2016 ANNUAL REPORT

IMPACT

Engineering the Future – since 1758.

MAN SE

The MAN Group is one of Europe's leading players in the engine, commercial vehicle, and mechanical engineering industries. As a supplier of trucks, buses, vans, diesel engines, turbomachinery, and special gear units, we hold leading positions in all our markets.

MAN AT A GLANCE

2016

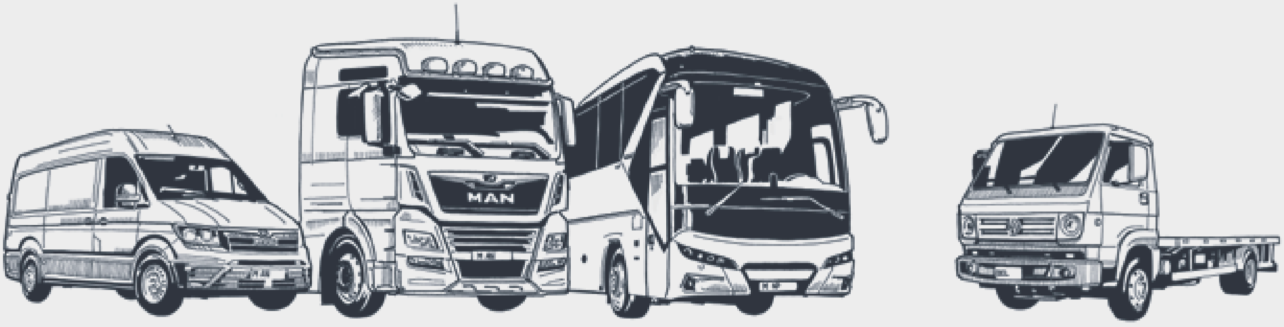
14.4 € billion	**ORDER INTAKE ON A LEVEL WITH THE PREVIOUS YEAR**	[2015: €14.4 billion]
13.6 € billion	**SALES REVENUE SLIGHTLY BELOW THE PREVIOUS YEAR**	[2015: €13.7 billion]
204 € million	**SIGNIFICANT IMPROVEMENT IN OPERATING PROFIT**	[2015: €92 million]
1.5 percent	**SIGNIFICANT IMPROVEMENT IN OPERATING RETURN ON SALES**	[2015: 0.7%]
0 € billion	**BREAK-EVEN NET CASH FLOW**	[2015: €0.5 billion]

Group key figures (IFRSs)

€ million	2016	2015	Change in %
Order intake	**14,357**	**14,381**	**0**
Germany	3,677	3,486	5
Other countries	10,680	10,895	– 2
Sales revenue	**13,564**	**13,702**	**– 1**
Germany	3,273	3,252	1
Other countries	10,290	10,449	– 2
Order backlog[1]	**5,641**	**6,037**	**– 7**
Headcount[1]	**53,824**	**55,030**	**– 2**
Income statement			**Change** € million
Operating profit before special items[2]	417	277	140
Special items[2]	– 213	– 185	– 28
Operating profit	204	92	112
Operating return on sales (%)	1.5	0.7	0.8
Earnings before tax from continuing operations (EBT)	49	95	– 46
Profit/loss after tax	– 7	150	– 156
Balance sheet			
Total assets[1]	19,438	18,110	1,327
Total equity[1]	5,850	5,565	285
Equity ratio (%)[1]	30.1	30.7	– 0.6
Net financial debt[1]	– 1,875	– 1,311	– 564
Cash and cash equivalents[1]	796	779	17
Cash flow			
Net cash provided by operating activities	833	1,162	– 329
Net cash used in investing activities attributable to operating activities	– 831	– 667	– 164
Net cash flow	2	495	– 493
Shares			**Change** in €
Earnings per share from continuing operations in €	– 0.12	1.02	– 1.14
Annual cash compensation payment/guaranteed dividend per share in €[3]	3.07	3.07	–

[1] As of December 31, 2016, vs. December 31, 2015.
[2] Special items include restructuring expenses of €58 million at MAN Latin America and €155 million at MAN Diesel & Turbo (compared with €185 million at MAN Truck & Bus in the previous year).
[3] MAN SE will not distribute any further dividends from fiscal 2014 onwards as a result of the DPLTA. Instead, Volkswagen Truck & Bus GmbH has agreed to make annual cash compensation payments of €3.07 per common or preferred share for the full fiscal year to MAN SE free float shareholders for the duration of the DPLTA, starting in fiscal 2014.

THE MAN GROUP



COMMERCIAL VEHICLES

MAN Truck & Bus

is the largest MAN Group company and is a leading supplier of commercial vehicles and transportation solutions. The new TGE makes MAN a full-range provider of commercial vehicles ranging from 3 through 250 t.

- Vans from 3.0 through 5.5 t
- Trucks with a gross vehicle weight of 7.5 to 44 t
- Heavy special-purpose vehicles with a gross train weight of up to 250 t
- MAN-branded city and intercity buses, coaches, and bus chassis as well as NEOPLAN-branded luxury coaches
- Industrial, marine, and on- and off-road engines
- End-to-end passenger transportation and goods transportation services

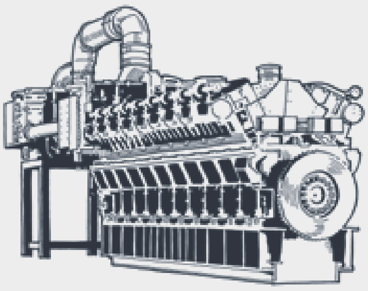
€ million	2016	2015
Order intake	10,342	10,059
Sales revenue	9,243	8,997
Operating profit	416	20
Headcount (on December 31)	35,371	35,865
Operating return on sales (%)	4.5	0.2

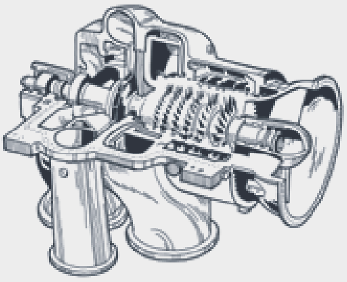
MAN Latin America

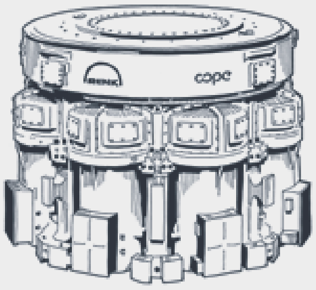
is one of the largest truck manufacturers in Brazil and can look back on a history spanning 35 years. Three of the five best-selling truck models in Brazil are made by MAN Latin America. The company is a supplier of commercial vehicles and bus chassis for growth markets, with one of the most advanced production facilities worldwide for trucks and bus chassis that are marketed under both the Volkswagen and MAN brands.

- Trucks with a gross vehicle weight of 5 to 31 t
- Tractor-trucks with a gross train weight of up to 74 t
- Bus chassis from 5 to 26 t for all uses
- Tailor-made special-purpose vehicles

€ million	2016	2015
Order intake	861	1,047
Sales revenue	861	1,047
Operating loss	– 190	– 120
Headcount (on December 31)	1,406	1,734
Operating return on sales (%)	– 22.1	– 11.5







POWER ENGINEERING

MAN Diesel & Turbo
is one of the world's leading providers of large-bore diesel and gas engines and is also one of the leading suppliers of turbomachinery on the global market.

- Two- and four-stroke engines with high fuel flexibility for use in ships and power plants
- On-board gensets, exhaust-gas turbochargers, and propulsion systems
- Diesel and gas power plants and power plant components
- Comprehensive range of compressors, gas turbines, steam turbines, and chemical reactors
- Complete turbomachinery trains for the oil and gas industry, the processing industry, and power generation
- Global end-to-end after-sales services for the company's entire product range under the MAN PrimeServ brand

€ million	2016	2015
Order intake	2,808	2,949
Sales revenue	3,113	3,305
Operating profit/loss	– 29	216
Headcount (on December 31)	14,603	14,935
Operating return on sales (%)	– 0.9	6.5

Renk (76%)
is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems.

- Vehicle transmissions for medium and heavy-tracked vehicles
- Special gear units for specialist marine and stationary applications
- Standard gear units, primarily for merchant shipping, industrial applications, and wind power
- Slide bearing housings for mechanical and electrical engineering as well as special-purpose applications
- Turnkey testing systems for the automotive, rail, and aviation industries as well as testing systems for wind power plants

€ million	2016	2015
Order intake	486	483
Sales revenue	496	487
Operating profit	67	68
Headcount (on December 31)	2,205	2,198
Operating return on sales (%)	13.5	14.0

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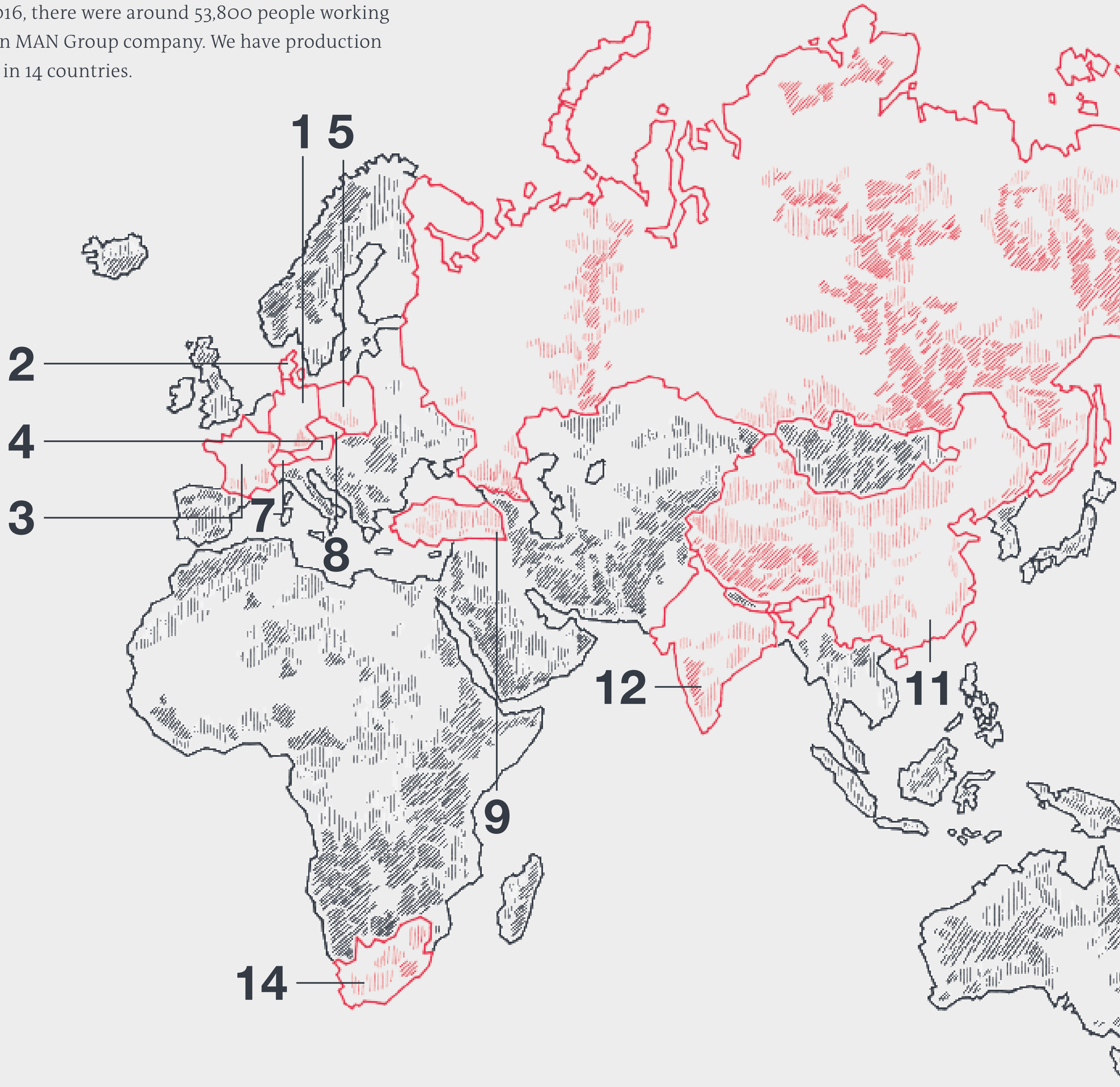
THE WORLD OF MAN

In 2016, there were around 53,800 people working for an MAN Group company. We have production sites in 14 countries.



