



## **Speech by Dr. Georg Pachta-Reyhofen, CEO of MAN SE, at the Annual General Meeting on May 6, 2015, in Hanover**

Hanover, May 06, 2015

**— CHECK AGAINST DELIVERY —**

**— CONVENIENCE TRANSLATION; IN CASE OF INCONSISTENCIES, THE GERMAN ORIGINAL VERSION PREVAILS —**

Dear shareholders, dear guests, ladies and gentlemen,

Allow me to welcome you to this year's Annual General Meeting of MAN SE. As was the case last year, you have again come to Hanover this year to obtain information on your company and to set the course for MAN. Yesterday, Volkswagen AG held its Annual General Meeting in this venue, today it is the Annual General Meeting of MAN SE. This not only allows us to save costs but also to jointly use the existing infrastructure. Furthermore, it provides an excellent opportunity for us: The exhibition center that you could see on your way in, gives us an excellent opportunity to present ourselves as an integral part of the Volkswagen Group. Virtually no other company can assemble such a plethora of mobility "under one roof": ranging from motorcycles from the brand Ducati, over first-class passenger cars, such as Volkswagen or Audi, sports cars from Porsche, Bentley or Lamborghini, to trucks, buses, marine diesel engines, or turbines of MAN. Seeing all this condensed in one exhibition hall, is again very impressive.

Mobility defines our modern lives. And it is full of fascination. We are proud of our commercial vehicles and machines that constitute the backbone of our economic system. Global trade would come to a standstill without them. They are the result of ample experience, a drive to innovate, passion, and our employees' dedication. In the end these products are the reason for your investing in our company.

However, it is not enough to constantly want to improve the status quo. Instead, we must in fact keep questioning ourselves and identify customer needs early on. This is one of our strong suits: MAN has been doing precisely so for 257 years. This is why we pay particular attention to developments and trends. Digitalization, for example, has already drastically

The MAN Group is one of Europe's leading industrial players in transport-related engineering, with revenue of approximately €14.3 billion in 2014. As a supplier of trucks, buses, diesel engines, turbomachinery, and special gear units, MAN employs approximately 55,900 people worldwide. Its business areas hold leading positions in their respective markets.



changed our business landscape and will continue to do so. In logistics, telematic and electronic assistance systems have become a fixed part of our customers' daily life.

People no longer perceive marine engines and commercial vehicles as high-tech products. And they are quite wrong in doing so: Hybrid drives have been used in marine propulsion systems for many years – as a combination of diesel and electric drives or engines and turbines as well as continuously variable multi-fuel engines that run on liquid and gaseous fuels. We do not only want to follow these trends but also actively shape them. But more on that later.

First of all, however, I would like to tell you about the past fiscal year. Just one thing beforehand: The past year was again not an easy year for MAN. It was a year dominated by economic and political crises that hampered our business and can still be felt in some areas. But I can assure you: Economic crises can slow us down, but certainly never throw us off track.

The commercial vehicles and machine business has always moved in cycles. This is due to the fact that we as manufacturers of capital goods always feel the effects first, when it comes to economic fluctuations. A healthy economy fuels production and thus increases the need for transportation; the effects can be seen in our order books. In such phases, turbomachinery used in plastics production, for example, is in high demand. However, if the engine of growth splutters, our customers become more reserved. But we are well prepared when it comes to these – in quotes – normal fluctuations. In times of political crisis, however, we solely rely on the diplomatic skills of politics. Our customers are all companies. And every sound business needs a secure climate for investments. If this is not the case, then orders are, quite understandably, put on the back burner. Security in this context can be understood as security in decision-making – for example when it comes to future emission regulations. At the moment we can see in the Middle East and in Ukraine, for example, how quickly security can turn into an absolutely essential basic need.

2014 was a year that saw both factors combined. Regional conflicts on the one hand and stagnating markets, particularly in the BRIC countries, weighed down investment activities. Let us look at Brazil, for example: a market that – as you know – is particularly important to us. The presidential elections there did not bring about the desired economic upswing. On the contrary, economic growth in Brazil is still in a phase of recession, inflation



is on the rise, demand for trucks and buses declined sharply last year and is still on a negative path.

