (responsible for

finance, HR and investor and public relations) and Mr Michael Wellenzohn (responsible for sales, service and marketing).

The Supervisory Board extended Mr 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 Leube and Dr Haase continue until 31 December 2017 and 30 April 2018 respectively.

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 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 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 the Nominations Committee has three members, 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 Audit Committee rules of procedure were fundamentally revised at the meeting of the Supervisory Board on 9 December 2015.

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 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 Supervisory Board and addressed the implications for the composition of the Supervisory Board of DEUTZ AG arising from the law for the equal participation of women and men in managerial positions in the private and public sectors (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.

The changes in the composition of the Supervisory Board in 2015 are described 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 elected 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 Gummesson to replace Mr Haupt and Mr Moberg on the Nominations Committee.

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.

Targets and timeframes in accordance with sections 76 (4), 111 (5) AktG

On 12 August 2015, the Board of Management of DEUTZ AG set certain targets and timeframes in accordance with section 76 (4) AktG. The proportion of women employed by DEUTZ AG at the top level of senior management below the Board of Management is to be increased to 13 per cent by 30 June 2017. The proportion of women at the second level of senior management below the Board of Management is to be increased to 7 per cent over the same period. The top level of senior management below the Board of Management encompasses all managers in Germany who report directly to a member of the Board of Management. The second level of senior management below the Board of Management comprises all managers in Germany who report directly to a manager in the top level of senior management.

To ensure that women are taken into consideration for vacant managerial positions, DEUTZ AG has adopted a staff development programme. When positions in the top and second levels of senior management below the Board of Management become available, the Board of Management and the HR department are striving to ensure that at least one woman is always shortlisted for the post (article 4.1.5 DCGK). This means that external recruitment must focus on female managers.

At the time of going to press, the proportion of women in the top level of senior management below the Board of Management is 9.1 per cent and in the second level of senior management below the Board of Management 3 per cent. DEUTZ AG has therefore not yet attained the targets specified above. The reasons for this are that only a relatively short period of time has passed since the Board of Management set the targets on 12 August 2015 and since then DEUTZ AG has hardly recruited any new employees at all. A further factor affecting trends in the future is that women continue to be under-represented in the scientific and technical degree courses that are of particular relevance to DEUTZ AG.

At its meeting on 24 September 2015, the Supervisory Board of DEUTZ AG set the following target in accordance with section 111 (5) AktG: on 30 June 2017, the members of the Board of Management of DEUTZ AG should still include at least one woman.

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 anchored in the Company's organisational structure. The system is continually enhanced in order to meet changing requirements. Dr Haase is the member of the Board of Management responsible for compliance.

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 and specific guidelines or policies, including a zero-tolerance policy, a policy on gifts and entertainment, a policy on engaging external sales service providers, an anti-money laundering policy and an insider-trading policy.

The Board of Management supports and promotes ethical conduct. It is unreservedly committed to corporate compliance and declines to be involved in any transactions that are inconsistent with these values. The Board of Management does not tolerate any form of corruption and is fully committed to compliance with competition law and to incorporating the notion of sustainability into the Company's activities.