



Speech by Joachim Drees, CEO of MAN SE, at the Annual General Meeting on June 15, 2016

Munich, June 15, 2016

– CHECK AGAINST DELIVERY – – CONVENIENCE TRANSLATION; IN CASE OF INCONSISTENCIES, THE GERMAN ORIGINAL VERSION PREVAILS –

Dear Shareholders, Dear Guests, Ladies and Gentlemen,

On behalf of the Executive Board, it is my pleasure to welcome you to the Annual General Meeting of MAN SE. After two years in Hanover, this year's Annual General Meeting is held in Munich again, for the first time at the MAN Truck Forum, in direct proximity to our Munich plant — our largest site. It is our pleasure to welcome you here.

Ladies and gentlemen, we have several vehicles and machines on display to bring our products closer to you. You probably already saw the buses in the open space in front of the Truck Forum: the MAN Lion's Intercity as well as our premium double-decker coach — the NEOPLAN Skyliner. The other exhibits are here in this building. These include our truck flagship, MAN TGX D38, boasting a horsepower of up to 640 as well as a Volkswagen Constellation from MAN Latin America. In addition, we have MAN Diesel & Turbo's new high-speed engine 175D with up to 2,200 kW on display for you. As you know, these products cover only a small part of the MAN Group's product range. However, most of the products from MAN Diesel & Turbo and Renk are simply too bulky to exhibit them here. But I have some pictures which I will show you later.

We have around 8,500 employees at our Munich plant. We manufacture trucks in the TGS and TGX series and other series components such as driver cabs, axles, transfer cases, and drive shafts. Since 1955, we have produced more than one million trucks, one and a half million driver cabs, and 2.3 million axles on site. And we have been doing so since 1955. Back then, MAN relocated its truck and bus production site from Nuremberg to this one. On this picture, you can see the first unit we produced. It was an MAN 515 L1 — a 5 ton truck with a horsepower of 115. That is now more than 60 years ago!

The MAN Group is one of Europe's leading industrial players in transport-related engineering with revenue of approximately €13.7 billion in 2015. As a supplier of trucks, buses, diesel engines, turbomachinery, and special gear units, MAN employs approximately 55,000 people worldwide. Its business areas hold leading positions in their respective markets.



The beginning of our commercial vehicles history, however, dates back even further — more than 100 years. In 1915, MAN built its first truck and its first bus; the site was then still located in Lindau on Lake Constance. The “MAN Saurer” were the first 3-ton trucks and the brewery Augustiner Bräu was one of our first customers. On this picture you can see an MAN Saurer delivering beer barrels.

On the occasion of the 60th and 100th anniversary, we marked the event with a big open day for families. 30,000 employees, family members, and guests attended the anniversary at the plant. It was a lovely event for both of MAN Truck & Bus’s anniversaries.

But that is not all: last year, we celebrated MAN’s 175th anniversary in Augsburg. In 1840, the entrepreneur Ludwig Sander laid the foundations for our history there. The factory buildings were first used for manufacturing machines for the textile industry. As of the mid-19th century, we then went on to produce steam engines there before Rudolf Diesel invented the diesel engine in 1893.

As you can see, we can be proud of MAN’s longstanding and impressive history. In equal measure, it encourages us to tackle current and future challenges.

Ladies and gentlemen, let us now take a look back at the past fiscal year. 2015 again was a challenge for MAN: on the one hand, we profited from our strong position on the recovering European commercial vehicles market. On the other hand, the situation in other regions and in the Power Engineering business area remained tense. Russia and Brazil still are a cause for concern.

With MAN Truck & Bus we managed to maintain our truck position in the key markets in Europe while further expanding our bus segment. We posted an increase in both sales revenue and unit sales.

MAN Latin America defended its market leadership in 2015 for the 13th year in succession for trucks with a permissible gross vehicle weight of more than 5 tons. However, the contracting economy had a considerable impact on sales revenue and unit sales.

At MAN Diesel & Turbo, the downward market trend in Engines & Marine Systems and Turbomachinery had a dampening effect. In addition, Power Plants felt the impact of slower economic growth and longer project lead times. The situation remains tense.



Our investee Renk continued to bring us a great deal of pleasure and again managed to post excellent results in fiscal year 2015.

The MAN Group's order intake reached €14.4 billion in fiscal 2015. In the Commercial Vehicles business area, order intake amounted to €11.0 billion; MAN Truck & Bus received 9% more orders but did not manage to compensate the 50% decline at MAN Latin America. In the Power Engineering business area, order intake declined by 13% year-on-year to €3.4 billion.

