

REMUNERATION REPORT FOR FISCAL YEAR 2017

Executive Board remuneration

Resolutions determining the total remuneration of individual Executive Board members are prepared by the Presiding Committee of MAN SE's Supervisory Board. The full Supervisory Board then determines the total remuneration in accordance with legal requirements. The full Supervisory Board also regularly discusses the structure of the Executive Board remuneration system based on the Presiding Committee's proposals. This system is regularly modified and adjusted as needed in accordance with the recommendation set out in the German Corporate Governance Code (section 4.2.2).

The Supervisory Board's objective and duty is to set remuneration at appropriate levels. The criteria for doing so include, in particular, the tasks of the respective Executive Board members, their personal performance, the economic situation, the performance of and outlook for the Company, and how customary the remuneration is compared with the Company's peer group and the remuneration structure that applies to other areas of MAN SE.

In fiscal 2017, Executive Board members were appointed at MAN SE who received remuneration from MAN Truck & Bus AG (Mr. Drees, Dr. Intra, and Mr. Lafrentz), MAN Diesel & Turbo (Dr. Lauber), and Volkswagen AG (Mr. Schelchshorn), respectively, on the basis of their employment contracts with those companies and in accordance with the remuneration structure and components in effect there. They received no further remuneration from MAN SE. MAN SE reimbursed Volkswagen AG for 10% of the remuneration paid to Mr. Schelchshorn until his departure from the Executive Board at midnight on June 30, 2017, including the expenses needed to finance the occupational pension plan. MAN Truck & Bus AG reimbursed Volkswagen AG for 65% of the remuneration paid to Mr. Schelchshorn until his departure from the Executive Board at midnight on June 30, 2017, including the expenses needed to finance the occupational pension plan.

Remuneration structure and components

The remuneration of Executive Board members comprises fixed salary payments and noncash benefits, pension and other benefit contributions, and performance-related

components. The variable performance-related components reflect individual performance, business success, and long-term strategic goals.

The remuneration structure and components are based on each individual's employment contract.

A) Fixed remuneration

The fixed remuneration is paid as a monthly salary. In addition, Executive Board members receive noncash benefits consisting primarily of the provision of company cars and the payment of insurance premiums. Drivers for business trips are also available to Executive Board members.

The fixed remuneration is reviewed on a regular basis and modified where necessary, taking into account general salary trends and the area of responsibility of the individual Executive Board member.

B) Variable remuneration

MAN Truck & Bus AG / MAN Diesel & Turbo SE

Variable remuneration is calculated on the basis of three equally-weighted components, each of which is capped at 200% of the target amount:

- Long-term incentive bonus (LTI)
- Company performance bonus (CPB)
- Personal performance bonus (PPB)

The **long-term incentive bonus** is directly linked to the targets of the Strategy 2018 program of the Volkswagen Group. It is based on the success criteria derived from the strategy and calculated over a four-year period.

The target areas are:

- Leader in customer satisfaction, measured using the Customer Satisfaction Index,
- Leading employer, measured using the Employee Index,
- Unit sales growth, measured using the Growth Index, and
- Increase in the return on sales, measured using the Return Index.

The Customer Satisfaction Index is calculated using indicators that quantify the overall satisfaction of our customers with the delivering dealers, new vehicles, and the service operations based on their last workshop visit. The Employee Index is determined using the “employment” and “productivity” indicators as well as the participation rate and results of employee surveys. The Growth Index is calculated using the “deliveries to customers” and “market share” indicators. The Return Index is derived from the return on sales and the dividend per ordinary share.

The indices on customer satisfaction, employees, and unit sales are aggregated and the result is multiplied by the Return Index. This method ensures that the LTI is only paid out if the Group is financially successful. If the 1.5% threshold for the return on sales is not exceeded, the Return Index is zero. This would mean that the overall index for the fiscal year concerned is also zero.