This is a particular blow to us and all our competitors. In the past few years, Brazil has been a source of great joy to us – and last but not least for you as shareholders, too. Now we look southwest across the Atlantic with somewhat concern. It is, however, remarkable that in 2014, MAN Latin America still generated a profit despite the exceedingly difficult situation of seeing sales revenue decline by 24%. Luckily enough we have our “Consórcio Modular” production system at the site in Resende that is still unmatched worldwide when it comes to flexibility. Together with hand-picked system suppliers we manufacture trucks and bus chassis on this site. This distributes the burden across several shoulders. In addition, we have the right products on offer for the Latin American market. Even if some painful cuts have to be made. Both management and employees are pulling their weight together. In contrast to other competitors, MAN Latin America has managed to do without compulsory redundancies. When the economy picks up again, we will have top-qualified and motivated employees on board. Then we can reenter into fierce competition and successfully defend our twelve-year market leadership.

In Europe it was the crisis in Ukraine that gave us headaches. In this case, however, the trade sanctions only had minor effects on our business. It is rather the entire Russian economy that is feeling the effects of the low oil price and unfavorable exchange rate. Furthermore, a lot of companies are weighed down by financing issues and insecurity due to the crisis in Ukraine. This as well leads to a massive decrease in demand for industrial goods. Like our western competitors, we as market leader recorded a roughly 30% decline in truck unit sales there. For this reason, production in St. Petersburg has been discontinued from March 1, to probably May 12, 2015. In this case we can only hope that the political forces, that so far have been acting wisely, will soon find a diplomatic solution to the conflict. We must not forget: Europe’s prosperity is based on peace, common values and reliability.

This and other economic framework conditions lead to a noticeable decline of our business figures. The MAN Group’s order intake declined by 5% in 2014 to €15.3 billion. Order intake in the Commercial Vehicles business area decreased 9% to €11.4 billion. The Power Engineering business area recorded order intake approximately on a level with the prior-year figure, at €3.9 billion. As I already mentioned, MAN Latin America saw its order intake drop by around 24% in fiscal 2014. Renk’s largest-ever single order



helped the company record an order intake of €666 million, the highest in its history and up almost one third on the 2013 figure.

The MAN Group of course could not escape the market situation either and saw its sales revenue decline by 10% to around €14.3 billion. Both the Commercial Vehicles business area and the Power Engineering business area saw a decline. MAN Truck & Bus generated sales revenue of €8.4 billion, and MAN Latin America €2.3 billion, down 9% and 24% respectively on the prior-year figure. MAN Diesel & Turbo recorded a less significant decline of 3% to €3.3 billion. Another pleasing result was that of Renk: At €480 million, Renk's sales revenue was on a level with the prior-year figure.

In contrast, operating profit improved. After €309 million in the previous year it rose to €384 million in 2014. This was primarily thanks to the Power Engineering business area. As you surely know, the negative figure in fiscal 2013 was primarily attributable to a power plant project that had not yet been completed. It has now improved from €25 million to €278 million. The lion's share can be attributed to MAN Diesel & Turbo with €206 million, and Renk with €72 million. Operating profit in the Commercial Vehicles business area was down significantly year-on-year at €221 million. Although MAN Latin America's operating return declined significantly by €155 million, its growth remained profitable with a result of €65 million. MAN Truck & Bus recorded an operating profit of €152 million.

Let us now move on to the operating return on sales. As you can see, there is a clear division. While it decreased by 1.7 percentage points to 2.1% in the Commercial Vehicles business area, the Engines and Turbomachinery strategic business units picked up again – from 0.6% in the previous year to 7.5% in 2014. Again the result of Renk was rather pleasing: The transmission specialist was able to increase its 2013 operating return on sales; at a value of 15.0% it clearly deserves to be called the “engine of income.”