In 2015, the MAN Group generated sales revenue of €13.7 billion. The Commercial Vehicles business area recorded sales revenue of €10.0 billion. MAN Truck & Bus generated year-on-year growth of 7%. Unit sales increased to 79,222 vehicles. MAN Latin America's sales revenue declined to €1.0 billion; unit sales declined to 24,472 vehicles. Sales revenue amounted to €3.8 billion in the Power Engineering business area. MAN Diesel & Turbo posted sales revenue of €3.3 billion, while Renk generated €487 million.

The MAN Group's operating profit after restructuring expenses at MAN Truck & Bus was €92 million in fiscal 2015. The MAN Group recorded an operating profit before special items of €277 million. MAN Truck & Bus recorded an operating profit before special items of €205 million, up 35% as against the previous year. This is where we now can see the improved results from the efforts we have been making since spring 2015. But more on that later. Special items weighed on operating profit related to restructuring expenses of €185 million for the future growth program. Taking special items into account, this reduced MAN Truck & Bus's operating profit to €20 million. MAN Latin America recorded an operating loss of €120 million. MAN Diesel & Turbo recorded an operating profit of €216 million. Renk posted €68 million. The MAN Group's operating return on sales after restructuring expenses declined to 0.7% in 2015. Operating return on sales before special items was 2.0%.

This business performance is unsatisfactory. We have therefore initiated or stepped up measures to increase profitability in all Company divisions in the long-term. We have first and foremost analyzed the existing efficiency programs, stepped up our level of ambition, and increased the implementation rate while clearly embedding responsibility at the Executive Board. This will now pave the way for a better future.

Dear shareholders, as you know, MAN SE no longer distributes dividends. Instead, Volkswagen Truck & Bus GmbH has agreed to make annual cash



compensation payments of €3.07 per common or preferred share for fiscal year 2015, too, as reasonable compensation to MAN SE free float shareholders for the duration of the DPLTA.

MAN common shares gained slightly in strength in 2015 and closed up 1% at €92.70; yesterday its closing price was €93 and 95 cents. In view of the cash compensation payments and measured by the low risk and low interest rates, MAN shares are an attractive investment.

At Volkswagen Truck & Bus GmbH we are on target, too. In this context, MAN forms a strong pillar. As you know, the Supervisory Board of Volkswagen AG approved the realignment of the truck and bus business under the roof of Volkswagen Truck & Bus GmbH where three strong brands are closely working together: MAN Truck & Bus, MAN Latin America — posting most of its unit sales under Volkswagen Caminhões e Ônibus — as well as Scania. At the same time, however, the brand identities and operational responsibility remain unchanged. The objective is clear: to jointly form a “global champion.”

The establishment of the company is progressing in leaps and bounds. We have now filled all the relevant management positions in the commercial vehicles holding and have a defined strategy.

We can see how much progress we have made when looking at joint purchasing across all brands in terms of truck components, IT, and services, for example. In response to the difficult market development in Russia, we have combined the assemblies of MAN and Scania at our plant in St. Petersburg. Thanks to MAN and Scania’s joint transmission development, we can achieve considerable savings in research and development and material costs. In the long run, we are relying on joint platforms in this development. One of the main cost drivers in this context is the drive train in particular. All in all, Volkswagen Truck & Bus GmbH aims at saving up to €1 billion per annum through synergies in the long term.

Let us now take a glance at our subgroups. I would like to begin with MAN Truck & Bus.

In 2015, MAN Truck & Bus scored the best results in the TÜV Report for the fourth time in a row. In this report, TÜV compares the quality of trucks produced in series by analyzing the results of the annual main inspection. By winning for the fourth time in a row, we not only left our competitors running far behind but also managed to inspire our customers. Our customers can only earn money with a working truck — and this record shows us that our customers are well on the way with us.



But we do not intend to rest on our laurels. Our Annual Report bears the title “BEING BETTER.” That is what we stand for, claim, and what drives us. We are constantly working on the efficiency, quality, and reliability of our products. For being better: more innovative, more powerful, more reliable — and more efficient.

In 2015, we fulfilled this claim with our top-of-the-range truck TGX D38. At its center is a 15 liter in-line six-cylinder engine that was used in series for the first time in 2015. With its modern Common-Rail technology, the D38 sets new standards in terms of fuel consumption and CO₂ emissions. In on-road tests, the truck convinced the trade press with the lowest fuel consumption in its displacement class. You will find one TGX D38 exhibited behind you in the Truck Forum.

