



## **MAN boosts operating profit significantly**

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**Programs for the future provide major impetus, structural improvements pay off, positive outlook for 2017**

### **Fiscal year 2016 at a glance**

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- **€14.4 billion – Order intake on a level with the previous year**  
[2015: €14.4 billion]
- **€13.6 billion – Sales revenue slightly below the previous year**  
[2015: €13.7 billion]
- **€204 million – Significant improvement in operating profit**  
[2015: €92 million]
- **1.5% – Significant improvement in operating return on sales**  
[2015: 0.7%]
- **Break-even net cash flow**  
[2015: €0.5 billion]

2016 saw MAN noticeably improve its operating profit by over €100 million to €204 million. Excluding special items attributable to restructuring expenses, operating profit was lifted to over €400 million. As well as positive momentum from the European commercial vehicles market, this was largely attributable to structural improvements at MAN Truck & Bus. Specifically introduced programs for the future will help to sustainably improve earnings at MAN Latin America and MAN Diesel & Turbo. The outlook for the MAN Group is positive: sales revenue is expected to be slightly higher in 2017 with operating profit and operating return on sales increasing significantly.

The global economy recorded muted growth in fiscal 2016 and was impacted by economic and political crises. The Commercial Vehicles business area generated significant growth in the European commercial vehicles market. In a number of individual countries such as Italy and Poland, demand for powerful commercial vehicles was particularly high.

The MAN Group is one of Europe's leading industrial players in transport-related engineering, with revenue of approximately €13.6 billion in 2016. As a supplier of trucks, buses, vans, diesel engines, turbomachinery, and special gear units, MAN employs approximately 53,800 people worldwide. Its business areas hold leading positions in their respective markets.



Brazil is a different story: the ongoing recession here led to a considerable market decline as against the already weak prior year.

In the Power Engineering business area, the situation in the marine and turbomachinery markets deteriorated further. Notable exceptions were again cruise ships and the special segment for government vessels. Overcapacity and low transport rates depressed demand in the merchant ship segment. The marine offshore segment and new turbomachinery were also affected by the low oil price leading to a reluctance to invest. Demand for energy solutions in developing countries and emerging economies continued to grow over the course of the year.

In this environment, the MAN Group performed well in 2016:

Despite the difficult market conditions, all of its divisions maintained leading market positions. The company's high level of innovation and quality of its products and services, as well as its customer focus proved a definite advantage. This was confirmed by positive feedback from customers at the SMM trade fair for the maritime sector in Hamburg and the IAA Commercial Vehicles trade fair in Hanover. In addition, the PACE2017 program for the future at MAN Truck & Bus had a significant positive impact in the year under review.

The MAN Group's order intake remained level year-on-year at around €14.4 billion. The company generated a Group sales revenue of €13.6 billion, down slightly on the previous year.

Joachim Drees, Chief Executive Officer of MAN SE, says: "We significantly improved our profitability in 2016. As well as positive momentum from the European commercial vehicles market, this was largely attributable to our structural improvements. MAN Truck & Bus saw significant earnings growth in 2016. This success is only possible as a team and underlines the need to work on our structures and processes in a systematic and forward-looking way."

MAN Latin America and MAN Diesel & Turbo recorded declines in operating profit. As well as the deterioration in market conditions, this is also due to the fact that programs for the future were specifically introduced in these two divisions. Renk turned in a stable performance. The MAN Group's operating return on sales increased noticeably from 0.7% to 1.5%.

2017 will see the MAN Group focus on the following areas:



In the fall of 2016, MAN Diesel & Turbo initiated the Base Camp 3000+ program for the future and is already systematically implementing this. There is great need for change in the Turbomachinery strategic business unit in particular. The package of measures aims to sustainably improve MAN Diesel & Turbo's earnings by €450 million, taking into account counteracting developments such as increases in salaries under collective bargaining agreements here. As well as updating the strategy to focus on digitalization and decarbonization, the program is designed to optimize internal processes and substantially improve the cost structure. Efficiency and optimization measures are planned for development, sales, quality, and product costs in particular.

In the Commercial Vehicles business area, the PACE2017 program for the future at MAN Truck & Bus as well as the restructuring measures at MAN Latin America will continue to be implemented. Another important step is the lead engineering concept, which sets out clear principles for joint development activities. Cross-brand teams from MAN Truck & Bus, MAN Latin America, and Scania together expedite the development of core powertrain components under the umbrella of Volkswagen Truck & Bus. In the process, common platforms for engines, transmissions, axles, and exhaust after-treatment systems will be created that are then adapted by the individual brands. The brands will, however, retain their identities and full operational responsibilities.

Global demand for innovative solutions in the transportation and energy sectors will continue to rise and so MAN will continue to pursue its long-term strategy of profitable growth with a focus on transportation and energy. The after-sales business is being continually expanded in all divisions. Technology leadership remains a critical success factor for MAN. Core focus areas in the development of innovative products and solutions include the growing need to reduce fuel consumption and emissions, as well as efficient, reliable, and environmentally friendly energy generation.

The digital transformation offers us additional opportunities and potential, which MAN seeks to actively exploit and address through new business models such as innovative mobility solutions. This is why the digital brand RIO was initiated. The open and cloud-based platform bundles digital services for the entire transportation industry. For the first time, it connects all players in the supply chain — shippers, dispatchers, carriers, drivers, and recipients.

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The MAN Group expects to generate slightly higher sales revenue year on-year in 2017. Boosted by the measures introduced to safeguard its future, the MAN Group's operating profit and operating return on sales will be significantly higher than in 2016 — and will also noticeably exceed the 2016 figures before special items.