

DEUTZ AG

Corporate governance declaration
pursuant to section 289a HGB

Disclosures pursuant to sections
289 (4) and 315 (4) HGB

Remuneration report

FURTHER DISCLOSURES

No bearers of shares have any special rights conferring authority to control the Company.

Numerous employees have direct shareholdings in DEUTZ AG. There are no restrictions affecting the direct exercise of rights of control in connection with these shares.

A consortium of banks has provided DEUTZ AG with a syndicated, revolving cash credit line of €160 million. DEUTZ AG also took out a loan with the European Investment Bank that has a remaining balance of €68.4 million. Under the terms of the loan agreements, the lenders can demand that the outstanding loan be repaid within a specified period in the event of a change of control, i.e. one or more people acting jointly acquire a direct or indirect shareholding of at least 50 per cent of all shares and/or voting rights in DEUTZ AG.

If DEUTZ AG needs to repay a considerable proportion of the loans prematurely in the event of a change of control, it needs to raise the necessary funds some other way in the short term.

The service contracts of the Board of Management members Dr Ing Helmut Leube and Dr Margarete Haase stipulate the following provision in the event of a change of control: if their appointment (1) is revoked within nine months of the change of control or (2) ends within nine months of a change to the legal form of DEUTZ AG and subject to certain other requirements, they will receive 150 per cent of the severance cap pursuant to article 4.2.3 of the German Corporate Governance Code. As set out in the service contracts, a change of control is deemed to occur when one or more other people or other companies acting jointly within the meaning of section 30 of the German Securities Acquisition and Takeover Act (WpÜG) acquire more than 30 per cent of the voting rights and therefore control of the Company. No change of control will be deemed to have occurred if the current major shareholder, AB Volvo, or the former major shareholder, the SAME DEUTZ-FAHR Group, acquires more than 30 per cent of the voting rights in the Company.

The long-term incentive plans (LTI), under which the most senior managers in the DEUTZ Group (executives and managing directors of major subsidiaries) are granted virtual options that they can exercise after a vesting period and upon achievement of certain performance targets (see page 116 et seq. of this annual report), contain the following provision in the event of an entity – either alone or acting jointly with an affiliated company – acquiring a minimum of 50 per cent of the shares in DEUTZ AG: provided one of the performance targets has been achieved, the LTI participants may exercise their options within a short time frame after the acquisition, even if the vesting period has not yet expired.

DEUTZ AG has no indemnification agreements with employees that would come into force in the event of a takeover bid.

EXPLANATORY STATEMENT BY THE BOARD OF MANAGEMENT IN CONNECTION WITH SECTIONS 289 (4) AND 315 (4) HGB

The disclosures contained in the combined management report and management report pursuant to sections 289 (4) and 315 (4) HGB relate to arrangements that may be significant in the success of any public takeover bid for DEUTZ AG. It is the opinion of the Board of Management that these arrangements are normal for publicly traded companies comparable with DEUTZ AG.

REMUNERATION REPORT

REMUNERATION OF THE BOARD OF MANAGEMENT

The annual remuneration paid to the members of DEUTZ AG's Board of Management consists of fixed and variable components as well as a pension benefit contribution. The fixed component is paid monthly as basic salary. The variable component is performance-related and consists of two parts: the first is a bonus that is based on attainment of specific targets; the other comes in the form of virtual performance shares that offer a long-term incentive. For the pension contribution, an amount is paid into a benevolent fund; there is no other entitlement to a pension or surviving dependants' pension.

The calculation of the annual bonus is based on the degree of attainment of annual performance targets (short-term targets). The number, content and weighting of the short-term targets are set annually by the Supervisory Board at its due discretion after consulting with the respective Board of Management member. The minimum level of target attainment for the payment of a bonus is 75 per cent; the maximum level of target attainment relevant to the payment of the bonus is 150 per cent. The highest amount that can be paid as a bonus in the case of maximum target attainment is determined by the respective service contract. Only 60 per cent of the annual bonus is paid out at the end of the year. The remaining 40 per cent of the bonus is paid out in two equal instalments, subject to the attainment of further medium-term financial targets (medium-term targets), at the end of a further one year and two years, whereby the amount that is paid out is based on the level of attainment of these medium-term targets, to a maximum of 150 per cent. The highest permissible amounts for these further payments are also contractually agreed. The targets are set at the beginning of the year for which the bonus is to be paid.