Last year, we also celebrated the launch of the Lion’s Intercity. The Lion’s Intercity can be used in long-distance transport, school bus service, or as a shuttle. It offers maximum safety and already meets the standard ECE R66.02, applicable from 2017 for roll-over rigidity for buses. In addition, its lightweight construction guarantees low fuel consumption. We recently won the iF Gold Award 2016 for its timeless design, clear lines, and all the flawlessly implemented details. You can have a closer look at the vehicle in front of the Truck Forum.

As you know, we not only sell entire vehicles but also engines and components to our customers. We have developed a tractor engine for the company Fendt, which we will start producing in series this year. The engine with a horsepower of up to 517 will be used in large tow tractors, for example. In the background you can see a picture of the Fendt 1000 Vario with the MAN D26 engine — one of the largest standard tow tractors worldwide.

Ladies and gentlemen, apart from this operating progress, MAN Truck & Bus defined a new strategy last year. This strategy named “FUTURE LION” formulates the claim of bringing MAN back to where it belongs — at the helm of the commercial vehicles industry!

The strategy consists of three phases: Our future growth program “PACE 2017” will help us to increase our profitability and competitiveness. In phase 2 is all about exploiting growth potential with a clear market and product strategy. At the same time we are already working on phase 3. With this “extended business model,” we are preparing for the new major trend of digitization.



But let us start with our future growth program: Our aim is to significantly improve our operating profit by the end of 2017.

One focus will be on realigning the production sites as well as streamlining all administrative areas. In addition, we will cut production costs and increase sales performance. This will make us more efficient and flexible to enable sustainable growth. We will allocate tasks to the truck production sites in such a way that every plant has a clear area of responsibility and core competencies.

At the same time, we are streamlining our indirect areas by cutting around 1,400 posts in administration. Compulsory redundancies — as well as closing sites — are out of question. The structural changes were developed in close collaboration of the management and employee representatives.

Our future growth program is making great progress so far. We are currently ahead of the pro-rata plan.

Moving now to phase 2 of the strategy. The “market and product focus” phase is about generating growth to get MAN on the fast track. In order to achieve this, our motto is: instead of investing in equal measures, we will concentrate on attractive businesses and make targeted investments. For this purpose, we are analyzing the competitive landscape and deducing targeted sales and products strategies.

In 2016, we will invest €570 million into the development of new products. That is the highest investment in the history of our Company. In comparison: in 2010 we only invested €260 million — which is less than half of the budget now.

Our goals are ambitions but realistic. For 2021, our aim is to generate a return on sales at MAN Truck & Bus of 8% and unit sales of 125,000 vehicles — 100,000 trucks, 7,000 buses, 18,000 vans. Our large MAN TGE van will have its premiere at the IAA in fall and be available as of 2017.

Digitization is one of our major challenges. Because one thing is clear: it is fundamentally changing our business. I am absolutely convinced that it will be difficult to be ahead of competition only with hardware. This differentiation will be increasingly achieved with digital added-value services. We have recognized the signs of time and are focusing phase 3 of the strategy on developing digital products and services. That is why we founded the “FleetSolutions” division in November 2015. This is where we analyze individual truck data following the customers’ consent. We can currently monitor fuel consumption via remote analysis, for example. We



can tell you the current location of a truck in real time. Thanks to diagnostic systems, we can tell when certain wear and tear parts have reached the end of their useful life. And that is only the beginning. We are currently developing an electronic platform. This platform will give customers access to digital products and services — regardless of the brand of the truck, bus, or van.

Transporting goods on highways could soon become efficient and safe thanks to digitally connected semitrailer tractors. To demonstrate this, MAN and Scania participated in the “European Truck Platooning Challenge” — initiated by the European Commission; in this test drive, the trucks were connected in so-called “platoons” via digital data transfer.

Participating in this event was a huge success for MAN — on the one hand because we produced impressive proof that our solution is technically feasible. On the other hand we hosted the event together with the German Transportation Minister Alexander Dobrindt at the Truck Forum — a success that made our competitors quite envious!

Apart from paving the way in terms of content, cultural change will be another decisive factor for being successful in the future. We conducted 60 interviews in which we asked 350 employees from all areas of responsibility and sites about corporate culture, values, and cooperation. The results will form the basis for sustainable change. In addition, we have set up a project and are working towards a joint objective: creating a performance culture of team players. Only if we integrate constant change as part of our culture will we manage to be successful at MAN Truck & Bus in the long run. With the Change Project and FUTURE LION we are now on the right track.

