

REPORT OF THE SUPERVISORY BOARD

CLOSE COOPERATION BETWEEN SUPERVISORY BOARD AND BOARD OF MANAGEMENT

In 2016, 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.

Four ordinary meetings of the Supervisory Board were held in 2016. A further meeting was dedicated solely to strategy. Apologies for absence were received from one member for this meeting; otherwise, all members of the Supervisory Board were present at all meetings.

At each of the ordinary 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 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 alliance with Liebherr, the development of new business and the measures initiated by the Board of Management to sustainably improve quality as part of the company-wide zero-error project. In its strategy meeting, the Supervisory Board mainly discussed the topic of service, the alliance with Liebherr again, possible additions to the product portfolio and potential new areas of business. Also on the agenda were current indications of how the DEUTZ Group strategy will see it progress in the long term up to 2030.

Other key decisions concerned the 2017 budget, the medium-term planning up to 2021 and the approval of capital expenditure and development projects. 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 and its medium-term targets.

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 2016. At its meeting on 22 September 2016 the Supervisory Board, following preparation by the Human Resources Committee, approved the intention of Dr Helmut Leube to step down as a member and the Chairman of the Board of Management with effect from 31 December 2016; at the same time it appointed Dr Frank Hiller as a member and the Chairman of the Board of Management with effect from 1 January 2017 and for a term of five years up to 31 December 2021. The appointments of Dr Margarete Haase and Mr Michael Wellenzohn continue until 30 April and 31 December 2018 respectively.

CORPORATE GOVERNANCE: DECLARATION OF COMPLIANCE WITH THREE EXCEPTIONS

At its meeting on 22 September 2016, the Supervisory Board also held in-depth discussions on the German Corporate Governance Code as amended 5 May 2015 and, together with the Board of Management, issued a declaration of compliance pursuant to section 161 AktG. This declaration includes just three variances from the Code and since 22 September 2016 has been available in the 'Investor Relations / Corporate Governance' section of the Company's website at www.deutz.com, where it can be downloaded.



Hans-Georg Härter
Chairman of the Supervisory Board

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 120 to 121 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. The committee met on nine occasions in 2016. Among the main matters addressed were the preparation of the resolutions to be adopted by the full Supervisory Board in relation to Dr Hiller succeeding Dr Leube as Chairman of the Board of Management, to the achievement of the Board of Management's targets for 2015 and to the setting of Board of Management targets, including medium-term targets, for 2016.

The work of the Audit Committee in the year under review focused on monitoring the financial accounting process, on assessing the annual and consolidated financial statements and the combined management report of DEUTZ AG and the Group for 2015 and the corresponding auditors' reports, the condensed consolidated financial statements for the six months to 30 June 2016 and their review by the auditors, the interim management statements for the periods ended 31 March and 30 September 2016, and the discussion of the audit engagement for the year ended 31 December 2016, including a review of auditor quality and independence. Other matters addressed by the committee included risk management, compliance, the internal control system, internal audit, strategic planning, key performance indicators and the new statutory regulations on auditing, particularly in connection with the stricter rules that will be coming into force concerning the provision of non-audit services by auditors. In 2016, 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. It also did not convene last year.

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 2016, were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Cologne, Germany, the auditors appointed by the Annual General Meeting on 28 April 2016. 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 28 February 2017 and to the Supervisory Board meeting held on 9 March 2017 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 2016 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 2016 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 21 April 2016 appointed Ms Gisela Füssel as an employee representative on the Supervisory Board of DEUTZ AG with effect from 1 June 2016 for the remaining term of the current Supervisory Board membership cycle. The appointment became necessary when Mr Dietmar Paust stepped down from his post with effect from 31 May 2016.

The Supervisory Board would like to thank Mr Paust for his work and valuable contribution.

The membership of the Supervisory Board committees did not change in 2016. At its meeting on 9 March 2017 the Supervisory Board elected Ms Füssel to succeed Mr Paust as a member of the Arbitration Committee.

CONFLICTS OF INTEREST/INDEPENDENCE OF SUPERVISORY BOARD MEMBERS/THANKS

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 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 2016.

Cologne, March 2017
The Supervisory Board



Hans-Georg Härter
Chairman