Details regarding the virtual performance shares are set forth in a long-term incentive plan for the Board of Management (LTI plan BoM), which forms part of the contractual agreements with the Board of Management members. The number of virtual performance shares allocated to a Board of Management member is calculated each year on the basis of the contractually specified euro amount divided by a reference price. The reference price is the average closing price of DEUTZ AG shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange during the 60 trading days preceding the grant date. Virtual performance shares represent an entitlement to payment of a cash amount in accordance with the provisions of the LTI plan BoM. The cash amount per virtual performance share corresponds to the average closing price of DEUTZ shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange during the last 60 trading days

prior to the expiry of a vesting period of four years after the grant date, and is limited to a maximum of 1.5 times the reference price. Entitlement to the cash payment only arises, however, if either the market price of DEUTZ shares has increased by at least 30 per cent relative to the reference price or the market price of DEUTZ shares has outperformed the MDAX (or a future index replacing the MDAX) by at least 10 percentage points during the vesting period. A further requirement is that the Board of Management member makes a personal investment by holding one DEUTZ share for every 20 virtual performance shares received.

The variable remuneration is designed in a way that the majority of it is measured against performance over several years. The overall remuneration structure is designed to support the sustainable growth of the Company.

Benefits granted

€ thousand

	Dr Ing Helmut Leube Chairman of the Board of Management			
	2014	2015	2015 (min)	2015 (max)
Fixed remuneration	725	725	725	725
Additional benefits ¹⁾	174	175	175	175
Total	899	900	900	900
One-year variable remuneration ²⁾	360	360	–	540
Multi-year variable remuneration				
2015–2016 deferral ²⁾	240	–	–	–
2016–2017 deferral ²⁾	–	240	–	360
LTI 2014–2018 ³⁾	196	–	–	–
LTI 2015–2019 ³⁾	–	222	–	300
Total	796	822	–	1,200
Total remuneration	1,695	1,722	900	2,100

Instead of the target values for one-year variable remuneration and for deferrals from one-year variable remuneration required under the German Corporate Governance Code (DCGK), the figures in the table below for total remuneration indicate the remuneration figures that are required to be disclosed under the applicable accounting standards. For the one-year variable remuneration, these represent the provision for the annual bonus for 2015, adjusted for any over- or under-allocation in the previous year. With regard to the deferrals from the one-year variable remuneration, the figures represent the amounts vested and recognised in provisions in 2015.

One-year variable remuneration	7	227		
2014–2015 deferral	51	26		
2015–2016 deferral	–	23		
2016–2017 deferral	–	–		
Total remuneration	1,153	1,398		

¹⁾ Includes payment into a life insurance policy.

²⁾ The figures given for one-year variable remuneration and for deferrals from one-year variable remuneration represent the amount granted for full achievement of targets.

³⁾ Share-based remuneration represents the fair value of the options on the date of grant. Please refer to Note 30 in the consolidated financial statements for a description of the structure of the share-based remuneration agreements. General contractual conditions are identical for all members of the Board of Management.

Additional benefits received by the members of the Board of Management include, in particular, a company car, reimbursement of travel expenses and allowances towards insurance policies.

If the employment contract of a member of the Board of Management is terminated prematurely without good cause, the member of the Board of Management receives a severance payment equivalent to the total remuneration for the period until the original termination date of his or her contract of employment up to a maximum of two years. For the purpose of this severance payment, the amount of total remuneration is determined by the total remuneration paid for the last full financial year, or the anticipated total remuneration for the then current financial year, if appropriate (cap on severance pay in accordance with article 4.2.3 of the German Corporate Governance Code).