1 GERMANY

- **Employees[1]:** 31,444
- **Production sites:** Munich, Nuremberg, Salzgitter (MAN Truck & Bus); Augsburg (MAN Diesel & Turbo, Renk); Oberhausen, Berlin, Hamburg, Deggendorf (MAN Diesel & Turbo); Hanover, Rheine (Renk)

2 DENMARK

- **Employees[1]:** 2,217
- **Production sites**: Frederikshavn, Copenhagen (MAN Diesel & Turbo)

3 FRANCE

- **Employees[1]:** 1,396
- **Production site:** Saint-Nazaire (MAN Diesel & Turbo)

7 SWITZERLAND

- **Employees[1]:** 1,071
- **Production sites:** Zurich (MAN Diesel & Turbo); Winterthur (Renk)

8 CZECH REPUBLIC

- **Employees[1]:** 376
- **Production site:** Velká Bíteš (MAN Diesel & Turbo)

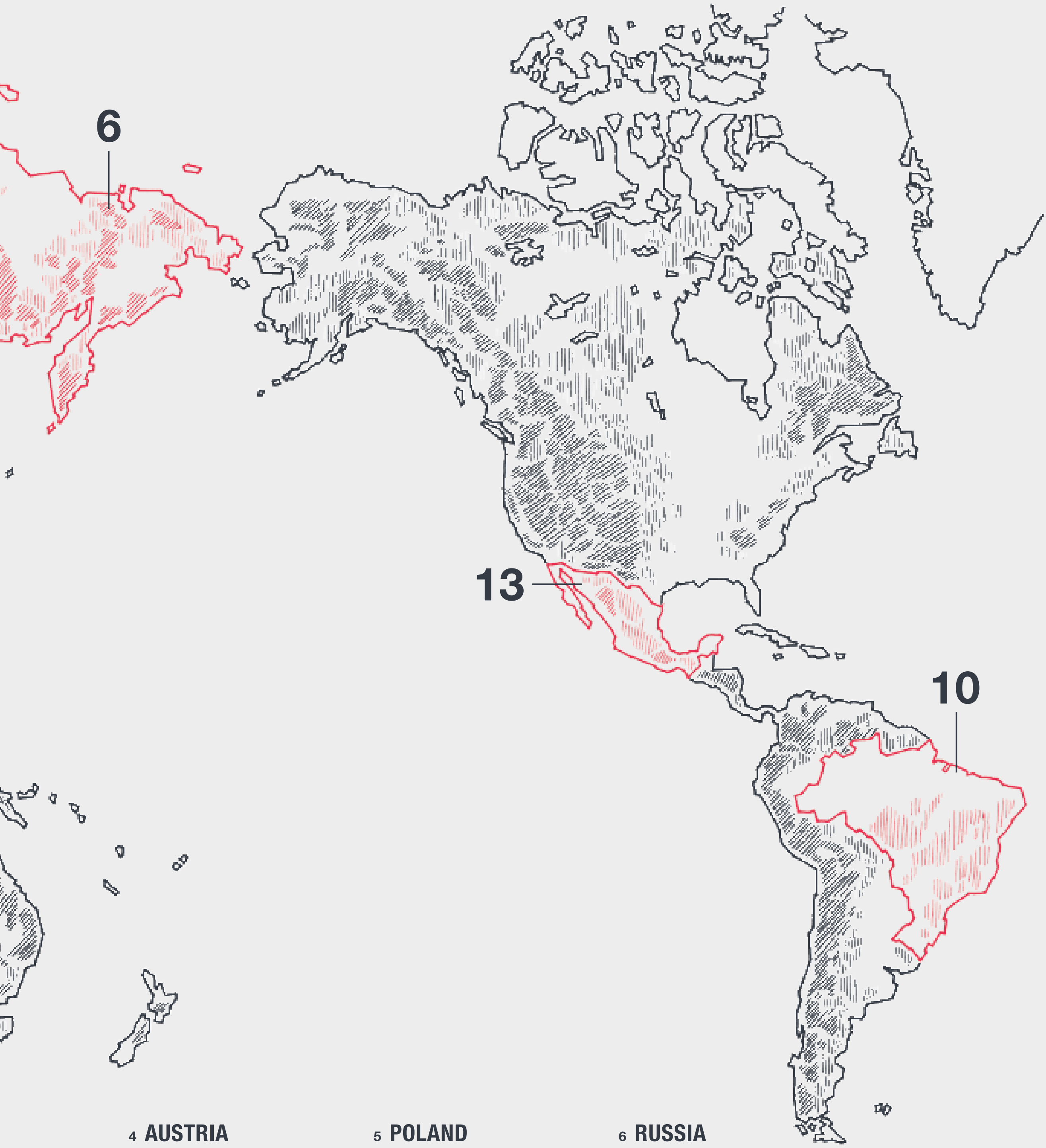
9 TURKEY

- **Employees[1]:** 2,458
- **Production site:** Ankara (MAN Truck & Bus)

10 BRAZIL

- **Employees[1]:** 1,512
- **Production site:** Resende (MAN Latin America)

[1] As of December 31, 2016; excluding subcontracted employees; all MAN companies nationwide



4 **AUSTRIA**

- **Employees[1]:** 2,853
- **Production site:** Steyr (MAN Truck & Bus)

5 **POLAND**

- **Employees[1]:** 3,346
- **Production sites:** Cracow, Posen, Starachowice (MAN Truck & Bus)

6 **RUSSIA**

- **Employees[1]:** 285
- **Production site:** St. Petersburg (MAN Truck & Bus)

11 **CHINA**

- **Employees[1]:** 671
- **Production site:** Changzou (MAN Diesel & Turbo)

12 **INDIA**

- **Employees[1]:** 1,160
- **Production sites:** Pithampur (MAN Truck & Bus); Aurangabad, Bangalore (MAN Diesel & Turbo)

13 **MEXICO**

- **Employees[1]:** 168
- **Production site:** Querétaro (MAN Latin America)

14 **SOUTH AFRICA**

- **Employees[1]:** 952
- **Production sites:** Olifantsfontein, Pinetown (MAN Truck & Bus)

FINANCIAL DIARY

(Expected dates)*

2017 **MAY 24**	**Annual General Meeting for fiscal year 2016**
2017 **JULY 28**	**Half-Yearly Financial Report 2017**

* The latest information can be found on the MAN Global Corporate Website at financialdates.man

Publication date for the 2016 Annual Report

March 16, 2017

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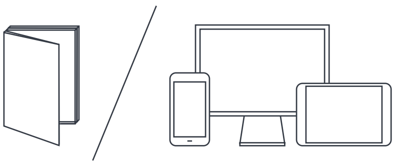
THE ANNUAL REPORT ONLINE

This 2016 Annual Report can also be downloaded as a PDF file from our website online at annualreport2016.man



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TO OUR SHAREHOLDERS

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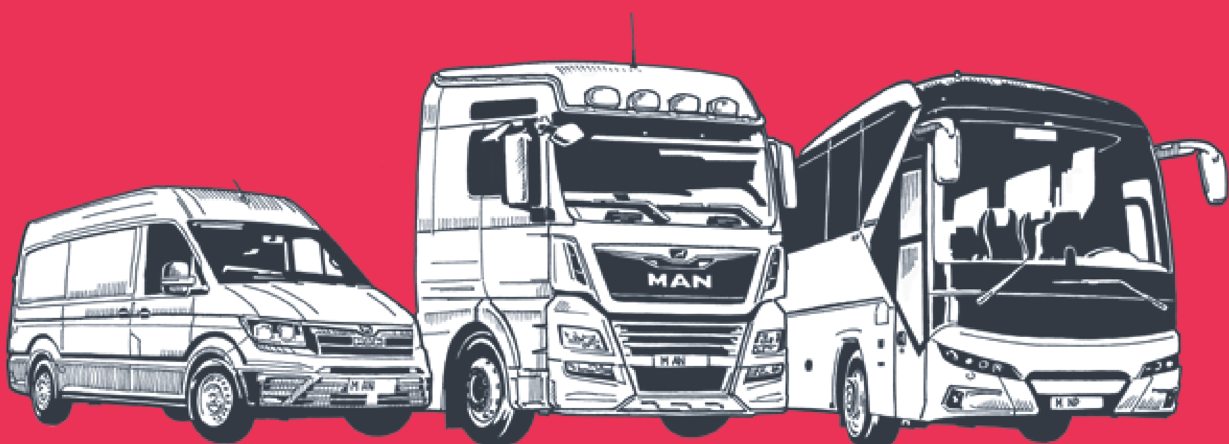

MAN TGE VAN

The new van from MAN Truck & Bus impresses with a large cargo space, a diverse range of securing possibilities, and customizable add-ons. It has a cargo volume of up to 18.4 cubic meters depending on the roof option.

MAN TGX PERFORMANCELINE

The exclusive, limited special edition in the new MAN TGX truck generation is all about more power, more design, and more performance. An MAN D38 engine with a horsepower of 640 offers the ultimate drive.

NEOPLAN TOURLINER

The new bus offers flexible applications in long-distance coach travel. The high level of travel comfort, sophisticated design and state-of-the-art technology sets it apart from the rest. Driver assistance systems help ensure maximum safety.

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TO OUR SHAREHOLDERS

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Dear Shareholders,

Overall, the global economy again recorded muted growth in fiscal 2016 and was impacted by economic and political crises. As expected, this made for a challenging business environment for us in the year under review — and this will not change in the foreseeable future.

The Commercial Vehicles business area generated significant growth in the European commercial vehicles market. Demand for powerful commercial vehicles was particularly high in a number of individual countries such as Italy and Poland. Brazil is a different story. The ongoing recession here and the accompanying political uncertainty led to a considerable market decline as against the already weak prior year.

In the Power Engineering business area, the situation in key segments of 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 continued to depress demand in the large merchant ship segment. The marine offshore segment and new turbomachinery was also affected by the only moderate economy and the low oil price, with customers from the oil and gas industry noticeably reluctant 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 extremely difficult market conditions, all of our divisions maintained leading market positions. Our high level of innovation and the quality of our products and services, as well as our customer focus proved a definite advantage. This was confirmed by positive feedback from our customers at the two major trade fairs in fall 2016. Both the SMM for the maritime sector in Hamburg and the IAA Commercial Vehicles in Hanover were a success for the Company. In addition, the PACE2017 program for the future at MAN Truck & Bus had a significant positive impact in the year under review. We initiated new restructuring measures in other divisions in 2016. These factors are reflected in the Group's key figures for the year under review.

Overall, the MAN Group's order intake remained level year-on-year at around €14.4 billion. We did not reach our original order intake targets in the Power Engineering business area. The Commercial Vehicles business area succeeded in matching the prior-year unit sales figure. As a result, we generated a Group sales revenue of €13.6 billion in the year under review, down slightly on the previous year. Though sales revenue in the Commercial Vehicles business area was slightly higher than in the previous year, it could not completely offset the noticeably lower revenue in the Power Engineering business area.

We significantly improved our profitability in 2016. We must systematically continue our efforts to achieve our strategic and medium-term targets. Earnings were mainly driven by MAN Truck & Bus in the year under review. 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 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 we specifically introduced programs for the future 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% as a result of higher operating profit, which improved by over €100 million. Excluding special items attributable to restructuring expenses, we lifted operating profit to over €400 million in 2016.

2017 will see us 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 our strategy and portfolio, the program is designed to optimize internal processes and substantially improve the cost structure. We will establish clear competency allocation for each site and simplified structures. Efficiency and optimization measures are planned for development, sales, quality, and product costs in particular. Around 1,400 jobs are affected worldwide. We aim to reduce the workforce in a socially responsible manner and without redundancies. These steps are necessary to safeguard a profitable business and to make the Company fit for the future. Developing and implementing a new strategy focusing on digitalization and decarbonization to tap into new growth potential are also part of the program.

In the Commercial Vehicles business area, we will continue to implement the PACE2017 program for the future at MAN Truck & Bus as well as the restructuring measures at MAN Latin America. Another important step is the lead engineering concept, which sets out clear principles for joint development activities within the Group. 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 we will continue to pursue our 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. We develop innovative products and solutions to meet specific customer demands in individual markets. Core focus areas 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 we seek to actively exploit and address through new business models such as innovative mobility solutions. This is why we initiated the digital brand RIO. 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. Starting with the second quarter of 2017, new MAN trucks delivered will be equipped with RIO as standard.

The economic environment will remain difficult and exposed to risks for the foreseeable future. The interest rate turnaround in the U.S.A. and the resulting potential volatility on the currency and capital markets, as well as high levels of uncertainty surrounding Brexit negotiations and the risk of geopolitical crises, for instance, could curb the investment appetite. Our planning is based on the assumption that the global economy will see only slightly stronger growth in 2017. At the same time, our markets will remain extremely challenging as well due to strong competition.