Let us now look across the pond to Brazil. As you know, the country is undergoing a major crisis at the moment. This is due to instable political conditions and lack of trust. Tough measures are still necessary to combat sovereign debt and bribery of authorities. Compared with 2011, the commercial vehicles market declined by 70% last year.

MAN Latin America has responded to this trend by initiating various measures to secure the operating result. We have made savings in general and material costs, especially thanks to localization, lower investment, and improved productivity. Thanks to Consórcio Modular, our supplier production network, we were able to cushion the blow of the sales crisis to the best of our ability. In addition, we offered settlement payments and issued temporary contracts.



Despite these measures, the recession and high inflation are still dominating the economic environment. State-subsidized financing for the automotive industry is restrictive and offered with less favorable terms. For 2016, we are therefore expecting demand for trucks and buses to again remain noticeably below the prior-year level. We are, however, convinced that in the medium to long-term, the Brazilian economy will rebound, which will have a positive effect on the commercial vehicles market.

We are continuing to make strategically important product investments even in times of crisis. From 2012 to 2017 we assessed investments totaling 1 billion Brazilian real, which equals around €250 million. 400 million real, i.e. around €100 million are still due up to 2017. Our strategy is clear: we will record growth again at MAN Latin America. We see particularly good opportunities in operating leasing and exports. MAN Latin America is the first Brazilian vehicle manufacturer to offer operating leasing. The first contracts have already been concluded and we have already received further purchasing offers. At the same time, we are preparing to enter the market in several African countries and in the Middle East. Assembly plants for CKD manufacturing are planned, for example, in Nigeria, Kenya, and Algeria. Our aim is to increase the share in exports to 40% to gain more independence from the Brazilian market.

Ladies and gentlemen, let us now move on to the Power Engineering business area. At the Power-Gen trade fair in Milan, that will open its doors next week, MAN Diesel & Turbo will present a modular power plant solution for combined heat and power systems — this is particularly interesting as a back-up solution for the input of renewable energies such as wind and solar energy. MAN Diesel & Turbo not only offers the widest range of gas engine portfolios on the market. It also presents a two-stage turbocharged model in a 20.7 MW version — here in this picture on the right — which is the most powerful gas engine currently available on the market. It measures more than six meters in height and weighs 373 tons — it would not even fit through this door. The new gas engines are extremely flexible in terms of use, such as fast starts and stops and ramp-ups. In addition, they are very well suited for combined heat and power projects.

On the left you can see our latest-generation gas turbine. Four of these turbines were only recently put into operation at the Volkswagen plant in Anting, China. The energy generated there covers the annual need for the entire plant including the transmission production nearby. The plant replaces all coal-fired plants. This means that CO₂ emissions are reduced by 59,000 tons each year.



We have put a revolutionary subsea unit into operation for gas extraction. In fall 2015, the first compressor unit was installed and put into operation on the seabed of the Norwegian Sea — equipped with two compressor units from MAN Diesel & Turbo. On this picture, you can see the installation. This technology guarantees lower investment costs, less energy demand, and lower CO₂ emissions; in addition, production rates are increased. These are characteristics that sit very well with us, especially at this point in time when exploring new fields is often not viable due to low oil prices. Developing the next generation of such subsea facilities is now driven forward to use them profitably for small oil and gas fields.

MAN Diesel & Turbo's markets are closely correlated with regional and economic developments. The difficult market environment will persist in 2016. In the processing, oil, and gas industry, we expect high pricing and competitive pressure to continue, even in the marine market. Due to low oil prices, we only expect very few new orders in the offshore sector.

Within the scope of the efficiency program, MAN Diesel & Turbo implemented various measures in 2015, e.g. making savings with central procurement structures, cross-functional bundling of demands, as well as price adjustments for spare parts and technical service. We are still specifically analyzing processes and structures to meet the requirements of the new market environment.

It will be decisive for our future success to become even more client-oriented, to expand our technology leadership, and to give priority to internationalization. This is where our service network plays a crucial part. In the past year, we founded new service centers in Egypt and Nigeria, among others, to increase our global presence. Existing sites have been further strengthened, for example in Greece, Italy, and the United Arab Emirates. In India, we acquired a company that delivers steam turbines for the power generation market. In addition, MAN Diesel & Turbo continued to strengthen its position in supplying marine systems by acquiring a fuel gas supply system of a marine liquid natural gas (LNG) system provider. As marine fuel, LNG will play an increasingly important role in the next years and decades.