MAN Truck & Bus AG's **company performance bonus** enables the Executive Board to participate in the business success of MAN Truck & Bus and Volkswagen Truck & Bus. The success of MAN Truck & Bus is based on the operating profit of MAN Truck & Bus (weighting of two-thirds) and the success of Volkswagen Truck & Bus on the return on sales (RoS) of Volkswagen Truck & Bus (weighting of one-third). The calculation is based on a two-year period.

Target achievement is calculated as follows:

- Operating profit of MAN Truck & Bus: The average operating profit from the year under review and the previous fiscal year is compared with a target figure defined by the Supervisory Board of the company before the beginning of the fiscal year in which the bonus is granted. The target figure corresponds to target achievement of 100%. The Supervisory Board of MAN Truck & Bus AG reviews and, if necessary, adjusts the target figure on a regular basis (at least once every three years).

The resulting percentage ratio between the average and the target figures gives the target achievement figure as a percentage, which is capped at 200% of the average figure. This target achievement figure is incorporated into the calculation of the company performance bonus with a weighting of two-thirds.

- Return on Sales (RoS) of Volkswagen Truck & Bus: The average return on sales (RoS) from the year under review and the previous fiscal year is compared with a target figure defined by the Supervisory Board of the Company before the beginning of the fiscal year in which the bonus is granted. The target figure corresponds to target achievement of 100%. The Supervisory Board of Volkswagen Truck & Bus GmbH reviews and, if necessary, adjusts the target figure on a regular basis (at least once every three years).

The resulting percentage ratio between the average and the target figures gives the target achievement figure as a percentage, which is capped at 200% of the average figure. This target achievement figure is incorporated into the calculation of the company performance bonus with a weighting of one-third.

MAN Diesel & Turbo SE's **company performance bonus** enables the Executive Board to participate in the business success of MAN Diesel & Turbo. The success of MAN Diesel & Turbo is based on the operating profit of MAN Diesel & Turbo.

Target achievement is calculated as follows:

- The average operating profit from the year under review and the previous fiscal year is compared with a target figure defined by the Supervisory Board of the company before the beginning of the fiscal year in which the bonus is granted. The target figure corresponds to target achievement of 100%. The Supervisory Board of MAN Diesel & Turbo SE reviews and, if necessary, adjusts the target figure on a regular basis (at least once every three years).

The resulting percentage ratio between the average and the target figures gives the target achievement figure as a percentage, which is capped at 200% of the average figure.

The **personal performance bonus** recognizes the individual employee's performance in the past fiscal year on the basis of the performance rating and the extent to which the targets set in the individual target agreement have been met. The bonus is determined according to quantitative and qualitative factors. The personal performance

bonus for each individual is determined by the responsible Supervisory Board of MAN Truck & Bus AG or MAN Diesel & Turbo SE, respectively.

Volkswagen AG

The variable remuneration (bonus) system for management has three components:

- Long-term incentive bonus (LTI)
- Company performance bonus (CPB)
- Personal performance bonus (PPB)

The **long-term incentive bonus** is directly linked to the targets of the Strategy 2018 program of the Volkswagen Group. It is based on the success criteria derived from the strategy and calculated over a four-year period. The amount of the long-term incentive bonus is generally limited to 200% of the target amount.

The target areas are:

- Leader in customer satisfaction, measured using the Customer Satisfaction Index,
- Leading employer, measured using the Employee Index,
- Unit sales growth, measured using the Growth Index, and
- Increase in the return on sales, measured using the Return Index.

The Customer Satisfaction Index is calculated using indicators that quantify the overall satisfaction of our customers with the delivering dealers, new vehicles, and the service operations based on their last workshop visit. The Employee Index is determined using the “employment” and “productivity” indicators as well as the participation rate and results of employee surveys. The Growth Index is calculated using the “deliveries to customers” and “market share” indicators. The Return Index is derived from the return on sales and the dividend per ordinary share.

The indices on customer satisfaction, employees, and unit sales are aggregated and the result is multiplied by the Return Index. This method ensures that the LTI is only paid out if the Group is also financially successful. If the 1.5% threshold for the return on sales is not exceeded, the Return Index is zero. This would mean that the overall index for the fiscal year concerned is also zero.