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

Sincerely,

Joachim Drees
Chief Executive Officer of MAN SE

MANAGEMENT BOARD

Joachim Drees
Chief Executive Officer

Born in 1964. Studied business administration. Started his career in management consultancy and working for the privatization agency (Treuhandanstalt) in Berlin. From 1996 held different management positions in the Daimler Truck Group and at Mercedes-Benz. Became Partner for Portfolio Management at UK investment company HgCapital LLP in 2006. Chief Financial Officer at Drees & Sommer AG from 2012. Chief Executive Officer (CEO) of MAN Truck & Bus AG since April 2015 and additionally of MAN SE since October 2015.

Jan-Henrik Lafrentz
Chief Financial Officer

Born in 1966. Studied business administration. From 1994 held various positions in the Volkswagen Group. Named Executive Vice President Finance at SEAT S.A. in 2004; moved into sales as Executive Vice President Sales and Marketing in 2009. Became Executive Board member for Finance, IT, and Corporate Development at Bentley Motors in 2010 and additionally Finance Director of Bugatti Automobiles S.A.S. in 2011. Executive Board member for Finance, IT, and Legal at MAN Truck & Bus AG since July 2014; Chief Financial Officer (CFO) of MAN SE since October 2015.

Josef Schelchshorn
Chief Human Resources Officer

Born in 1960. Salesman training at AUDI AG. Joined human resources at AUDI AG in 1982; completed part-time studies in business administration in 1986. Then held various management positions in human resources at AUDI AG's sites in Ingolstadt, Germany, and Györ, Hungary. Named Executive Vice President Human Resources at SEAT S.A. in 2010. Chief Human Resources Officer and *Arbeitsdirektor* (Executive Board member responsible for employee relations) at MAN SE and MAN Truck & Bus AG since July 2015.

Antonio Roberto Cortes
President of MAN Latin America

Born in 1955. Studied economics and finance. Joined Volkswagen as corporate controller in South America in 1994. Became head of South American operations of Volkswagen Commercial Vehicles and Trucks and Buses in 2000. Appointed Executive Vice President of Volkswagen Commercial Vehicles and CEO of Volkswagen Trucks and Buses in December 2002; named President of Volkswagen Trucks and Buses in February 2007. President of MAN Latin America since 2009.

Dr. Uwe Lauber
Chief Executive Officer of MAN Diesel & Turbo SE

Born in 1967. Studied mechanical engineering and completed a doctorate. Joined Sulzer Turbo – now MAN Diesel & Turbo – in 2000. Responsible for compressor design, research and development, and testing until 2010. Named Head of the Oil & Gas business unit in December 2010. Executive Board member since October 2014 with responsibility for global Sales and After-Sales activities. Chief Executive Officer of MAN Diesel & Turbo SE since January 2015.

REPORT OF THE SUPERVISORY BOARD[1]

Dear Shareholders,

The Supervisory Board of MAN SE addressed the Company's position and development regularly and in detail in fiscal 2016. In accordance with the recommendations of the German Corporate Governance Code and the legal requirements, we regularly advised the Executive Board in its management of the Company and monitored its activities.

We were involved in an advisory capacity in all matters and decisions of major importance to the MAN Group.

The Executive Board provided us with regular, comprehensive, and timely information, in both written and verbal form, on the development of the business, relevant business events, corporate planning, and deviations in the course of business from forecasts as well as their causes.

The Executive Board also reported to the Supervisory Board in particular on the MAN Group's strategies and the implementation status of strategic projects, the MAN Group's risk position and risk management, as well as compliance issues.

Documents relevant to our decisions were always made available to us in good time prior to Supervisory Board meetings.

During regular talks with the Chief Executive Officer outside the Supervisory Board meetings, I also discussed matters and issues relevant to the Company, such as the development of the business, planning and strategic projects, the risk position, risk management, and compliance.

The Supervisory Board held four regular meetings in fiscal 2016. In addition, resolutions on urgent matters were adopted in writing.

No members of the Supervisory Board attended only half or fewer of the meetings of the Supervisory Board and of the committees to which they belong.

Committee activities

The Supervisory Board established two committees — the **Presiding Committee** and the **Audit Committee** — on which shareholders and employees are represented equally, with three representatives in each case, as well as the **Nomination Committee**, which consists solely of shareholder representatives.

The main role of the committees is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers or tasks are transferred to committees.

The Nomination Committee is tasked with identifying candidates for Supervisory Board positions and recommending suitable candidates to the Supervisory Board as the latter's proposals for election at the Annual General Meeting. In this capacity, the shareholder representatives on the Presiding Committee act as the Nomination Committee.

The chairman of the Audit Committee is Mr. Matthias Gründler. The Presiding Committee is always chaired by the Chairman of the Supervisory Board.

At the Supervisory Board meetings, the Chairman of the Audit Committee and I provided regular reports on the work of the committees.

A list of the members of the committees as of the end of 2016 is provided on page 137 of this Annual Report.

The **Presiding Committee** held a total of four face-to-face meetings in 2016.

It dealt in particular with all the key issues to be discussed at the following full Supervisory Board meetings and prepared resolutions for them.

The Presiding Committee was informed of the results of the site structure analysis and restructuring measures at MAN Diesel & Turbo SE separately in conference calls held in September and December 2016.

The **Nomination Committee** met once in 2016 due to the election of the new Supervisory Board.

[1] In accordance with section 171 (2) of the *Aktiengesetz* (AktG – German Stock Corporation Act)

The **Audit Committee** held a total of three meetings in the year under review.

It dealt in detail with financial reporting issues, the annual financial statements of MAN SE and the MAN Group, and the audit reports submitted by the auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich ("PwC").

The Committee discussed the half-yearly financial report with the Executive Board prior to its publication. The Company did not prepare or issue financial reports for the first and third quarters following the change to the General Standard stock market segment in the year under review.

PwC reviewed the MAN Group's interim financial statements as of June 30, 2016. This did not lead to any objections. The Committee discussed the findings of the review with the auditors in detail.

The Audit Committee also addressed the engagement of the auditors to audit the annual financial statements for 2016, the areas of emphasis of the audit, and the statement regarding the auditors' independence in accordance with section 7.2.1 of the German Corporate Governance Code.

The Committee regularly addressed the development of business in the MAN Group, the internal control system, risk management and the risk management system, and the MAN Group's risk position, among other issues.

The Audit Committee also addressed compliance and internal audit issues, such as the MAN Group's internal audit system and the audit plan for MAN's Corporate Audit function, as well as its implementation status.

The head of MAN's Corporate Audit function and MAN's Chief Compliance Officer also reported in person to the Committee.

Moreover, the Audit Committee discussed and resolved on the requirements of the *Abschlussprüfungsreformgesetz* (AReG — German Audit Reform Act) and its implementation in the MAN Group. For instance, the Audit Committee issued guidelines for services performed by the auditor of MAN SE and its global network for MAN SE and the companies controlled by it.

Issues addressed by the Supervisory Board

Topics discussed regularly by the Supervisory Board included trends with respect to orders, sales revenue, earnings, and employment within the MAN Group. We also regularly addressed key strategic matters and projects as well as programs for the future at MAN subsidiaries.

The following additional information relates to the Supervisory Board meetings held in 2016:

Supervisory Board meeting on March 4, 2016

Our meeting on March 4, 2016, focused on the annual financial statements for 2015. After detailed examination, we approved the consolidated financial statements prepared by the Executive Board and the annual financial statements of MAN SE for 2015, plus the Combined Management Report of MAN SE and the MAN Group.

Other topics addressed on March 4, 2016, included the agenda of the 2016 Annual General Meeting and our proposed candidates for the regular election of shareholder representatives.

Furthermore, we resolved to engage PwC to audit MAN SE's annual financial statements for 2016 and its risk early recognition system, provided the 2016 Annual General Meeting elects PwC as the auditors for fiscal 2016.

Supervisory Board meetings on June 15, 2016

Another regular meeting of the Supervisory Board was held immediately prior to the Annual General Meeting on June 15, 2016.

Among other things, we addressed the economic situation of and strategic matters relating to MAN Latin America. We also consented to Mr. Joachim Drees accepting a position on the supervisory board of Veritas AG.

We held a constituent meeting on June 15, 2016, immediately following the Annual General Meeting. The Supervisory Board again elected me as its chairman, Mr. Jürgen Kerner as the first deputy chairman, and Prof. Dr. Ekkehard D. Schulz as an additional deputy chairman.

Elections were also held in the Presiding Committee and in the Audit Committee.

Supervisory Board meeting on July 28, 2016

Our meeting on July 28, 2016 focused on the corporate strategies of MAN Diesel & Turbo SE and Renk AG.

Among other things, we also discussed the AReG and authorized the Audit Committee to issue guidelines on handling non-audit services performed by the MAN Group's auditor.

Supervisory Board meeting on October 21, 2016

At our meeting on October 21, 2016, we discussed the MAN Group's corporate planning for the years 2017 to 2021, among other things.

We also addressed strategic matters, in particular MAN Truck & Bus AG's corporate strategy and MAN Diesel & Turbo SE's "Basecamp 3000+" program for the future.

The meeting on October 21, 2016, also dealt with corporate governance issues.

The Chief Compliance Officer reported in person on the compliance organization and its activities.

We set a quota of zero percent for the percentage of women on the Executive Board of MAN SE, which must be defined by law, for the period up to December 31, 2021.

In general, the shareholder and employee representatives met for separate preliminary discussions before each of the Supervisory Board meetings.

Conflicts of interest

No discernible conflicts of interest involving members of the Supervisory Board within the meaning of section 5.5 of the German Corporate Governance Code were reported in the year under review and none have arisen.

Corporate governance and Declaration of Conformity

The implementation of the current version of the German Corporate Governance Code (the Code) at MAN was discussed at the Supervisory Board meeting on October 21, 2016.

In December 2016, the Executive Board and Supervisory Board issued the annual Declaration of Conformity in accordance with section 161 of the *Aktiengesetz* (AktG — German Stock Corporation Act). This is permanently available on MAN SE's website at **www.corporate.man.eu**.

According to this Declaration of Conformity, MAN SE will comply with the recommendations of the German Corporate Governance Code (the Code) as amended on May 5, 2015, with the exception of section 5.3.2 sentence 3 (independence of the Chairperson of the Audit Committee), section 5.4.1 paragraphs 5–7 (disclosure of election recommendations), and section 5.4.6 paragraph 2 sentence 2 (performance-related compensation of the Supervisory Board).

Detailed explanations of and the reasoning behind the above-mentioned departures from the recommendations of the Code can be found in the Declaration of Conformity dated December 2016.

Further information on corporate governance at MAN is available in our Corporate Governance Report, **see pages 14 ff.** of this Annual Report.

Changes to the composition of the Supervisory Board

There were various changes to the composition of the Supervisory Board in the year under review:

Mr. Detlef Dirks stepped down from the Supervisory Board on his retirement effective March 4, 2016. Effective March 5, 2016, the alternate member, Mr. Oskar Ritsch, who had already been elected, became his successor on the Supervisory Board.

The scheduled term of office of the entire Supervisory Board expired at the end of the Annual General Meeting on June 15, 2016.

By way of a resolution of the SE Works Council dated February 2, 2016, Ms. Irmgard Maucher and Messrs. Helmut Brodrick, Oskar Ritsch, Erich Schwarz, Athanasios Stimoniaris, and Steffen Zieger were appointed to the Supervisory Board as internal employee representatives, and Ms. Karina Schnur and Mr. Jürgen Kerner were appointed to the Supervisory Board as trade union employee representatives.

The Annual General Meeting elected Ms. Angelika Pohlenz and Ms. Julia Kuhn-Piëch, as well as Messrs. Michael Behrendt, Matthias Gründler, Dr. Dr. Christian Porsche, Mag. Mark Phillipp Porsche, Prof. Dr. Ekkehard D. Schulz, and I as shareholder representatives on the Supervisory Board.

Our thanks go to Mr. Marek Berdychowski and Mr. Nicola Lopopolo, who stepped down from the Supervisory Board at the end of the Annual General Meeting, and Mr. Detlef Dirks, who retired earlier in the year, for their many years of service on the Supervisory Board.

The term of office of the members of the Supervisory Board now in office runs until the end of the 2021 Annual General Meeting.

Audit of the annual and consolidated financial statements

In accordance with our proposal, the Annual General Meeting of MAN SE on June 15, 2016, elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, ("PwC") as the auditors for fiscal 2016. The Supervisory Board issued the concrete audit engagement letter to PwC in line with the Audit Committee's recommendations and specified the areas of emphasis of the audit.