Ladies and gentlemen, let me now integrate these figures with a few more words. As I already mentioned at our Annual Press Conference in March, the Executive Board is not content with this overall performance. For this reason, we have launched an efficiency program for the entire MAN Group that will run until the end of 2017, which includes all the measures necessary to bring the MAN Group's results of operations back on a significantly more positive track. But as I mentioned at the beginning, we are navigating through a very difficult economic environment. I do therefore not contradict myself in saying: In view of the extremely challenging conditions, from my point of view our result is quite respectable. We are looking back at a year



in which we in part had short-time work in the truck plants in Salzgitter, Steyr, and Munich. The Euro 6 emission standard was clearly noticeable in Europe. Demand for marine diesel engines is slowly picking up again, though still far from its level in previous years. Demand for turbomachinery is grinding to a halt. There are three main reasons why we are still able to present to you an improved operating profit.

- First, we have a sound structural setup. Austerity measures and process changes that we introduced a few years ago are now bearing fruit. The Power Engineering business area is back on track as an important generator of income and as a solid pillar of our Company. This alleviates economic fluctuations in the commercial vehicles area and creates stability in the entire Company.
- Second, we have the right products and services. Even in markets with fierce competition and low demand we defended our market position almost everywhere; you can see a selection of our top-range products in the exhibition hall here today.
- And third, we have the best people working with us. I would like to thank them cordially for being so flexible, dedicated, and for never letting themselves be discouraged during crisis, even with a limited budget, and for instead continuously looking for the best solutions. That is something we can all be proud of.

Dear shareholders, since fiscal 2014, MAN SE no longer distributes dividends. Instead, Truck & Bus GmbH, Wolfsburg, agrees to make annual cash compensation payments of €3.07 per common or preferred share for the full fiscal year to free float shareholders in accordance with the domination and profit and loss transfer agreement.

The price development of MAN shares was very pleasing. During the period from January to December 2014, the price of MAN common shares rose by 3% to €92.16, yesterday the closing price was €97.00.

Particularly in connection with the cash compensation payment and in view of the low risk, MAN shares are very attractive for investments. This is particularly true against the background of the currently low interest rates.

Apart from these financial factors, many shareholders decide to invest into our Company because they believe in a future of our Technology-Company focusing on transportation and energy.

Engineering the Future – since 1758. This claim creates trust. It proves that we are consistent, reliable and future-oriented. With a background of 257



years, we are certainly not a start-up with a vague business model. Neither are we an investment bank or an insurance company with more or less fictitious values. We are a progressive industrial player and will continue to be one in future. Value creation is something that will touch and “drive” you at MAN. And “drive” in the very sense of the word is something that MAN has been able to do for 100 years. While 2008 was the Company’s 250<sup>th</sup> anniversary, this year has yet another anniversary to celebrate: In 1915, MAN built its first truck and also its first bus. For that matter, we have customers who have been loyal to us during all this time, hence for around 100 years. One example is the Augustiner brewery in Munich. Looking back this year therefore means that at the same time we are also always looking forward. How can we ensure that Augustiner will continue to transport its beer to the Oktoberfest in Munich with MAN trucks for at least one more century? Or another much more exciting question: What will the truck look like then? Will a person be sitting on the driver’s seat or will there be a driver at all?

There are no certain answers to these questions today. One thing is for sure: many changes are to come for commercial vehicles of the future. We must, however, also have the aim to leave some things unchanged. Our customers, for example, must still be at the heart of our operations in 100 years time. MAN trucks have to still be among the most reliable and cost-effective commercial vehicles. And MAN buses must still be comfortable and safe and cost-effective in transporting people from A to B. For one thing is for sure: Mobility – and this brings me back to the beginning of my speech – will remain a basic need in the far future and be both a necessity for the economy and at the same time fascinating.

Ladies and gentlemen,

The pathway to self-driving trucks will take many steps. High-performance computers managing assistance systems of today and the future will help to connect external data and signals and control measures for ecologically and economically optimized propulsion systems. With heavy commercial vehicles, the combustion engine will continue to play a central role.

The new MAN D38 engine already takes us an important step in this direction. This masterpiece of mechanical engineering was first presented to the public at the trade fair IAA. And I must confess: We are proud of our new top model for long-haul and heavy-load transportation. I am sure you already saw the vehicle outside. When developing the six-cylinder in-line engine we consciously refrained from trying to set new horsepower records. Instead, the aim was to build a highly efficient engine for our customers



with the lowest possible performance weight and sufficient power for highly challenging transportation duties. For example when transporting long logs or in the heavy-duty segment. At the same time, however, fuel consumption had to be as low as possible, because diesel costs constitute the largest pool of costs for haulers. For this reason, the truck with the 15.2 liters D38 engine is available in three performance classes, with a horsepower ranging from 520 through 560 to 640. You can easily recognize our new flagship on the streets by its silver reflector casing.