The amount of the **company performance bonus** depends on the financial success of the Group company that employs the individual concerned. It is calculated on the basis of the relevant Group company's operating profit over a two-year assessment period.

The **personal performance bonus** recognizes the individual employee's performance in the past fiscal year on the basis of the performance rating and the extent to which the targets set in the individual target agreement have been met. The bonus is determined according to quantitative and qualitative factors. The personal performance bonus is determined for each individual in a process that involves several parties.

It fluctuates between a lower and upper limit specified for each salary band.

C) Occupational pension system

MAN Truck & Bus AG / MAN Diesel & Turbo SE

In the event of regular termination of service, Executive Board members' benefit entitlements comprise retirement, disability, and survivors' benefits. Entitlements to such benefits are accumulated under a defined contribution system, the Capital Account Plan, with the value of benefits dependent upon the performance of certain fund indices.

Every year, MAN Truck & Bus AG (for Mr. Drees, Dr. Intra, and Mr. Lafrentz) and MAN Diesel & Turbo SE (for Dr. Lauber) contribute an amount equal to 20% of eligible remuneration, i.e., of the sum of the respective contractually agreed fixed remuneration and the variable remuneration. Executive Board members may elect to make contributions themselves out of their gross salary.

Contributions and interest are held in individual capital accounts. The performance of the capital account is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters. The risk of the investments is gradually reduced as the beneficiaries get older (lifecycle concept).

At retirement, the beneficiary may elect to receive the balance of the capital account, or at a minimum the total amount of the contributions, as a lump sum payment, in installments, or as an annuity.

In the event of disability or death, the beneficiary is paid the accumulated account balance, or a minimum of four times the individual fixed annual salary.

Volkswagen AG

In the event of regular termination of service, members of the Board of Management are entitled to a pension including survivors' benefits.

The agreed benefits are paid or made available on reaching the standard retirement age applicable to the statutory pension insurance system within the meaning of the *Sozialgesetzbuch* (Volume VI of the German Social Code).

The pension is calculated as a percentage of the basic level of remuneration.

Special contract provisions

In the event of the early termination of their contract without good cause and at the instigation of the company concerned, Executive Board members receive their fixed remuneration, bonus, insurance contributions, and contributions to the pension system until the end of their normal term of office, but for no more than two years. Income from activities elsewhere is offset.

If an Executive Board member's contract is terminated at his instigation (members may terminate their contracts without having to cite reasons, observing a period of notice), payments are only made until the end of the notice period. There are no special change-of-control provisions in place.

The following special arrangements were agreed in connection with the appointment of Mr. Drees, Dr. Intra, Mr. Lafrentz, Dr. Lauber, and Mr. Schelchshorn as members of the Company's Executive Board:

Mr. Schelchshorn did not have any pension entitlements from MAN SE as of his departure from the Executive Board at midnight on June 30, 2017, and Mr. Lafrentz does

not have any pension entitlements from MAN SE. Instead, MAN Truck & Bus AG has undertaken to assume the expenses associated with continuing the existing pension entitlements for Mr. Lafrentz in the Volkswagen Group.

In addition, a special arrangement relating to guaranteed variable remuneration was agreed with Dr. Intra, Mr. Lafrentz, Dr. Lauber, and Mr. Schelchshorn. Mr. Drees, Dr. Intra, Mr. Lafrentz, Dr. Lauber, and Mr. Schelchshorn were entitled to guaranteed variable remuneration already for fiscal year 2016.

Mr. Drees was entitled to a guaranteed monthly bonus from January until June 2017.

Mr. Drees received a special bonus in fiscal years 2016 and 2017. Dr. Intra received a special bonus in fiscal year 2016.

Executive Board members' remuneration in 2017

The remuneration awarded to active members of the Executive Board for their services in fiscal 2017 totaled €5,719 thousand plus €629 thousand for pensions (previous year: €4,535 thousand plus €449 thousand for pensions). The present value of the benefit obligations amounted to €2,381 thousand as of December 31, 2017, of which €515 thousand was attributable to Mr. Drees, €1,360 thousand to Dr. Intra, and €505 thousand to Dr. Lauber. The present value of the benefit obligations to members of the Executive Board in office at the end of 2016 amounted to €276 thousand as of December 31, 2016. Please see note (37) in the Notes to the Consolidated Financial Statements and the following tables for details of the Executive Board members' individual remuneration.