The auditors issued unqualified audit opinions on the annual financial statements of MAN SE and the consolidated financial statements for the MAN Group, plus the Combined Management Report.

In addition, the auditors assessed the internal control system and the risk management system and concluded that the Executive Board had taken the measures required by section 91 (2) of the AktG to identify at an early stage risks that could endanger the Company's continuing existence.

The members of the Audit Committee and the members of the Supervisory Board received the documents relating to the annual financial statements and the audit reports prepared by the auditors in good time for the meetings of these committees on February 15, 2017, and February 16, 2017, respectively.

The auditors reported in detail in both meetings on the key findings of their audits and were available to provide additional information.

Based on the audit reports by the auditors and its discussion with them as well as its own findings, the Audit Committee prepared the Supervisory Board's examination of the consolidated financial statements and the annual financial statements of MAN SE, as well as the Combined Management Report, and reported on them in the Supervisory Board meeting on February 16, 2017. After this, it recommended that the Supervisory Board approve the annual financial statements.

We examined these documents in depth in the knowledge of, and taking into account, the report by the Audit Committee and the auditors' report, and in our discussions with these. We came to the conclusion that the assessments by the Executive Board of the position of the Company and the Group presented in the Combined Management Report are due and proper and correspond to those of the Supervisory Board.

We therefore concurred with the results of the audit by the auditors at our meeting on February 16, 2017, and approved the annual financial statements prepared by the Executive Board and the consolidated financial statements. The annual financial statements are thus adopted.

The Supervisory Board would like to thank all the members of the Executive Board and the management teams, as well as the employees of the MAN Group companies, for their achievements and active commitment. We also wish to extend our thanks to the employee representatives for their objective and constructive cooperation in the interests of our Company.

On behalf of the Supervisory Board:
Munich, February 16, 2017

Andreas Renschler
Supervisory Board Chairman

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTIONS 289a AND 315 (5) OF THE HGB INCLUDING THE CORPORATE GOVERNANCE REPORT[1]

At MAN, management and supervision of the Company and the Group is focused on ensuring sustained value creation and an appropriate profit in line with the principles of the social market economy.

Corporate governance is shaped by the applicable laws, in particular the provisions of German stock corporation law, by our Articles of Association and internal regulations, and by nationally and internationally recognized standards of good and responsible corporate governance. The German Corporate Governance Code (the Code) represents the statutory provisions for the governance of German stock corporations that apply to MAN and provides recommendations and suggestions for applying corporate governance at MAN in accordance with recognized standards.

On April 26, 2013, MAN SE, as the controlled company, entered into a domination and profit and loss transfer agreement (DPLTA) with Truck & Bus GmbH (now Volkswagen Truck & Bus GmbH), a wholly owned subsidiary of Volkswagen AG, as the controlling company. Profit transfer occurred for the first time in fiscal year 2014, whereas the part of the intercompany agreement relating to control (domination) became effective on July 16, 2013, when it was entered in MAN SE's commercial register. Since that date, Volkswagen Truck & Bus GmbH is authorized to issue instructions to the Executive Board of MAN SE.

The ethical guidelines that apply to the MAN Group are laid out in our Code of Conduct, which is also available on our website at www.corporate.man.eu under the "Compliance & Risk" heading.

(1) Corporate governance at MAN[2]

Both MAN's Executive Board and its Supervisory Board have addressed in detail the corporate governance system and compliance with the recommendations and suggestions contained in the Code. They are aware that good and transparent corporate governance that complies with both national and international standards is of central importance for ensuring responsible management with a long-term focus.

[1] The Corporate Governance Statement in accordance with sections 289a and 315 (5) of the HGB is part of the Combined Management Report and is not included in the audit.
[2] Also the Corporate Governance Report of the Executive and Supervisory Boards in accordance with section 3.10 of the German Corporate Governance Code, as amended on May 5, 2015.

Declaration of Conformity

In December 2016, the Executive Board and the Supervisory Board issued the Declaration of Conformity reproduced in the following. The reasons for the exceptions disclosed are given in the text of the declaration.

"The Executive and Supervisory Boards of MAN SE hereby declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 5, 2015, published by the German Ministry of Justice in the official section of the *Bundesanzeiger* (German Federal Gazette), on June 12, 2015, were complied with in the period since the last Declaration of Conformity was issued in December 2015 and will continue to be complied with except for section 5.3.2, sentence 3 (independence of the Chairman of the Audit Committee), section 5.4.1, paragraphs 5 through 7 (disclosure in the case of election recommendations), and section 5.4.6, paragraph 2, sentence 2 (performance-related Supervisory Board compensation).

1. The recommendation in section 5.3.2, sentence 3 of the Code is not followed only to the extent that the Chairman of the Audit Committee of the Supervisory Board, Mr. Matthias Gründler, cannot be considered "independent" within the meaning of section 5.4.2, sentence 2 of the Code in view of his function as a Member of the Management of Volkswagen Truck & Bus GmbH.

   For the Executive Board and the Supervisory Board of MAN SE, it is most important that the Chairman of the Audit Committee possess the required expert knowledge of the industry. It is not clear why an appointment at a controlling shareholder should rule out a position as Chairman of the Audit Committee pursuant to the definition in section 5.4.2, sentence 2 of the Code under which the criterion of "independence" is not fulfilled.

2. The compensation of the Supervisory Board is regulated by the shareholders in Article 12 (2) of the MAN SE Articles of Association and is linked to the net income for the year, among other things. We assume that the variable compensation component will be oriented toward the sustainable growth of the enterprise within the meaning of section 5.4.6, para-

graph 2, sentence 2 of the Code. However, as it cannot be ruled out that other views will be taken, a departure from the recommendation in the Code is being declared as a precautionary measure.

3. With regard to the recommendation in section 5.4.1, paragraphs 5 through 7 of the Code that certain circumstances be disclosed by the Supervisory Board when making election recommendations to the General Meeting, the requirements of the Code are vague and the definitions unclear. For this reason, we have declared a departure from the Code in this respect as a precaution. Notwithstanding the above, the Supervisory Board will endeavor to meet the requirements in section 5.4.1, paragraphs 5 through 7 of the Code."

The Executive and Supervisory Boards of Renk Aktiengesellschaft, a listed subsidiary based in Augsburg, have also issued a declaration of conformity. This is posted on the company's website at **www.renk.eu**.

Annual General Meeting

The Annual General Meeting is the forum where MAN shareholders can exercise their voting rights, obtain information, and engage in a dialog with the Executive and Supervisory Boards.

In organizing and conducting its Annual General Meeting, MAN SE aims to provide all shareholders with prompt, comprehensive, and effective information both before and during the event. The invitation to the Annual General Meeting is published in the *Bundesanzeiger* (the Federal Gazette) and is accessible to our shareholders and all other interested parties on the MAN website, together with all reports and documents relating to the Annual General Meeting.

To make it easier for shareholders to exercise their voting rights in person or by appointing a proxy, they may authorize a bank, shareholders' association, or another person to represent them, or they can authorize an MAN employee, either in writing or by electronic means, to exercise their voting rights as their proxy. In addition, we enable all shareholders and the interested public to follow the Annual General Meeting live on the Internet.

Executive Board and Supervisory Board

MAN SE has a two-tier structure comprising an Executive Board and a Supervisory Board. Both governing bodies work closely together to the benefit of the Company and seek to achieve a sustained increase in enterprise value for its shareholders.

The Executive Board currently comprises three members. Please refer to the "Governing Bodies" section in the Annual Report for further information on its composition. The Executive Board is responsible for performing managerial and operational tasks. Its responsibilities extend in particular to the MAN Group's strategic focus, which it agrees with the Supervisory Board. The Executive Board is also responsible for central financing of the Group, the development and deployment of managers, and the preparation of the half-yearly report and annual financial statements. In addition, it ensures compliance with legislation, official regulations, and internal policies.

The various tasks are allocated to the individual Executive Board functions in accordance with the list of responsibilities. The full Executive Board addresses all key decisions and measures; the Executive Board's Rules of Procedure define the decisions and measures that require the approval of the full Executive Board. Meetings of the full Executive Board are held once a month, as a rule, and additionally as needed. The Executive Board reports to the Supervisory Board. It consults the Supervisory Board on decisions of fundamental importance. The Executive Board also ensures open and transparent corporate communications.

The Supervisory Board has an oversight and advisory role. Certain important transactions laid down by the law, the Articles of Association, and the Supervisory Board's Rules of Procedure require the Supervisory Board's approval. Please refer to the report of the Supervisory Board for further information on the duties performed by the Supervisory Board and its cooperation with the Executive Board.

MAN SE's Supervisory Board has equal numbers of shareholder and employee representatives. The eight shareholder representatives are elected by the Annual General Meeting and the eight employee representatives are appointed by the SE Works Council in accordance with the provisions of the Agreement on Arrangements for

Employee Involvement in the SE dated February 18, 2009. Since January 1, 2016, the Company must also comply with the statutory minimum percentage of 30% women and 30% men when electing a new member or new members to the Supervisory Board.

In a meeting held on November 13, 2015, the Supervisory Board of MAN SE updated the rules governing the Supervisory Board's composition. According to these, MAN SE's Supervisory Board aims, in light of the purpose and size of the Company and the proportion of its international business activities, to take the following factors into account on its composition:

- reserving at least two Supervisory Board positions — one of which is on the shareholder side — for persons who especially embody the criterion of internationality;
- reserving at least two Supervisory Board positions on the shareholder side for persons with no potential conflicts of interest who are independent within the meaning of section 5.4.2 of the Code;
- in addition, proposals for election should not, as a rule, include any persons who have reached the age of 70 at the time of the election or who have been a member of the Company's Supervisory Board for more than 20 years.

All aims have been fulfilled or taken into consideration respectively.

Please refer to the report of the Supervisory Board and the "Governing Bodies" section of the Annual Report for further information on the composition of the Supervisory Board and its committees.

In accordance with the age limit set by the Supervisory Board for members of the Executive Board, their appointments should normally end one year after the member has reached the age of 65. This age limit is being increased in line with the increase in the standard age limit in the statutory pension insurance system, and the Supervisory Board reserves the right to make exceptions in individual cases.

In accordance with the requirements of the *Aktiengesetz* (AktG — German Stock Corporation Act) and section 4.3.4 of the Code, members of the Executive Board may undertake secondary activities only with the prior consent of the Supervisory Board.

No conflicts of interest were reported by members of either the Executive Board or Supervisory Board during the reporting period.

Remuneration system for the Executive and Supervisory Boards

Please refer to the Remuneration Report in the Annual Report for information on the remuneration system for the Executive and Supervisory Boards.

Compliance/risk management

MAN SE's Executive Board established a Governance, Risk & Compliance (GRC) function as part of its responsibility for compliance and risk management as defined by the Code. This function is managed by the Head of GRC/Chief Compliance Officer, who reports directly to the Chief Executive Officer of MAN SE and additionally to the Audit Committee of the Supervisory Board. The GRC organization is responsible for compliance and risk management throughout the Group. The GRC function currently has 47 employees and consists of MAN SE's central Corporate GRC Office (17 employees) and the GRC organization in the divisions (30 employees).

The Corporate GRC Office performs central compliance and risk management functions. These include drawing up Group-wide policies and standards, as well as developing employee training. The Corporate GRC Office also regularly performs a special risk analysis to identify potential compliance risks to the Group and to adapt and further develop the Group-wide compliance management system to reflect these risks. In addition, the Corporate GRC Office oversees the performance of risk management processes in the divisions and is responsible for the ongoing development of risk management tools in cooperation with the risk/internal control system managers.

The GRC organization in the divisions is responsible for the implementation of the compliance management system and the risk management system developed by the Corporate GRC Office in the Group companies within the division. Each division has a head of GRC/compliance officer, who is supported by compliance managers in various business units or sales regions as well as by risk/internal control system managers.

Finally, compliance and risk management tasks are also performed by "compliance champions" and risk/internal control system coordinators. Compliance champions are MAN managers or employees who are not full-time GRC employees but who have assumed special responsibility for compliance and risk management issues.

The MAN compliance management system addresses white collar crime (especially combating corruption, preventing money laundering, and terrorism funding) and antitrust law issues. The Corporate Audit function was responsible for data protection issues in the reporting period.