Another vehicle dedicated to efficiency is our new flagship TGX EfficientLine 2 that was proudly displayed to the public at the IAA. The new TGX EfficientLine has all the efficiency technologies on board as standard; most notably the anticipatory cruise control "EfficientCruise," the "TopTorque" torque enhancer, and the even more efficient telematics system "MAN TeleMatics." The TGX EfficientLine is MAN's most successful and fuel-saving model on the market. Since its market launch in 2010, almost 30,000 customers have relied on the particularly economical EfficientLine models and packages.

Another area of commercial vehicle development is alternative drives. At the IAA, MAN for the first time presented the concept truck "MAN TGX Hybrid" with its hybrid drive for long-haul transport. The diesel engine in this context is the primary source of propulsion – an additional propulsion system with an electric motor that makes it possible to win back, save and use kinetic energy again.

In distribution transport, however, other alternative propulsion systems are first choice. MAN is therefore expanding its portfolio of CNG vehicles. CNG stands for Compressed Natural Gas. The established range of city buses with natural gas will be extended by trucks with CNG drives in 2016. At the IAA in 2014 we unveiled the CNG technologies in trucks with a TGM distribution chassis. These vehicles can be used in municipal areas, for the delivery of goods in retail, or as parcel delivery trucks. The advantages that become particularly clear in urban areas are quite obvious: Trucks that run on natural gas are not only more ecofriendly but also much more quiet and cost-effective.

For many years we have demonstrated in the bus segment that we know how to build hybrid and gas drives. And it pays off. On the one hand, of course, through our customers who made us market leader of natural gas buses in the past few years. On the other hand, independent experts say the same, too. An international trade-journalist jury named the MAN Lion's



City GL CNG “Bus of the Year 2015.” The 18.75 meter long natural-gas-powered articulated city bus overtook its competitors at full throttle and secured this title.

The natural-gas-powered MAN Lion’s City GL CNG with its Euro 6 powertrain offers an extremely low-emission, climate-friendly mobility solution for city traffic. When filled up with biogas or e-gas, the articulated bus is virtually carbon neutral. Even without using biogas, CO<sub>2</sub> emissions are about 17% lower than with diesel-fueled vehicles. At the same time, natural gas as an alternative source of fuel is a particularly cost-effective solution: Over a period of ten years, an MAN Lion’s City GL CNG saves approximately 15 percent on the life cycle costs in comparison to a diesel bus from the same model range. By the way, the natural gas-powered Bus of the Year 2015 is on display just out here on the way to the exhibition hall.

Ladies and gentlemen, as you can see, research and development is of great importance to MAN. In 2014 we made a total of €718 million available. If we want to continue to be competitive in the future, if we want to be among the best and most profitable commercial vehicles manufacturers together with Scania and Volkswagen, then we have to keep our lead in technology.

I already mentioned the great significance of digitalization. As opposed to passenger cars, digitalization not only has to do with comfort and safety, but also with the economic optimization of goods transportation. MAN TeleMatics allows a logistics employee to use the fleet’s full capacity. He can see in real time where the trucks are at the moment. He can control vehicle data, such as driving hours and routes. In addition, he is always informed about the vehicle’s technical condition, can monitor upcoming service appointments and can understand how fuel-efficient the driver drives the vehicle. What still sounded like fiction a few years ago, has now become reality.

Truck driving is one of the most underestimated and unfortunately often undervalued jobs in Germany. We, too, are researching the possibilities of autonomous driving. In this context, however, we must not forget that the vast majority of today’s professional drivers have many years of practice and expertise. This allows them to identify and evaluate special traffic conditions early on. Therefore, trucks and buses that autonomously drive from Munich to Hamburg are something we will be waiting for some years to come. Let alone distribution transport in cities. Even legal issues so far remain completely unsolved. Until then, our task will be to relieve professional



drivers behind the wheel with assistant systems, to increase safety for them and other road users, and to keep improving economic aspects.