Executive Board members' remuneration is reported individually in this remuneration report on the basis of the uniform model tables recommended in the German Corporate Governance Code (version dated February 7, 2017). These model tables present the benefits granted (table 1) and the benefits actually received (table 2) separately. The benefits granted table presents the targets (payment if targets met 100%) and the minimum and maximum amounts achievable.

Table 1: Executive Board members 2017 (benefits granted)

€ thousand	Joachim Drees ^{1,2} Chief Executive Officer			
	2016	2017	2017 (Min)	2017 (Max)
Fixed remuneration	450	510	510	510
Fringe benefits	88	64	64	64
Total	538	574	574	574
One-year variable remuneration (PPB)	225	285	0	570
Multi-year variable remuneration				
CPB (2 years)	225	285	0	570
LTI (4 years)	225	285	0	570
Other (special arrangements)	345	60	60	60
Total	1,020	915	60	1,770
Pension expense	210	186	186	186
Total remuneration	1,768	1,675	820	2,530

€ thousand	Dr. Carsten Intra ^{1,3} Member of the Board, Chief Human Resources Officer			
	2016	2017	2017 (Min)	2017 (Max)
Fixed remuneration	-	225	225	225
Fringe benefits	-	16	16	16
Total	-	241	241	241
One-year variable remuneration (PPB)	-	113	0	225
Multi-year variable remuneration				
CPB (2 years)	-	113	0	225
LTI (4 years)	-	113	0	225
Other (special arrangements)	-	0	225	0
Total	-	338	225	675
Pension expense	-	84	84	84
Total remuneration	-	663	550	1,000

€ thousand	Jan-Henrik Lafrentz ^{1,2} Member of the Board, Chief Financial Officer			
	2016	2017	2017 (Min)	2017 (Max)
Fixed remuneration	408	408	408	408
Fringe benefits	33	36	36	36
Total	441	444	444	444
One-year variable remuneration (PPB)	204	204	0	408
Multi-year variable remuneration				
CPB (2 years)	204	204	0	408
LTI (4 years)	204	204	0	408
Other (special arrangements)	0	0	0	0
Total	612	612	0	1,224
Pension expense	96	96	96	96
Total remuneration	1,149	1,152	540	1,764

¹ MAN Truck & Bus AG employment contract² Joined October 1, 2015³ Joined July 1, 2017

Table 1: Executive Board members 2017 (benefits granted)

€ thousand	Dr. Uwe Lauber^{4,5} Member of the Board			
	2016	2017	2017 (Min)	2017 (Max)
Fixed remuneration	-	400	400	400
Fringe benefits	-	26	26	26
Total	-	426	426	426
One-year variable remuneration (PPB)	-	200	0	400
Multi-year variable remuneration				
CPB (2 years)	-	200	0	400
LTI (4 years)	-	200	0	400
Other (special arrangements)	-	0	375	0
Total		600	375	1,200
Pension expense	-	165	165	165
Total remuneration	-	1,191	966	1,791

€ thousand	Josef Schelchshorn^{6,7,8} Member of the Board, Chief Human Resources Officer			
	2016	2017	2017 (Min)	2017 (Max)
Fixed remuneration	432	220	220	220
Fringe benefits	36	18	18	18
Total	468	238	238	238
One-year variable remuneration (PPB)	280	140	0	280
Multi-year variable remuneration				
CPB (2 years)	280	140	0	280
LTI (4 years)	280	140	0	280
Other (special arrangements)	360	180	600	
Total	1,200	600	600	840
Pension expense	143	98	98	98
Total remuneration	1,811	936	936	1,176

* MAN Diesel & Turbo SE employment contract

⁵ Joined March 1, 2017⁶ Volkswagen AG employment contract⁷ Joined July 1, 2015⁸ Until June 30, 2017