The key elements of the MAN compliance management system include the following:

- Regular reporting on the current status of compliance measures at different levels of the Group to the responsible committees.
- The MAN Group's ethical conduct guidelines and basic compliance requirements are described in its Code of Conduct. The GRC organization has also developed policies on compliance issues such as combating corruption, antitrust law, and preventing money laundering. These policies represent uniform and binding requirements for all employees throughout the Group.
- The Compliance Helpdesk operated by the GRC function answered 355 questions from employees in the reporting period.
- The GRC function regularly holds classroom and online training on combating corruption, antitrust law, preventing money laundering, and data protection. The focus in the year under review was on face-to-face training for managers as well as the roll-out of the third online course on the Code of Conduct, which looks at integrity, transparency, and personal responsibility in greater detail.
- Various measures were taken in the reporting period to promote integrity as part of a culture campaign. These include a film on integrity as a corporate value, various "compliance alerts" on current compliance issues, as well as different internal events at Group companies to celebrate International Anti-Corruption Day on December 9, 2016.
- In October 2016, over 100 compliance champions and GRC employees met in Munich for a two-day compliance conference. The conference focused on the development of strategies and measures to identify potentially unknown compliance risks and to continue to ensure ethical conduct in the Group.
- The Business Partner Approval Tool is used to check and approve the integrity of business partners active in the area of sales support. In total, over 1,995 checks were conducted using this tool in the period under review.
- The Continuous Controls Monitoring (CCM) electronic monitoring system ensures that potential compliance risks and policy violations are detected at an early stage. It comprises a set of purchasing and payment process controls and general IT controls. A new control to prevent money laundering was developed in the reporting period and is now being rolled out in stages. CCM is now used at 50 MAN Group companies or sites.
- The "Speak up!" whistleblower portal again served to detect and prevent material risks to MAN in the reporting period. "Speak up!" is used to accept and analyze information relating to serious compliance violations, especially in the area of white collar crime (e.g., corruption offenses, suspected money laundering activities, and terrorism funding), antitrust law, and data protection. This information is investigated in detail. Violations are dealt with and punished according to the penalties permitted under labor law.

- MAN is a member of Transparency International, the United Nations Global Compact initiative, and the Deutsches Institut für Compliance (DICO). MAN also supports the Allianz für Integrität, an initiative of the German Federal Ministry for Economic Cooperation and Development, the Deutsche Gesellschaft für Internationale Zusammenarbeit, the Bundesverband der Deutschen Industrie, as well as a large number of German companies to promote economic integrity.

For a detailed description of MAN's risk management system as well as its risk and opportunity position, please refer to the Report on Risks and Opportunities contained in the Management Report.

Transparency and financial reporting
The MAN Group publishes a financial diary with all the key dates for its shareholders on its website at **www.corporate.man.eu** under the "Investor Relations" heading. All other important information for the shareholders and the interested public is also available on this website. It includes annual reports, interim reports, as well as the invitations to and agendas for the annual general meetings, including other documents required to be published in connection with the annual general meeting.

We also post without undue delay on our website **www.corporate.man.eu** under the "Investor Relations" heading information that is required to be published in accordance with capital market disclosure requirements. This refers in particular to the following information:

- In accordance with Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on Market Abuse (Market Abuse Regulation), persons discharging managerial responsibilities, as well as persons closely associated with them, must report dealings in MAN shares and related financial instruments to the issuer and to the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin — German Federal Financial Supervisory Authority) without undue delay. No transactions were reported in fiscal year 2016. According to the reports received, the Executive Board and Supervisory Board members' direct and indirect holdings of shares or derivatives on shares additionally do not exceed 1% of the shares issued by the Company, either individually or in the aggregate.

- Article 17 of the Market Abuse Regulation requires issuers to publish insider information that directly affects them as soon as possible.

- Section 26 of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) requires domestic issuers to release notifications they receive in connection with the shares of voting rights in the company that exceed or fall below the thresholds without undue delay.

The year-end consolidated financial statements of the MAN Group are prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRSs), while the single-entity financial statements of MAN SE are prepared in accordance with the *Handelsgesetzbuch* (HGB — German Commercial Code). In accordance with the recommendation in section 7.1.2, sentence 2 of the Code, the Audit Committee discusses MAN's half-yearly financial report with the Executive Board prior to its publication. The Group complies with the publication deadlines laid down in section 7.1.2, sentence 4 of the Code.

(2) Other corporate government practices

MAN SE is the holding company and parent of the MAN Group. It conducts its business in close coordination with Volkswagen Truck & Bus GmbH and Volkswagen AG.

In order to ensure uniformity, the MAN Group applies the standards using Group policies.

The MAN Group's ethical guidelines of conduct and compliance requirements are described in its Code of Conduct. It is posted on our website at **www.corporate.man.eu** under the "Compliance & Risk" heading. The Code of Conduct lays down binding rules of conduct that embody core rules and minimum standards for all employees of the MAN Group. The goal is to provide all employees with guidance on legal and ethical challenges in their daily work and to promote proper conduct. In particular, the Code of Conduct includes a clear commitment to free and fair competition. Anticompetitive conduct and corruption of any kind are prohibited. The provisions of the Code of Conduct are set out in greater detail, for example, in the following Group policies: the Policy on handling gifts, hospitality, and invitations to events, the Policy on engaging business partners with an intermediary and/or representative function, the Policy on handling donations and sponsoring measures, the Policy on compliance with antitrust regulations, the Policy on case management and compliance investigations, the Policy on handling personal data, and the Policy on preventing money laundering and terrorism funding.

In addition, the Executive Board, employee representatives, and MAN SE's international labor union network signed an international framework agreement in March 2012 under which MAN has committed itself to safeguarding basic human rights and employee rights applicable all around the world. The goal of the agreement is to provide a reliable minimum standard that all of the MAN Group's employees worldwide can refer to and that creates ethical foundations for actions taken by MAN companies and employees.

In addition to complying with core ethical rules for the MAN Group's own employees, MAN expects suppliers and business partners, as well as their employees, to act responsibly and to comply with the applicable laws at all times and everywhere. To this end, MAN has issued its own Code of Conduct for Suppliers and Business Partners and translated it into 16 languages. This document is also posted on our website **www.corporate.man.eu** under the "Compliance & Risk" heading.

(3) Working practices and composition of the Executive Board, Supervisory Board, and committees

The composition of the Executive Board, the Supervisory Board, and the Supervisory Board committees can be found in the "Notes to the Consolidated Financial Statements".

Please refer to the Corporate Governance Report under (1) for information on the working practices of the Executive Board and the Supervisory Board.

The Executive Board does not have any committees.

Working practices of the Supervisory Board committees

The Supervisory Board established two committees — the Presiding Committee and the Audit Committee — on which shareholders and employees are represented equally, with three representatives in each case, as well as the Nomination Committee, which consists solely of shareholder representatives.

The main role of the committees is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers or tasks are transferred to committees.

The Nomination Committee is tasked with identifying candidates for Supervisory Board positions and recommending suitable candidates to the Supervisory Board as the latter's proposals for election at the Annual General Meeting. In this capacity, the shareholder representatives on the Presiding Committee act as the Nomination Committee.

As a rule, the Presiding Committee meets before every Supervisory Board meeting. The Audit Committee meets before the Supervisory Board financial statements meeting in connection with the preparation of the annual financial statements, and in connection with the interim financial statements. In addition, the Presiding Committee and the Audit Committee may convene additional meetings as needed.

Please refer to the report of the Supervisory Board for further information on the duties performed by its committees.

(4) Target for percentage of women

Pursuant to section 111 (5) of the AktG, the Supervisory Board of MAN SE has set a target of 0% for female members on the Executive Board.

Pursuant to section 76 (4) of the AktG, the Executive Board of MAN SE has set the following goals for females in the two management levels directly below the Executive Board:

- 18.5% for females in the first management level below the Executive Board.
- 43.5% for females in the second management level below the Executive Board.

The deadline for reaching both goals was December 31, 2016.

Goal achievement as of December 31, 2016 was as follows:

- 0% for the Executive Board of MAN SE.
- 22.7% for females in the first management level below the Executive Board.
- 37.5% for females in the second management level below the Executive Board.

The stated goals were therefore achieved with the exception of the target for the percentage of women in the second management level below the Executive Board.

The Company underwent a major restructuring phase involving a workforce reduction of up to 60 jobs across all divisions and levels (staff subject to collective bargaining agreements and management roles) in fiscal 2016. These measures also led to a decline/change in the overall number of management positions as well as to transfers within the MAN Group and consequently to a decrease in the percentage of women.

The target for the percentage of women in the first management level was exceeded as a result of one promotion to the first management level (in the same role).

The failure to achieve the target for the percentage of women in the second management level is due to the restructuring measures. However, it should be noted in this context that the percentage of female candidates for management positions (potential candidates for promotion to the second management level) is 66%.

Pursuant to section 111 (5) of the AktG, the Supervisory Board has again set a target of 0% for female members of the Executive Board in the period from January 1, 2017 to December 31, 2021.

Pursuant to section 76 (4) of the AktG, the Executive Board of MAN SE has likewise set the following goals for females in the two management levels directly below the Executive Board in the period from January 1, 2017 to December 31, 2021:

- 29.2% for females in the first management level below the Executive Board.
- 40% for females in the second management level below the Executive Board.

The corresponding disclosures by the subsidiaries of MAN SE that are required by law to set target percentages are available on our website at **www.corporate.man.eu** under the “Investor Relations” heading.

(5) Disclosures on compliance with the minimum percentage of female and male members of the Supervisory Board

In accordance with section 17 (2) of the *SE-Ausführungsgesetz* (SEAG — German SE Implementation Act), the Supervisory Board of a listed SE, whose Supervisory Board has an equal number of shareholder and employee representatives, must be at least 30% women and at least 30% men.

The Supervisory Board comprised three women and 13 men until MAN SE’s Annual General Meeting on June 15, 2016. The above quota was therefore not met up until this time. However, this did not contravene the statutory requirement since the members were appointed in previous years.

Prior to the 2016 Annual General Meeting, the shareholder representatives objected to the overall fulfillment of the quota in the upcoming election of the Supervisory Board at the Annual General Meeting. As a result, at least two women and at least two men were to be appointed to both the shareholder side and the employee side of the Supervisory Board.

The current Supervisory Board, which was elected at the 2016 Annual General Meeting, meets this specification.

The corresponding disclosures by the listed subsidiary Renk Aktiengesellschaft are available on our website at **www.corporate.man.eu** under the “Investor Relations” heading.

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COMBINED MANAGEMENT REPORT

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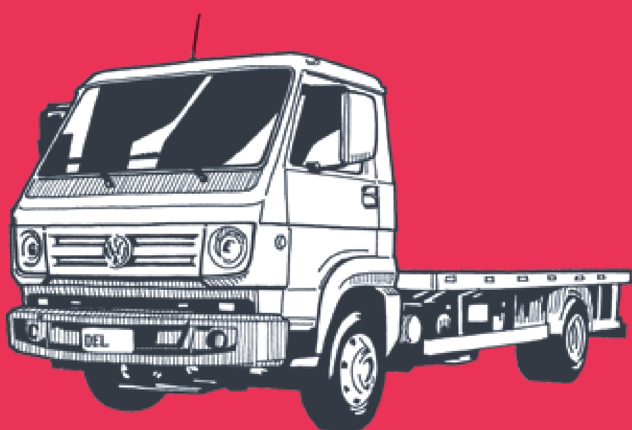

VW DELIVERY 8.160

The MAN Latin America vehicle has reached a new milestone in its illustrious history: in 2016, the VW Delivery 8.160 was the best-selling truck in Brazil. Almost 100,000 units from the Delivery series have now been sold.

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COMBINED MANAGEMENT REPORT

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The Combined Management Report describes the course of business and the position of the MAN Group and MAN SE in fiscal 2016. The Corporate Governance Statement, which is published in the "Corporate Governance" section, forms part of this Combined Management Report.

THE MAN GROUP'S BUSINESS ACTIVITIES

Sustainable value creation by focusing on transportation and energy, profitable international growth, customer orientation, after-sales activities, and technology leadership

The MAN Group

The MAN Group is one of Europe's leading commercial vehicle and mechanical engineering groups and focuses on activities in the areas of transportation and energy — market segments that offer long-term, global opportunities. MAN's business activities are grouped into two business areas: Commercial Vehicles, comprising MAN Truck & Bus and MAN Latin America, and Power Engineering, featuring MAN Diesel & Turbo and Renk.

Commercial Vehicles business area

MAN Truck & Bus is one of Europe's leading manufacturers of commercial vehicles and has production facilities in three European countries, Russia, South Africa, India, and Turkey. Its products range from general-purpose trucks with a gross vehicle weight of 7.5 to 44 t and special-purpose vehicles with a gross train weight of up to 250 t through buses and coaches to diesel and gas engines for external customer applications. In the future, MAN customers will receive sales and service support for everything from vans to heavy trucks from a single source. From 2017 onwards, MAN Truck & Bus will expand the product portfolio to include large vans, making it a full-range supplier of commercial vehicles. The new MAN van, which has been given the model name MAN TGE, was developed in cooperation with Volkswagen Commercial Vehicles and will be produced together with the identical Volkswagen Crafter at the new Volkswagen plant in Wrzesnia, Poland. To complement the entire expanded commercial vehicles portfolio, MAN Truck & Bus offers its customers an extensive range of services from a single source.