One example I would like to present in this context is the “EfficientCruise.” This anticipatory GPS cruise control for all heavy trucks and coaches makes an important contribution towards reducing CO<sub>2</sub> emissions with commercial vehicles. The EfficientCruise calculates upward and downward gradients ahead, based on 3D map data saved on board and the vehicle’s position. It calculates and anticipates the most fuel-efficient speed for upward and downward gradients and uses the vehicle’s momentum to save fuel. A fully-loaded 40-ton truck can save up to 6% in fuel without losing time on the route.

Digitalization also plays an important role in the Power Engineering business area. For some years now, our customers have been able to monitor the operational data of marine diesel engines live via satellite; no matter on which of the world seas the ship is currently located. Another parallel to the commercial vehicle business: In this area, too, increasing efficiency while keeping emissions as low as possible has been our number 1 drive to innovate for many years. As the global market leader for marine diesel engines, MAN plays an important role in this context.

With the fully new developed high-speed engine MAN 175D, MAN Diesel & Turbo has reached these development goals. The unit sets new standards when it comes to efficiency and user-friendliness. This fills the last remaining gap in our large-bore engine program and means that we now offer MAN engines with a horsepower of 50 to more than 100,000 for almost all purposes. The MAN 175D will be used in large yachts, high-speed ferries, workboats, or tugboats. The engine is designed to work reliably under the most extreme weather conditions and to be easy to maintain. Depending on its configuration, the MAN 175D has a horsepower of 2,000 to 3,000. This engine, too, is on display in the exhibition hall next to its smaller and larger brother.

Apart from efficient diesel engines, gas engines will become increasingly important in shipping. Heavy fuel oil is still a very inexpensive fuel, but unfortunately has the disadvantage of high sulfur emissions.

The “International Maritime Organization,” abbreviated IMO, has set strict Tier III emission standards for the emission of sulfur and nitrogen oxide. At the beginning of the year, very strict new regulations on the sulfur emissions came into force for emission controlled areas in coastal regions – the



so-called ECAs. As of 2016 stricter rules related to nitrogen oxides will apply.

This will mean for shippers that virtually no ship with older, heavy-oil-powered diesel engines can enter these waters. But there are possibilities to make these ships fit for the new IMO rules. Ship owners can either equip the ship with special exhaust gas after-treatment systems that wash sulfur components out of the exhaust gas, or they can switch to the low-sulfur yet much more expensive marine diesel. An alternative clean fuel is natural gas. It contains no sulfur, burns virtually soot-free, and has significantly less nitrogen oxides. Gas will therefore play a major role as fuel in future; we are standing at a turning point. We offer highly efficient, newly developed solutions. They range from pure gas engines, such as the 35/44G, up to dual-fuel engines and respective retrofit solutions. With dual-fuel engines, captains can simply switch from conventional heavy-oil to clean gas drives when entering the ECAs. Retrofit kits help convert even older MAN diesel engines on board a ship into such modern dual-fuel engines. The ship can then still enter the North Sea and the Baltic, for example.

Gas is becoming more and more interesting for power plant applications, too. The efficient and environmentally-friendly fuel drives MAN's state-of-the-art gas turbines and gas engines for stationary power generation. One example is not far from here. A new MAN gas engine will in future generate environmentally-friendly, reliable, and cost-effective power and heat at the new combined heat and power plant (CHP) at the Volkswagen plant in Braunschweig. Its total efficiency is around 85 percent.

Decentralized energy supplies are a keystone when it comes to mastering the energy revolution with the relevant security of supply. And environmentally-friendly gas power plants in this case provide the perfect addition to the strong fluctuations of regenerative wind and solar energy.

Gas as a source of energy, however, is not only on the rise in Germany. The new MGT gas turbine series of MAN Diesel & Turbo is, for example, also entering the Chinese market. Four MAN gas turbines type MGT6200 will be at the heart of the combined heat and power plant of the Volkswagen plant near Shanghai. Each of the four gas turbines offer a capacity of 6.9 MW mechanical energy and 13.9 MW thermal energy – more than enough to generate power and process steam. The new gas turbine is on display in the exhibition hall, too.