The service contracts of the Board of Management members Dr Ing Helmut Leube and Dr Margarete Haase stipulate a special provision in the event of a change of control. Further details can be found in the section 'Disclosures pursuant to sections 289 (4) and 315 (4) HGB' on page 57.

The table below presents the total remuneration of the Board of Management in accordance with the recommendation in the German Corporate Governance Code dated 5 May 2015. In line with this recommendation, the benefits granted in 2015 and those actually paid are reported separately.

The following table shows the breakdown of benefits granted to members of the Board of Management:

Dr Margarete Haase					Michael Wellenzohn			
	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
	573	580	580	580	420	420	420	420
	148	147	147	147	107	111	111	111
	721	727	727	727	527	531	531	531
	270	270	-	405	210	210	-	315
	180	-	-	-	140	-	-	-
	-	180	-	270	-	140	-	210
	147	-	-	-	127	-	-	-
	-	166	-	225	-	144	-	195
	597	616	-	900	477	494	-	720
	1,318	1,343	727	1,627	1,004	1,025	531	1,251
	1	138			1	107		
	38	20			25	13		
	-	17			-	14		
	-	-			-	-		
	907	1,068			680	809		

The following table shows the breakdown of benefits actually paid to members of the Board of Management:

Benefits paid

€ thousand

	Dr Ing Helmut Leube Chairman of the Board of Management		Dr Margarete Haase		Michael Wellenzohn	
	2015	2014	2015	2014	2015	2014
Fixed remuneration	725	725	580	573	420	420
Additional benefits	175	174	147	148	111	107
Total	900	899	727	721	531	527
One-year variable remuneration	227	359	138	192	107	125
Multi-year variable remuneration						
2014–2015 deferral	60	–	45	–	29	–
Total	287	359	183	192	136	125
Total remuneration	1,187	1,258	910	913	667	652

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration paid to the Supervisory Board is specified in article 15 of the Company's Statutes. This stipulates that the members of the Supervisory Board of DEUTZ AG receive fixed annual remuneration of €22,500. They also receive a fee of €2,500 for each Supervisory Board meeting they attend and are reimbursed for their out-of-pocket expenses. The chairman of the Supervisory Board receives double these amounts, and his deputy one-and-a-half times.

In addition, each member of a Supervisory Board committee receives an attendance fee of €2,500 for each committee meeting attended. The chairman of a committee is entitled to twice this sum, his deputy to one-and-a-half times the amount.

In addition, DEUTZ reimburses the members of the Supervisory Board for any VAT they incur in connection with the performance of their mandate.

The following table shows the breakdown of total remuneration paid to members of the Supervisory Board for their work as Supervisory Board members:

	Fixed remuneration	Attendance fees	Total
€			
Lars-Göran Moberg (until 29 April 2015) Chairman until 12 March 2015	11,712	22,500	34,212
Hans-Georg Härter Chairman from 12 March 2015	40,623	62,500	103,123
Werner Scherer Deputy Chairman	33,750	56,250	90,000
Sabine Beutert	22,500	20,000	42,500
Hans-Peter Finken (from 1 February 2015)	20,589	10,000	30,589
Dr Ing Hermann Garbers (from 29 April 2015)	15,226	10,000	25,226
Göran Gummesson	22,500	15,000	37,500
Michael Haupt (until 29 April 2015)	7,336	7,500	14,836
Leif Peter Karlsten (from 29 April 2015)	15,226	10,000	25,226
Herbert Kauffmann	22,500	45,000	67,500
Alois Ludwig (from 29 April 2015)	15,226	10,000	25,226
Dietmar Paust	22,500	12,500	35,000
Eva Persson (until 29 April 2015)	7,336	2,500	9,836
Dr Witich Roßmann	22,500	12,500	35,000
Dr Herbert Vossel	22,500	12,500	35,000
Egbert Zieher (until 31 January 2015)	1,911	–	1,911
Total	303,935	308,750	612,685