MAN Latin America is one of the largest truck manufacturers in Brazil and can look back on 35 years of history. Three of the five best-selling truck models in Brazil are from MAN Latin America. The company produces trucks and buses in Resende, Brazil, and Querétaro, Mexico. MAN Latin America staff at the Resende plant, which has a modular production system, work together in close partnership with suppliers. MAN Latin America has a nationwide sales and service network in Brazil and neighboring countries. Sales are primarily made through Volkswagen Caminhões e Ônibus. The most important markets for MAN Latin America are Latin America and Africa. The extensive dealer network in Latin America and Africa comprises 339 dealers, including 156 exclusive sales and service partners in Brazil. MAN also covers the Brazilian heavy truck segment with power output exceeding 400 horsepower with the MAN TGX, which has been offered there since 2012. This establishes a dual brand concept in Brazil and other Latin American countries.

Since 2009, MAN SE's Commercial Vehicles business area has held a strategic interest of 25% plus one share in Sinotruk (Hong Kong) Ltd., Hong Kong/China (Sinotruk), one of the largest truck manufacturers in China. The investment enables MAN to operate in the local market. In addition to its cooperation with Sinotruk in the high-volume segment, MAN serves the small but growing premium truck market by exporting MAN vehicles to China.

Power Engineering business area

MAN Diesel & Turbo is one of the world's leading developers and manufacturers of large-bore diesel and gas engines, turbocompressors, industrial turbines, and chemical reactor systems. The company commands a strong market position in the development of two-stroke diesel engines for propulsion systems in large ships, in the development and manufacture of four-stroke diesel engines built into smaller vessels and used as auxiliary engines, and in four-stroke engines for electricity generation at power plants. In addition, MAN Diesel & Turbo delivers turbochargers for large-bore engines as well as complete and efficient power plants which supply useful heat from cogeneration. Moreover, as one of the leading manufacturers worldwide, MAN Diesel & Turbo offers a wide range of turbomachinery for various sectors such as the oil and gas, refining, chemical, and processing industries, as well as for producing industrial gases and electricity. MAN Diesel & Turbo has a comprehensive after-sales business covering the company's entire product range. A global network of over 100 MAN PrimeServ locations ensures that the company is close to its customers around the world.

Renk is a listed subsidiary of MAN SE and a global manufacturer of special gear units, propulsion components, and testing systems. MAN holds 76% of the company's capital. Renk is a leading manufacturer of tracked vehicle transmissions of different sizes as well as of slide bearings for electrical machinery. It also has an excellent position in the market for special gear units used for marine and industrial purposes. Its product portfolio is rounded off by an extremely wide variety of different types and performance categories of couplings. In addition, the company manufactures testing systems that are used in development, production, and quality assurance primarily in the automotive, rail, and aviation industries.

Research and development

Continuous research and development work is one of the Company's core tasks to meet customers' needs for efficient mobility and energy supply solutions. Market requirements are influenced by the global megatrends of globalization, high international division of labor, population growth and urbanization, increasingly strict emissions regulations, as well as digitization.

Commercial Vehicles

The megatrends have a direct influence on future developments in freight transport and the commercial vehicle industry — and hence on the Commercial Vehicles business area as well. The consequences include the need to reduce fuel consumption as a result of stricter emission laws, rising energy prices, growth in road transportation, targeted relief for traffic-sensitive areas such as city centers, and increasing safety requirements for road users. Our customers also aim to continuously increase their cost-effectiveness and reduce the total cost of ownership (TCO).

In addition to continually enhancing and developing its range of products, MAN's research and development activities therefore focus on reducing fuel consumption, cutting emissions, alternative drives and alternative fuels, and improving active and passive safety. MAN is also actively addressing the challenges posed by the digital transformation and initiated the digital brand RIO — an open, cloud-based platform for the entire transportation industry — in fiscal 2016.

At the IAA Commercial Vehicles 2016, MAN presented the new TGL, TGM, TGS, and TGX series models with new engines that meet the Euro 6c emission standard. The D26 and D38 engines offer more torque and an additional 20 horsepower as well as a low tare weight and excellent fuel economy. The two proven MAN engine series D08 and D20 also come with a range of new features to help reduce fuel consumption even more. Among other things, all engines feature a new, more reactive catalyst material for the SCR system, which means that combustion and exhaust gas treatment can be optimized so that consumption is reduced even further.

MAN also presented the latest edition of the EfficientLine concept, which combines all technical and aerodynamic fuel-saving features in a single truck. Trade magazine VerkehrsRundschau awarded the title of "Green Truck Innovation" to the MAN TGX EfficientLine 2 in April 2016. The award recognizes technical solutions that make commercial vehicles more environmentally friendly.

The new MAN TGE van series celebrated its world premiere at the IAA. The TGE makes MAN a full-range supplier, now covering permissible gross vehicle weights from 3.0 through 5.5 tons with this commercial vehicle for distribution transport and the building trade.

In the area of electric mobility (eMobility), MAN Truck & Bus presented the fully electric articulated MAN Lion's City bus as a modular concept vehicle, different charging infrastructure concepts, and a TGS semitrailer tractor with electric drive for night delivery applications in inner-city areas. Optimized for use with a city semitrailer, it offers a high load volume with a low tare weight.

The MAN Lion's City Hybrid is a practical and efficient modular eMobility solution for transport companies. Different charging technologies can be combined as needed and the number of storage modules can be selected based on the required range and transport capacity.

According to the MAN eMobility roadmap, a 100% electric city bus will start series production by 2020. The technological expertise from the eMobility modular system in the bus sector can also be transferred to electric truck applications in the future.

MAN is also continuously optimizing its diesel engines to reduce public transport emissions to a minimum. MAN also leads the market for natural gas-powered CNG city buses.

The NEOPLAN Tourliner is the new entry model in the premium coach segment and offers a range of potential applications, a large number of assistance systems, and an even lower total cost of ownership.

MAN demonstrated efficiency through convoy driving in the European Truck Platooning Challenge 2016, an initiative of the Dutch Ministry of Infrastructure and the Environment. The aim of the project was to explore potential improvements in traffic safety and the efficiency of road freight transport. Vehicle platooning is a system currently being developed for road transport in which at least two or more truck and trailer combinations drive closely behind each other using technical driver assistance and control systems as well as car-to-car communication, which can also improve road safety. This "electronic drawbar" automates the longitudinal and lateral control of the vehicle to the rear, i.e., it follows the truck in front. The distance between each semitrailer combination is less than 15 meters or around half a second of driving time. Platooning is also expected to improve traffic flow on motorways.

DB Schenker and MAN agreed on a concrete initial platooning project in November 2016. This is the first time a logistics company and a vehicle manufacturer have worked together to develop networked truck convoys. The plan is to field-test a truck platoon on the digital test field — a section of the A9 motorway between DB Schenker's Munich and Nuremberg locations — in 2018. The second phase involves the deployment of self-driving trucks on DB Schenker's Nuremberg site.

MAN long trucks have been involved in a field trial since October 2012. This has confirmed the positive expectations and shows that long trucks are a safe and economical form of road transport. The accompanying study prepared by the *Bundesanstalt für Straßenwesen* (BASt — Federal Highway Research Institute) revealed that long trucks can be integrated into the traffic flow without causing any problems. At the same time, the use of long trucks is not expected to increase maintenance requirements for road infrastructure due to the larger number of axles. Long trucks have been used in regular operation on an approved road network since the beginning of 2017.

MAN Truck & Bus is the initiator of the new digital brand RIO and is responsible for the development of the brand within Volkswagen Truck & Bus. RIO is an open, cloud-based platform for the entire transportation industry that bundles digital solutions for the transportation and logistics ecosystem. For the first time, it connects all players in the supply chain — shippers, loaders, dispatchers, carriers, drivers, and recipients — via a uniform information and application system, including a forecasting feature. In the future, RIO will provide users with specific recommendations in real time by combining information from tractors, trailers, bodies, drivers, and orders together with traffic, weather, or navigation data, for example. This improves customer profitability and reduces the environmental impact through fewer empty runs. Trucks delivered by MAN Truck & Bus from the second quarter of 2017 onwards will be equipped with RIO as standard. Drivers will then be able to use their smartphones to receive relevant information such as new transport orders and directly start navigation to the customer, for example. Loadfox, a smart order management service, can improve truck utilization by assigning additional cargo to partially loaded trucks along their routes, for instance.

In the future, MAN and Scania will work together on the joint development of core components of the drive train under the umbrella of Volkswagen Truck & Bus. Common platforms for engines, transmissions, axles, and exhaust after-treatment systems will be created for adaptation by the individual brands. The lead engineering concept for this joint development project, which was launched in September 2016, takes the specific requirements of all participants into account and clearly defines responsibilities. The brands remain independent, and each cross-brand project group will be led by one of the two companies.

The development activities of MAN Latin America in fiscal 2016 focused on technical enhancements and the development of new products. The company also rolled out a telematics system for fleet management.

Power Engineering

Increased energy efficiency and reduced emissions are the main drivers of the development strategy for all products at MAN Diesel & Turbo. Intensified global price competition is also forcing product design adjustments with respect to unit production costs and delivery times. Consequently, we systematically continued the product initiative in 2016 to expand and optimize the product portfolio and maintain our long-term technology leadership.

A number of new four-stroke engine types were again approved for sale during the year under review. These are currently in the launch phase. Another focus area was the development and optimization of end-to-end solutions for various customer groups. The acquisition of Cryo AB's LNG tank and supply systems business at the end of 2015 strengthened MAN Diesel & Turbo's expertise in the construction, production and operation of gas fuel systems. Gas is becoming an increasingly important fuel in maritime applications and the gas supply systems will help expand the company's presence in the dual fuel segment. This will enable MAN to offer customers a one-stop solution with a dual-fuel engine and liquid gas storage system on board the ship.

Research and development on two-stroke engines again focused on fuel flexibility (e.g., LNG, methanol, ethane). The world's first methanol-powered overseas tanker was equipped with a two-stroke liquid gas injection engine in the period under review.

Product development for stationary applications of four-stroke engines (diesel and, increasingly, gas engines) primarily aims to further improve the performance of engine-operated power plants and optimize project costs and durations. MAN Diesel & Turbo's new modular concept for gas engine power plants with cogeneration responds to the growing demand for highly efficient but flexible energy generation technologies. The CHP solution is based on MAN's proven 35/44G engine — a four-stroke gas engine available with both single-staged and two-staged turbochargers. MAN Diesel & Turbo is also increasingly gearing its energy generation product portfolio to gas.

Turbomachinery products are increasingly being designed as modules so that the product range can be tailored to customer requirements and economies of scale can be achieved with smart modularization. The use of carry-over parts enhances process stability, reducing costs for both the customer and the producer. In this way, the company meets the challenge of bringing outstanding products and services to the market at an attractive price. Efficient spare parts management concepts as part of comprehensive customer solutions also play a role here.

Steam-turbine-driven compressor trains are being further modularized for various refinery applications in order to better respond to changed market conditions such as the noticeable cost pressure resulting from lower investment volumes. This also applies to other compressor families. Investment projects can thus be implemented faster and at lower cost to plant operators. The competitiveness of compressor trains for floating production, storage, and offloading vessels used in the oil and gas sector was also increased significantly.

A substantial part of the development of products and services involves seemingly minor matters, but results in continual improvements in efficiency or reductions in energy input. For example, an enhanced generation of steam turbine blades makes it possible to break through to new levels of efficiency, and these benefits can be applied to an entire family of steam turbines.

Finally, MAN Diesel & Turbo has begun to expand its latest line of gas turbines for applications in power generation and mechanical drives.

Renk's R&D work concentrated on continually optimizing and complementing the product portfolio. Activities in the individual business units built on the existing range of products, with a focus on further improvements to new drive concepts and the expansion of complex solution packages designed to meet specific customer requirements. Most of Renk's products are developed for and in partnership with customers. The company is often involved in the concept phase and works together with customers to find the best solutions for their specific needs.

Key R&D figures

Research and development costs

€ million	**2016**	**2015**
Total R&D costs	881	791
of which: capitalized development costs	–276	–246
Capitalization ratio in %	31.3	31.1
Amortization of and impairment losses on capitalized development costs	101	125
R&D costs recognized in the income statement	**706**	**670**
Ratio to sales revenue in %	5.2	4.9
R&D employees (annual average)	4,554	4,633

The MAN Group also cooperates with external partners within the scope of order-specific R&D activities and on publicly subsidized projects.