Ladies and gentlemen, especially the area of Power Engineering demonstrates very clearly how global MAN's activities are. But we are also repre-



sented globally in the Commercial Vehicles business area. And not without reason, because we aim at profitable, international growth, and at increasing the enterprise value. Only if we act globally can we use all different market opportunities.

As already mentioned, numerous factors came together making life not particularly easy, especially in the BRIC markets. Viewed over the longer term, however, we can see that we are profiting from our international growth strategy. Brazil, for example, recovered more quickly from the economic and financial crisis in 2009 than Europe. The Euro crisis was hardly noticeable there. European exhaust gas regulations are not an issue there either. In contrast, we now see more friendly trends in Europe, while Brazil is weakening. In the past few years, China saw growth rates in a way that would be unthinkable in Europe.

Our business model focusing on transportation and energy is based on developments that are global developments. Urbanization, globalized world trade, and climate protection – all those trends are of global importance. It would be wrong if we only offered our products on a regional scale when they particularly provide solutions for global issues. MAN already recognized this at a very early stage in its history. The first diesel power plant of MAN, for example, already stood in Kiev in 1904.

Today half of all globally transported goods are moved by MAN engines. You can encounter the trucks and buses from our house almost everywhere around the globe. In Russia, MAN commands the highest number of vehicles by far among western European commercial vehicle manufacturers. Even on the dusty tracks of Africa or in the Amazon region, people transport supplies of everyday necessities with our vehicles. In India we are represented by the MAN CLA, in China by the brand Sinotruk. Our diesel power plants reliably generate energy and heat in the most remote corners of the world.

But naturally it does not suffice to just transport our products out into the world. Particularly in the capital goods sector our customers are right to ask for permanent support through our after-sales service; which is why we want to continue to expand in this area. We see untapped potential here that could significantly contribute to the result and at the same time increase customer satisfaction.

As a global operator we have an international production network to be able to cater adequately for the global demand of commercial vehicles and machines. It is our task at the Executive Board to keep checking this produc-



tion structure and continuously adjusting it to economic conditions. Only then can MAN continue to position itself as global player amidst global competition, be successful in the long-term, and secure jobs. This is why we are currently restructuring our production network and will focus our bus production on two sites instead of four. In order to make better use of the plant structure capacities, we will gradually move the final assembly of MAN city buses to Starachowice in Poland and stock up the headcount as of mid 2015 to the end of 2016. All coaches of the brands NEOPLAN and MAN will be produced at our state-of-the-art plant in Ankara in future.

I am confident that these measures will help to make MAN's bus sector profitable in the long term. I also find it important to note, that the term "restructuring production" is precisely that and not an empty phrase for job cuts and layoffs. Our employees' welfare has always been at the heart of our endeavors. Together with the Works Council and within the Volkswagen Group we have managed to find a good solution to secure the future career for each and every employee.

The plant in Plauen will remain as Bus Modification Center. At this plant, around 140 employees will in future cater for the individual requests of our customers that cannot be implemented in serial production. Examples are fitting high-end kitchens, furniture for meetings, or infotainment systems.

We were able to secure the professional career of all employees within the Volkswagen Group: All 420 employees received a job guarantee. All employees that will no longer work at the Modification Center can switch to the neighboring Volkswagen plant in Zwickau. In addition, MAN guarantees to complete all current training contracts.

The solutions found for the site in Posen were quite similar. All employees there received a job guarantee for the MAN bus plant in Starachowice. At the same time almost 900 of the affected employees had the opportunity to apply for an equivalent job in Volkswagen's production network in the greater area of Posen. For the restructuring of the business in the Posen region, Volkswagen needs highly qualified employees. The MAN employees are first choice and have the necessary expertise to support Volkswagen in this project in the best possible way.

Dear shareholders, as you can see, being part of a global and strong family brings invaluable advantages to all members.

Even in times of crisis, MAN Latin America has managed to maintain its twelve-year market leadership with trucks in Brazil. Production volumes were adjusted to match the lower level of demand and decreased by 27%



compared with the prior-year period. I am sure, however: If the Brazilian economy rebounds again, this, too, will have a positive impact on the commercial vehicles market. The fleet of Brazilian transportation vehicles is strongly outdated with an average age of 17 years.