With its special solutions for transmission and bearing applications, our investee Renk covers a large number of different market segments. One impressive transmission is the cutter suction dredger that you can see in this picture. It weighs 290 tons — and is thus the largest and heaviest transmission that was ever built for a special-purpose ship. The total output



on board is 41 megawatts. For me, this is a great example for the outstanding skills at Renk, that can open up doors to other exiting projects in this area.

Innovative top-notch technology and outstanding quality form an integral part of the strategic focus at Renk. Global demand for challenging marine transmissions continues unabated. At the moment and in future, Renk continues to satisfy this demand with first-class solutions and products. To this end, the company is making targeted investments in modernizing and supplementing its production plants for vehicle transmissions and optimizing its global service system.

The VDMA estimates that global mechanical engineering will only see little dynamic development this year. With a leading market position in almost all Power Engineering business areas, our aim is to keep and optimize this position, e.g. by further expanding the after-sales business.

Ladies and gentlemen, as a Company we also have social responsibility. Our employees are helping refugees in our country with various activities to provide basic care for people in need. In addition, the Executive Board and the Group Works Council joined forces to encourage donations from MAN employees at our sites in Germany. Employee donations were topped off by the Company, resulting in a sum of €200,000 for refugee assistance — half of it went into the integration of refugees through education and training. In addition, we provided international and regional aid for international organizations such as the United Nations and regional refugee programs at our sites. Furthermore, we took in two refugees for initial qualifications. On this picture you can see the two colleagues who started at MAN Diesel & Turbo in September 2015. This worked so well that both colleagues will enter into regular vocational traineeships as of September. I am very happy about that.

In 2015, we were also able to maintain our position as one of the most sustainable companies worldwide. We took top positions in prominent rankings again, for example for the Dow Jones Sustainability and World and Europe Indices. We also achieved top results from the Carbon Disclosure Project in our fight against climate change. And we received an “A-minus” performance rating for measures and strategies initiated for reducing CO₂ emissions. Our MAN Group’s Corporate Responsibility Report won the European Excellence Award in Stockholm in the category CSR Report.



Apart from sustainability, we also actively support equal opportunities for men and women. 16.3% of our employees under 35 in Germany are women. We are constantly working to increase the number of female managers — in 2015 the percentage of women was 8.5%. The percentage of women as candidates for management positions is 18 %; this is a positive sign for increasing the proportion of female managers. No woman is currently represented in one of the MAN Executive Boards. On the Supervisory Board, we have three women; after today's Annual General Meeting, we will probably have four. Since there are only few women in technical studies and professions in Germany, we offer special HR development and training measures for female employees and managers. In addition, we are working on balancing a career and family life. This includes, among others, flexible working arrangement as well as childcare in our company crèches and kindergartens.

Ladies and gentlemen, MAN has seen 2016 off to a successful start. In the first quarter of 2016, we managed to sell significantly more trucks and buses. All in all, we anticipate that the global economy will see slightly stronger growth in 2016 compared with the reporting period, despite a number of uncertainties. Structural deficits, geopolitical conflicts, and the trend in oil prices we think are the main risks to continued growth.

In the Commercial Vehicles business area, we expect unit sales for 2016 to be on a level with the previous year, while sales revenue will fall slightly short of the prior-year figure. Buoyed by the measures we have initiated, operating profit and operating return on sales will be up significantly year-on-year. Both key indicators will also significantly exceed the 2015 figures before special items.

In the Power Engineering business area, we expect order intake in 2016 to be at the prior-year level. Sales revenue will be noticeably lower than in the previous year. Strong competitive pressure will continue to weigh on the strained markets in 2016. Operating profit and operating return on sales will therefore be significantly lower than the prior-year figures.

This will mean a slight year-on-year decline in the MAN Group's sales revenue. Operating profit and operating return on sales will be up significantly year-on-year.

Dear shareholders, dear guests, in closing I would like to thank our employees for their excellent work, their strong dedication and motivation. There seems to be a great spirit of change among the staff. That is another reason why I am convinced that we will master the tasks ahead of us

Press Release
MAN SE



together. MAN is a strong brand with excellent products and a reliable and competent team. We will have the courage to address the challenges of the future and shape it together successfully in an open and transparent culture.

Thank you very much for your confidence and your attention!