Financial control system and value management

Internal management process within the MAN Group

The MAN Group is included in the Volkswagen Group's internal management process. The starting point for the MAN Group's internal management is medium-term planning, conducted once per year. This covers a period of five years and forms the core of the Group's operational planning.

When planning the Group's future, the individual planning components are determined on the basis of the timescale involved. They include the long-term unit sales plan that sets out market and segment growth, from which the MAN Group's delivery volumes are derived; the product program as the strategic, long-term factor determining corporate policy; and capacity and utilization planning for the individual locations.

The coordinated results of the upstream planning processes are used as the basis for medium-term financial planning. The MAN Group's financial planning comprises the income statement, cash flow and balance sheet planning, profitability and liquidity, as well as the upfront investments needed for alternative products and the implementation of strategic options.

The first year of the medium-term planning period is then fixed and a budget drawn up for the individual months. This is planned in detail down to the level of the operating cost centers.

The budget is reviewed each month to establish the degree to which the targets have been met. Important control tools are target/actual comparisons, prior-year comparisons, variance analyses and, if necessary, action plans to ensure budgetary targets are met. For the current fiscal year, detailed revolving monthly forecasts are prepared for the coming three months and for the full year. This takes into account current risks and opportunities. The focus of intrayear internal management is therefore on adapting operating activities. At the same time, the current forecast serves as a potential, ongoing corrective to the medium-term and budget planning that follows on from it.

Key performance indicators within the MAN Group

Sales revenue, operating profit, and the operating return on sales are the most important financial key performance indicators within the MAN Group. The operating return on sales is the ratio of operating profit to sales revenue. In addition, the return on investment (ROI) is used to determine the return on the MAN Group's average invested capital for a particular period. This is calculated as the ratio of operating profit after tax to invested capital. The two most significant nonfinancial key performance indicators are vehicle sales in the Commercial Vehicles business area and order intake in the Power Engineering business area.

Operating return on sales

The MAN Group aims for an operating return on sales of 8.5% over an operating cycle. The goal is an operating return on sales of 8.5% in the Commercial Vehicles business area and 9.0% in the Power Engineering business area.

A range of +/–2 percentage points has been defined for all specified figures.

%	**2016**	**2015**
Commercial Vehicles	2.1	–1.0
Power Engineering	1.1	7.5
MAN Group	**1.5**	**0.7**

Return on investment (ROI)

€ million	**2016**	**2015**
MAN Group annual average invested capital	5,943	5,860
Operating profit	204	92
Operating profit after tax	143	64
ROI in %	2.4	1.1

Invested capital is calculated as total operating assets (property, plant, and equipment, intangible assets, assets leased out, inventories, and receivables) less non-interest-bearing liabilities (trade payables, prepayments received and customer payments received for assets leased out). Prepayments received are only deducted if they have already been used in order processing. Average invested capital is derived from the balance at the beginning and the end of the reporting period.

As the concept of value-based management only comprises our operating activities, assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital. Interest charged on these assets is reported in the financial result. Using the various international income tax rates of the relevant companies, we assume an overall average tax rate of 30% when calculating the operating result after tax.

COURSE OF BUSINESS AND ECONOMIC POSITION OF THE MAN GROUP IN 2016

European commercial vehicles market up significantly year-on-year, difficult market environment in Brazil and in the Power Engineering business area, programs for the future initiated at MAN Latin America and MAN Diesel & Turbo

Results of operations

Order situation

Order intake

Order intake by business area

€ million	2016	%	2015	%
Commercial Vehicles	11,105	77	11,009	76
Power Engineering	3,281	23	3,408	24
Others	–29	0	–35	0
MAN Group	**14,357**	**100**	**14,381**	**100**

The Commercial Vehicles business area saw significant growth in the European commercial vehicles market in 2016. In contrast, the ongoing recession and political uncertainties in Brazil once again led to a considerable decline in demand compared with the previous year. The number of vehicles ordered fell overall to 105,046 vehicles (previous year: 107,546 vehicles). The increase of approximately 1,600 vehicles at MAN Truck & Bus was unable to offset the considerable decline of approximately 4,100 vehicles at MAN Latin America.

In the Power Engineering business area, the situation in the marine and turbomachinery markets deteriorated further. The energy generation market improved slightly but remained at a low level. Overall, this led to a noticeable decrease in order intake at MAN Diesel & Turbo. At Renk, growth in the Special Gear Units and Vehicle Transmissions businesses compensated for declines in the Standard Gear Units and Slide Bearings businesses.

Order backlog

€ million	2016	2015
Commercial Vehicles	2,595	2,456
Power Engineering	3,050	3,588
Others	–5	–8
MAN Group	**5,641**	**6,037**

The order backlog in the Power Engineering business area declined to 85% of its annual sales revenue in 2016 and therefore spans less than one year.

Sales revenue

Sales revenue by business area

€ million	2016	%	2015	%
Commercial Vehicles	10,002	74	9,954	73
Power Engineering	3,593	26	3,775	27
Others	–32	0	–28	0
MAN Group	**13,564**	**100**	**13,702**	**100**

Unit sales in the Commercial Vehicles business area remained almost unchanged overall at 102,235 units (previous year: 102,474 units) following positive growth at MAN Truck & Bus (+5%). The figure for MAN Latin America decreased by 17% due to market-related factors. As a result, MAN Latin America's sales revenue declined by 18%. In contrast, MAN Truck & Bus's sales revenue rose by 3%. Overall, sales revenue in the Commercial Vehicles business area was slightly higher than in the previous year.

Sales revenue in the Power Engineering business area decreased by 5%. MAN Diesel & Turbo recorded lower sales revenue in the Engines & Marine Systems strategic business unit due to market-related factors, as well as in the Turbomachinery strategic business unit as a result of lower order intake in previous years. Renk's sales revenue was up slightly on the prior-year figure.

Sales revenue by region

€ million	2016	%	2015	%
Europe	8,993	66	8,447	62
Germany	3,273	24	3,252	24
Western Europe (excluding Germany)	4,175	31	3,810	28
Central and Eastern Europe	1,545	11	1,385	10
Americas	1,472	11	1,745	12
North America	499	4	491	3
South America	974	7	1,254	9
Asia-Pacific	1,707	13	1,889	14
Other markets	1,391	10	1,621	12
Africa	554	4	639	5
Middle East	837	6	981	7
MAN Group	**13,564**	**100**	**13,702**	**100**

The regional distribution of sales revenue reflects market developments. Sales revenue in Europe primarily grew in the Commercial Vehicles business area. The decline in sales revenue in South America is primarily attributable to the significant deterioration in the Trucks business in Brazil. €0.7 billion (previous year: €0.9 billion) of the MAN Group sales revenue recorded in South America was attributable to MAN Latin America, which in turn generated 61% (previous year: 70%) of its sales revenue in the Brazilian market. In Asia, sales revenue was concentrated in South Korea (approximately €0.5 billion) and China (approximately €0.4 billion). Both countries saw a sharp decline in sales revenue in the Power Engineering business area due to the situation in the marine market. China was also impacted by weaker demand in the Turbomachinery strategic business unit. The decrease in sales revenue in the Middle East is largely the result of lower unit sales of commercial vehicles in Turkey and Saudi Arabia.

Operating profit/loss

Operating profit/loss by business area

€ million	2016	2015
Commercial Vehicles	209	–101
Power Engineering	39	283
Others	–45	–90
MAN Group	**204**	**92**

The Commercial Vehicles business area recorded a considerable improvement in operating profit at MAN Truck & Bus. In addition to higher volumes and improved margins, the PACE2017 program for the future launched in the past year had a significantly positive impact. MAN Latin America's operating loss increased on the back of lower sales revenue as well as the restructuring measures introduced at the company in 2016, which negatively impacted the operating loss by €58 million. The prior-year figure includes restructuring expenses of €185 million at MAN Truck & Bus.

Operating profit in the Power Engineering business area declined in the year under review as a result of volume- and margin-related factors. A comprehensive program to safeguard future viability was launched in response to the negative market factors that have confronted MAN Diesel & Turbo for some time now. The Base Camp 3000+ program includes measures to optimize internal processes and improve the cost structure. In this context, operating profit was negatively impacted by restructuring expenses in the amount of €155 million.

"Others" comprises MAN SE and its Shared Services companies, the income from equity investments held directly by MAN SE, and the consolidation adjustments between the MAN Group's business areas. The operating loss attributable to Others improved year-on-year due to the reversal of provisions, cost-cutting measures, as well as smaller effects from purchase price allocations.

The table below presents operating profit/loss after adjustment for special items resulting from restructuring expenses to better illustrate operating performance. The MAN Group's operating profit before special items rose significantly to €417 million in fiscal 2016 (previous year: €277 million). The improvement in operating profit before special items in the Commercial Vehicles business area is attributable to MAN Truck & Bus. The deterioration in the Power Engineering business area was caused by MAN Diesel & Turbo.

Operating profit/loss before special items [1] by business area

€ million	2016	2015
Commercial Vehicles	267	84
Power Engineering	194	283
Others	–45	–90
MAN Group	**417**	**277**

[1] 2016: Special items comprise restructuring expenses in the amount of €58 million at MAN Latin America and €155 million at MAN Diesel & Turbo.
2015: Special items comprise restructuring expenses in the amount of €185 million at MAN Truck & Bus.
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Operating return on sales

The MAN Group's operating return on sales in the past fiscal year was 1.5% (previous year: 0.7%). Excluding restructuring expenses, the operating return on sales was 3.1% (previous year: 2.0%). The MAN Group's profitability thus improved noticeably in 2016 but was still significantly below the targeted range of the long-term target of 8.5% +/– two percentage points given the difficult environment.

Detailed information on business developments and the earnings generated by the MAN divisions is provided in the section of the management report entitled "The Divisions in Detail."

Income statement

€ million	2016	%	2015	%
Sales revenue	13,564	100	13,702	100
Cost of sales	–11,033	–81	–11,107	–81
Gross profit	**2,531**	**19**	**2,594**	**19**
Other operating income	592	4	513	4
Distribution expenses	–1,565	–12	–1,562	–11
General and administrative expenses	–757	–6	–762	–6
Other operating expenses	–597	–4	–692	–5
Operating profit	**204**	**2**	**92**	**1**
Share of profits and losses of equity-method investments	19	0	11	0
Finance costs	–203	–1	–189	–1
Other financial result	29	0	182	1
Financial result	**–155**	**–1**	**3**	**0**
Profit before tax	**49**	**0**	**95**	**1**
Income tax expense	–55	0	64	0
Current	–208	–2	63	0
Deferred	152	1	1	0
Loss from discontinued operations, net of tax	–	–	–10	0
Profit/loss after tax	**–7**	**0**	**150**	**1**

The MAN Group's sales revenue was down slightly on the previous year. Gross profit also deteriorated slightly. A significant improvement at MAN Truck & Bus contrasted with strong declines at MAN Diesel & Turbo and MAN Latin America.

Distribution and general and administrative expenses remained at the prior-year level. MAN's ongoing efficiency programs enable it to compensate for systematic cost increases such as wage growth and to actively address new issues.

Other operating income was up year-on-year as a result of higher income from the reversal of provisions as well as the realization of currency forwards. Other operating expenses declined as against the previous year, mainly due to lower foreign exchange losses. As in the previous year, other operating expenses include restructuring expenses.

The financial result deteriorated considerably compared with the previous year. In 2015, the other financial result included income from the dividend of €138 million distributed by Scania AB, Södertälje, Sweden (Scania). There was no dividend for the year under review. In contrast, net income from equity-method investments increased. Profit recorded by Rheinmetall MAN Military Vehicles GmbH, Munich improved significantly, while that of Sinotruk decreased. Finance costs were up slightly year-on-year due to the increased financing volumes and higher interest rates in Brazil.

The MAN Group's tax expense in the year under review was €55 million. The tax rate was 113.6% (previous year: –67.5%). Tax income of €64 million was recorded in 2015 due to prior-period taxes. The tax rate in the period under review was negatively impacted by the nonrecognition of deferred tax assets on losses incurred in Brazil in particular. Further information on the change in the tax rate can be found in the "Notes to the Consolidated Financial Statements." Discontinued operations had no effect on earnings in the year under review.

Financial position

MAN Group funding

Both bilateral lines with financial institutions and Volkswagen AG, and capital market instruments are used for debt funding.