Although MAN Diesel & Turbo did not reorganize its production structure, it instead set up a new organizational structure. The Executive Board with Dr. Uwe Lauber, new Chief Executive Officer (CEO) of MAN Diesel & Turbo SE since January 1, 2015, will in future particularly focus on the profitability of major projects. At MAN Diesel & Turbo, too, we want to move closer to our customers and will therefore continue to improve the after-sales network. To strengthen its global presence, MAN Diesel & Turbo established new service centers in Bangladesh, France, Canada, and Columbia in 2014. A service company was acquired in South Africa.

As I mentioned earlier, our Renk investee again recorded an outstanding fiscal year. The leading manufacturer of propulsion components and test beds posted the highest order intake in the company's history in 2014. Over the next decade, Renk will deliver over 500 transmissions for the new British tracked vehicle platform SCOUT for a total value of more than €200 million. And Renk, for example, wants to continue to grow in the test bed business. An additional highlight was the order placed by the aircraft engine manufacturer Rolls Royce Aero Engines for a concept and the delivery of a test bed; it will be one of the world's largest testing facilities of this type. This impressively underlines the high technical competence that Renk has acquired in this area. Another major research topic shows how varied the areas of application for complex transmission solutions are. Renk is currently developing a completely new propulsion system for cement mills.

As you can see, the MAN Group is a technological leader in many fields with its Commercial Vehicles and its Power Engineering business area. Our task therefore is clear: We have to contribute our know-how and development capacities to the commercial vehicles area of Volkswagen. This, on the one hand, will enable us to use synergies that will increase profitability considerably. On the other hand, we have the unique opportunity to combine the best features of each of the brands of MAN, Scania, and Volkswagen Commercial Vehicles and deploy these skills in international competition.

In September 2014 we announced that we will work together with Scania on developing the next generation of gearboxes for trucks. We will initially gradually integrate our affiliated brand's existing gearbox into MAN's TGS



and TGX series vehicles from 2016. We will develop the gearbox software for the optimal gear shift strategy. We will then develop the next generation of Scania's current gearbox portfolio on a joint basis. So far we invariably buy our commercial vehicle transmissions from suppliers. In future the money will stay in the company.

Competition, as we saw again in 2014, is getting tougher and tougher. New challenges, such as the digitalization of commercial vehicles, require major efforts and making substantial resources available. Being able to rely on a distinct network within the Volkswagen Group will mean a real competitive advantage for MAN. This will ensure our lasting success.

Sustainability, however, is also required from us in other areas. Is a company like MAN, however, under an obligation to meet these social requirements? The answer is: "Yes." Both out of a sense of ethical responsibility and our own interest. We strongly believe that entrepreneurship always also has to do with responsibility. I would like to remind you again of the solution that we found for our employees in Plauen and Posen; or of our support of the hospital ship "African Mercy" or the SOS Children's Villages in numerous countries. In all those cases we have lived up to our corporate responsibility.

Apart from our employees, there are still other stakeholder interests vested in us. Those are, of course, you, the shareholders, who own this Company. But there also are the suppliers and partners, customers, and society as a whole. We are convinced that as a result, our stakeholders will reward us with long-term confidence and strong business figures.

I am therefore particularly pleased about the positive results we received from the internationally recognized rating agencies oekom research AG and RobecoSAM in terms of sustainability. One contributing factor was the successful implementation of MAN's Climate Strategy of reducing CO2 emissions by 25% at MAN sites by 2020. In addition, the Company's efficient product portfolio including gas strategy played a key role here.

MAN was included in the Dow Jones Sustainability World and Europe Indices by the sustainability ratings agency RobecoSam for the third time in a row. This means that we remain among the three best-ranked companies and are the only German company of our sector to be represented in the Indices. Performance was assessed in terms of economic, ecological, and social sustainability.

You can see right behind me what the implementation of the Climate Strategy looks like in practical terms. Since March 2015 the first carbon-neutral



commercial vehicles plant of MAN is now reality. We have therefore made another important step in terms of climate protection by converting MAN Truck & Bus's production site in Pinetown, South Africa, to a plant that now only runs on regenerative energy. For this purpose, an enormous photovoltaic system was installed on the production halls' roofs measuring 6,300 square meters. As you can see, we mean business with our objectives.