Table 2: Executive Board members 2017 (benefits received)

€ thousand	Joachim Drees ^{1,2} Chief Executive Officer		Dr. Carsten Intra ^{1,3} Member of the Board, Chief Human Resources Officer		Jan-Henrik Lafrentz ^{1,2} Member of the Board, Chief Financial Officer		Dr. Uwe Lauber ^{4,5} Member of the Board		Josef Schelchshorn ^{6,7,8} Member of the Board, Chief Human Resources Officer	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Fixed remuneration	450	510	-	225	408	408	-	400	432	220
Fringe benefits	88	64	-	16	33	36	-	26	36	18
Total	538	574	-	241	441	444	-	426	468	238
One-year variable remuneration (PPB)	293	428	-	158	316	275	-	240	406	168
Multi-year variable remuneration										
CPB (2 years)	178	353	-	140	161	253	-	148	176	185
LTI (4 years)	266	336	-	133	241	241	-	236	330	166
Other (special arrangements)	434	256	-	0	0	0	-	0	288	81
Total⁹	1,170	1,373	-	430	718	769	-	624	1,200	600
Pension expense	210	186	-	84	96	96	-	165	143	98
Total remuneration	1,918	2,133	-	755	1,255	1,309	-	1,215	1,811	936

¹ MAN Truck & Bus AG employment contract

² Joined October 1, 2015

³ Joined July 1, 2017

⁴ MAN Diesel & Turbo SE employment contract

⁵ Joined March 1, 2017

⁶ Volkswagen AG employment contract

⁷ Joined July 1, 2015

⁸ Until June 30, 2017

⁹ 2016: Adjustment following preparation of the 2016 Annual Report; 2017: Information based on key figures currently available

Supervisory Board remuneration

The structure and amount of Supervisory Board remuneration are stipulated by the Annual General Meeting and governed by Article 12 of the Articles of Association. They are based on the tasks and responsibilities of the Supervisory Board members as well as on the Group's economic performance.

The annual remuneration comprises the following components:

- basic (fixed) remuneration of €35,000;
- variable remuneration (bonus). This is based on actual earnings per share as reported in the consolidated financial statements. The variable remuneration is €175 for every €0.01 by which earnings per share exceed €0.50. It is capped at twice the basic remuneration.

Additional remuneration is paid to the chairperson and deputy chairperson of the Supervisory Board as well as to the chairperson and members of the Supervisory Board committees. The Supervisory Board chairperson receives double and his/her deputy one-and-a-half times the fixed and variable remuneration. Members of the Supervisory

Board's Audit Committee and Presiding Committee each receive an additional 50% and the chairpersons of the two committees receive an additional 100% of the basic remuneration.

Pursuant to the Articles of Association of MAN SE, the members of the Supervisory Board additionally receive an attendance fee of €500 in each case for meetings of the Supervisory Board or of Supervisory Board committees at which they are present.

In addition, members of the Supervisory Board are reimbursed for their expenses.

Remuneration and expenses reimbursed that are subject to value-added tax are paid gross of value-added tax if this is invoiced separately.

The variable remuneration component is based on MAN's earnings per share and is therefore not absolutely aligned with sustainable corporate development. To this extent, it could be said that the remuneration of the Supervisory Board is not in line with the recommendation contained in the Corporate Governance Code. The Company has

therefore declared as a precautionary measure that it does not follow the recommendation set out in section 5.4.6 of the Code.

Supervisory Board members' remuneration in 2017

The total remuneration payable to the members of the Supervisory Board for 2017 amounts to €1,125 thousand (previous year: €751 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €138 thousand (previous year: €150 thousand) for serving on supervisory boards at Group companies in fiscal 2017. Please see note (38) in the Notes to the Consolidated Financial Statements for a breakdown of the individual remuneration of the Supervisory Board members in 2017.

Additional information

Supervisory Board members did not receive any additional remuneration or awards for personal services, particularly advisory or intermediary services, during the reporting period.

Former Supervisory Board members who left the Board prior to January 1, 2017, do not receive any remuneration.