This is also the case when it comes to increasing the number of female managers at MAN. We have a whole range of instruments at our hand for this purpose: We offer special company regulations and care facilities for children. We have initiated qualification programs for employees on parental leave to win over female talents and to further the talents of our female employees. This is of significant importance to us, since we still have a much too low proportion of women in technical professions and university programs in Germany.

The proportion of female managers was 8.7% in 2014. In the framework of our guiding principle when hiring for management positions, we pay particular attention to diversity and adequate consideration of women. In 2014 we promoted or appointed 28 women within the management levels one to three. This equals a proportion of 15% in view of the total amount of women compared with 14% in the MAN Group. There are currently no women in executive bodies at the MAN Group and there are two women on the Supervisory Board.

To conclude my speech, I would like to give you an overview of the development of the first three months of the fiscal year 2015. The European commercial vehicles business slowly seems to be coming back on track; it was up significantly on the prior-year level. This is the reason why short-time working in our European plants is not an issue at the moment. The business climate in Brazil, however, saw a further worsening. The situation there remained strained in the first quarter of 2015. Brazilian growth continued on a negative path, in particular as a result of the country's weak industrial sector and the global fall in commodity prices.

These opposite effects lead to order intakes worth 2.8 billion in the Commercial Vehicles business area in the first quarter, on a level with the previous year. MAN Truck & Bus generated an order intake of €2.5 billion in the first three months of the current fiscal year. This corresponds to an increase of 12% as against the previous year. MAN Latin America recorded an order intake of €290 million in the first quarter of 2015, well below the prior-year



figure. The fact that unit sales decreased by approximately 50% to around 6,000 vehicles demonstrates how critical the situation is there.

The situation in the Power Engineering business area is considerably more promising. In this area order intake amounted to €1.0 billion, rising by approximately 9% year-on-year. MAN Diesel & Turbo's orders improved by 5% to €0.8 billion. The increase is attributable to two major orders received by the Turbomachinery strategic business unit. Renk recorded an order intake of €164 million in the first three months. This high figure mainly relates to two major orders, one of which was for wind turbines systems. Together the MAN Group's order intake was comparatively high at almost €3.8 billion.

The MAN Group posted sales revenue roughly on a level with the previous year. The Commercial Vehicles business area reported sales revenue of €2.3 billion in the first quarter. MAN Truck & Bus accounted for €2 billion of this. MAN Latin America's sales revenue declined to €290 million in the first quarter of 2015 due to the further deterioration in the market environment in Brazil. At €0.8 billion, sales revenue in the Power Engineering business area in the first three months was unchanged as against the previous year. MAN Diesel & Turbo generated sales revenue of €0.7 billion in the first quarter, Renk reported sales revenue of €106 million.

The MAN Group's operating profit in the first quarter declined from €68 million to €34 million as a result of the situation in Brazil. MAN Latin America posted an operating loss of €12 million due to unit sales volumes that were down 50%. MAN Truck & Bus recorded an operating profit of €28 million in the first three months. Overall, operating profit in the Commercial Vehicles business area declined from €42 million to €11 million.

In contrast, the Power Engineering business area generated an operating profit of €52 million. MAN Diesel & Turbo's operating profit rose to €39 million, while at Renk it was €13 million.

The MAN Group's operating return on sales in the first three months was 1.1%, after 2.2% in the prior-year period.

At the moment and despite some uncertainties, it looks as if the global economy will see stronger growth again in 2015 as was the case in 2014. If no unforeseen events occur, we expect the MAN Group's sales revenue to be on a level with the previous year and that operating profit will remain stable. The operating return on sales will remain at roughly the 2014 figure.

Press Release  
**MAN SE**



Dear shareholders,

I can assure you: This year, too, all executives of MAN SE and its sub-groups will dedicate a lot of strength and energy into leading your company. We will systematically implement the efficiency program that we launched in the entire Group to improve the result in the long run and to provide MAN with more stability against economic fluctuations. Thank you very much for the confidence placed in us.

Thank you for your attention.