The Group currently has access to a perpetual €2.5 billion credit facility from Volkswagen AG, of which €1.25 billion has been utilized. The unutilized portions of the credit facility are available as a liquidity reserve. MAN SE's last outstanding publicly offered bond with a principal amount of €0.75 billion and a coupon of 2.125% p.a. matures on March 13, 2017.

In connection with this bond, the Company has the following material agreements, which are subject to a change of control following a takeover bid:

Repayment of the bond (€0.75 billion) can be demanded if one or more persons acting in concert acquire more than 50% of the voting rights in MAN SE and, as a result, the Company's rating is downgraded to noninvestment grade within 120 days.

Cash flow

MAN consolidated statement of cash flows (key figures)

€ million	2016	2015
Cash and cash equivalents at beginning of period	**779**	**525**
Profit before tax	49	95
Income taxes paid/refunded	63	34
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property [1]	349	370
Amortization of, and impairment losses on, capitalized development costs [1]	101	125
Impairment losses on equity investments	2	0
Depreciation of assets leased out [1]	562	550
Change in pension provisions	–70	–35
Gain/loss on disposal of noncurrent assets and equity investments	–3	–6
Share of profits or losses of equity-method investments	–16	–2
Other noncash income and expense	5	37
Gross cash flow	**1,041**	**1,169**
Change in working capital	**–208**	**–7**
Change in inventories	–121	–62
Change in receivables	43	225
Change in liabilities and prepayments received (excluding financial liabilities)	615	491
Change in provisions	134	164
Change in assets leased out	–879	–826
Net cash provided by operating activities	**833**	**1,162**
Payments to acquire property, plant, and equipment and intangible assets (excluding capitalized development costs)	–579	–442
Additions to capitalized development costs	–276	–246
Payments to acquire other investees	–6	–20
Proceeds from the disposal of other investees	–	25
Proceeds from asset disposals (other than assets leased out)	30	17
Net cash used in investing activities attributable to operating activities	**–831**	**–667**
Net cash flow	**2**	**495**

[1] Net of impairment reversals.

MAN consolidated statement of cash flows (key figures) (cont'd)

€ million	2016	2015
Net cash flow	**2**	**495**
Change in investments in securities and loans	103	175
Net cash used in investing activities	**–728**	**–492**
Dividends allocated to noncontrolling interest shareholders	–4	–3
Profit transfer	–513	–486
Capital transactions with noncontrolling interest shareholders	–3	–
Repayment of bonds	–500	–620
Change in other financial liabilities	894	717
Net cash used in financing activities	**–126**	**–392**
Effect of exchange rate changes on cash and cash equivalents	39	–25
Change in cash and cash equivalents	**17**	**253**
Cash and cash equivalents at end of period	**796**	**779**
Composition of net liquidity/net financial debt at end of period [1]		
Cash and cash equivalents	796	779
Securities, loans, and time deposits	325	426
Gross liquidity	**1,120**	**1,204**
Total borrowings	–2,995	–2,515
Net financial debt	**–1,875**	**–1,311**

[1] "Net liquidity/net financial debt" is calculated as cash and cash equivalents, loans to Group companies, and marketable securities, less financial liabilities.

The MAN Group's gross cash flow in fiscal year 2016 was €1,041 million (previous year: €1,169 million). The decline is mainly attributable to the lower profit before tax and lower non-cash expenses. As in the previous year, tax refunds exceeded tax payments.

The increase in working capital led to a more pronounced reduction in net cash provided by operating activities than in the previous year. This was mainly due to the greater increase in inventories and the smaller decrease in receivables. As in the previous year, the increase in provisions was driven by the recognition of restructuring provisions in 2016. Within working capital, the increase in assets leased out was more than offset by the depreciation of assets leased out and by offsetting effects in other liabilities within cash flows from operating activities.

Net cash used in investing activities attributable to operating activities largely reflected the higher capital expenditures at MAN Truck & Bus.

Across all business areas, a break-even net cash flow from operating and investing activities attributable to operating activities was achieved in the year under review.

Net cash flow by business area

€ million	2016	2015
Commercial Vehicles	–124	171
Power Engineering	–19	173
Others	145	151
MAN Group	**2**	**495**

In the Commercial Vehicles business area, net cash flow declined in fiscal year 2016 to €–124 million (previous year: €171 million). This is largely due to an increase in working capital and higher capital expenditures at MAN Truck & Bus. It was also impacted by the wider loss at MAN Latin America.

Net cash flow in the Power Engineering business area was mainly influenced by the deterioration in business operations at MAN Diesel & Turbo.

The net cash flow attributable to Others in the year under review includes the inflow of €135 million from the dividend distributed by Scania, which was reported as non-cash income under the financial result in the previous year. The prior-year figure was principally composed of tax refunds.

The MAN Group's cash inflows from investments in securities and loans were primarily attributable to the repayment of intragroup loans extended by MAN SE to MAN Financial Services GmbH, Munich, and its assigned national companies.

Net cash used in financing activities amounted to €126 million in the reporting period (previous year: €392 million). This includes the profit transfer of €513 million for 2015 to Volkswagen Truck & Bus GmbH (previous year: €486 million). The cash outflows from the repayment of bonds was offset by new loans of €850 million (previous year: €400 million) from Volkswagen AG.

No dividend was distributed. Instead, Volkswagen Truck & Bus GmbH made the contractually defined cash compensation payment (€3.07) to each MAN SE free float shareholder.

The MAN Group's net financial debt rose by €564 million and amounted to €1,875 million as of December 31, 2016.

Capital expenditures

Capital expenditures

€ million	2016	2015
Property, plant, and equipment, and investment property	559	429
Intangible assets	295	259
Investments	6	20
Total	861	708

There was growth in both payments to acquire property, plant, and equipment, and in capital expenditures on intangible assets in fiscal 2016. In view of the difficult economic situation, we are reviewing planned capital expenditures particularly critically, and are systematically prioritizing them. We are deliberately retaining the necessary capital expenditures that will lead to long-term growth and are capable of improving our operational efficiency.

Capital expenditures at MAN Truck & Bus

€ million	2016	2015
Property, plant, and equipment, and intangible assets	382	262
Capitalized development costs	185	143
Total	**567**	**405**

Investing activities at MAN Truck & Bus in 2016 focused on restructuring and modernizing the production facilities to ensure a high level of plant efficiency and product quality over the long term. In particular, the German and Austrian sites were adapted to meet the requirements of new products and components.

To secure its current market position and future growth, MAN Truck & Bus renovated existing facilities and continued its ongoing efforts to strengthen and expand its sales and service network. New sales and service branches and TopUsed centers were opened in 2016, and construction commenced on further facilities.

Capital expenditures at MAN Latin America

€ million	2016	2015
Property, plant, and equipment, and intangible assets	53	41
Capitalized development costs	37	45
Total	**89**	**86**

In fiscal year 2016, MAN Latin America invested primarily in the development of new products. MAN Latin America's "Consórcio Modular" business model, in which the partner companies are also suppliers and investors, allows less capital to be employed and requires a lower level of investment.

Capital expenditures at MAN Diesel & Turbo

€ million	2016	2015
Property, plant, and equipment, and intangible assets	116	99
Capitalized development costs	54	58
Total	**169**	**157**

MAN Diesel & Turbo primarily invested in the development of new products and the modernization of infrastructure in fiscal 2016. Capital expenditures in diesel engine production focused on machining equipment for engine and turbocharger parts. The modernization of large-bore engine test beds continued. In engine development, the company mainly invested in the expansion of equipment to develop gas aftertreatment processes and engine control systems. The main emphasis at the turbomachinery production and test sites was on completing the expansion of the test bed infrastructure, with a basic focus on areas that help cut costs and increase productivity. As far as necessary, measures to improve quality and occupational health and safety were also taken into account.

Capital expenditures at Renk

€ million	2016	2015
Property, plant, and equipment, and intangible assets	25	41

Capital expenditures at Renk related mainly to property, plant, and equipment. The largest part went to the Augsburg site, where the testing area facilities for special gear units in the new multipurpose building were completed and put into operation. Renk also made targeted investments in the modernization of its technical equipment. In the Vehicle Transmissions business, the focus was on the ongoing renovation of the production facilities as well as the modernization of its transmission test beds.

Net assets

€ million	2016	2015
Property, plant, and equipment, and intangible assets	4,774	4,195
Investments	3,360	3,207
Assets leased out	3,239	2,949
Income taxes	638	527
Inventories	3,246	3,058
Trade receivables	2,038	1,924
Other noncurrent and current assets	1,348	1,472
Cash and cash equivalents	796	779
Total assets	**19,438**	**18,110**
Equity	5,850	5,565
Pensions and other post-employment benefits	624	496
Financial liabilities	2,995	2,515
Other financial liabilities	2,537	2,672
Provisions	1,978	1,811
Prepayments received	705	789
Income taxes (including provisions for taxes)	380	333
Trade payables	1,914	1,683
Other noncurrent and current liabilities	2,455	2,246
Total equity and liabilities	**19,438**	**18,110**

Property, plant, and equipment, and intangible assets rose to €4,774 million as of December 31, 2016 (previous year: €4,195 million). This was firstly influenced by the fact that capital expenditures were higher than depreciation, amortization, and impairment losses, and secondly by positive currency effects, especially the performance of the Brazilian real against the euro. In addition to the necessary replacement and maintenance investments, MAN continued to invest primarily in developing new products and modernizing production in fiscal year 2016.

The increase in investments reflects the higher carrying amount of the investment in Scania, which rose to €2,837 million (previous year: €2,708 million). For further information, see the "Notes to the Consolidated Financial Statements."

Assets leased out rose, mainly as a result of the increase in sales with buyback obligations at MAN Truck & Bus. The increase in inventories is largely due to growth in new and used vehicle stock at MAN Truck & Bus. The higher trade receivables figure is mainly attributable to MAN Truck & Bus, while MAN Diesel & Turbo recorded a decline.

Other noncurrent and current assets declined to €1,348 million (previous year: €1,472 million). A significant factor driving this reduction was the repayment of loans that MAN SE had extended to MAN Financial Services GmbH, Munich, and its assigned national companies.

Pension provisions increased, primarily due to remeasurement effects in connection with a lower discount rate in Germany.

Financial liabilities amounted to €2,995 million as of December 31, 2016 (previous year: €2,515 million). The repayment of bonds of €500 million was more than offset by new loans of €850 million from Volkswagen AG as well as new loans raised by MAN Latin America.

The increase in provisions was largely attributable to the provisions for restructuring measures at MAN Diesel & Turbo and MAN Latin America.

Other financial liabilities and other noncurrent and current liabilities include purchase price payments received from sales with buyback obligations at MAN Truck & Bus. These increased due to the higher volume of such sales. The prior-year figure included liabilities from the profit and loss transfer agreement and tax allocation, which were transferred in the year under review.

Equity rose to €5,850 million as of December 31, 2016 (previous year: €5,565 million). The net changes recognized in other comprehensive income of €195 million mainly relate to the higher carrying amount of the investment in Scania. The preparation of the consolidated financial statements after appropriation of net profit/loss led to an increase of €99 million in reported equity as of December 31, 2016. As a result of the change in equity, the more pronounced increase in noncurrent assets (intangible assets, property, plant, and equipment, and investments) led to a drop in the ratio of equity to noncurrent assets by three percentage points from 75% to 72%. The MAN Group's equity ratio declined slightly as of December 31, 2016 and amounted to 30.1% (previous year: 30.7%).

Unrecognized assets

In addition to the assets recognized in the consolidated balance sheet, the Group also uses unrecognized assets. These include the MAN brand as a significant intangible asset, as well as internally developed patents, employee expertise, and the Group's customer service and sales network. Expenditures on these assets are investments in the future that safeguard market success in the coming years.

See the "Notes to the Consolidated Financial Statements" for further information in connection with various unrecognized assets under rental and lease agreements.

Overall assessment by the Executive Board: Profitability unsatisfactory overall; MAN Truck & Bus performing well; programs for the future initiated at MAN Latin America and MAN Diesel & Turbo

Forecast versus actual figures MAN Group

€ million	Actual 2015	Original forecast for 2016	Most recent forecast for 2016	**Actual 2016**	Change 2016 to 2015
Sales revenue	13,702	Slightly below previous year	Slightly below previous year	13,564	–1%
Operating profit	92	Significantly above previous year	Significantly above previous year	204	€+112 million
Operating return on sales (%)	0.7%	Significantly above previous year	Significantly above previous year	1.5 %	+0.8 percentage points

Forecast versus actual figures Commercial Vehicles

€ million	Actual 2015	Original forecast for 2016	Most recent forecast for 2016	**Actual 2016**	Change 2016 to 2015
Sales (units)	102,474	Unchanged as against the previous year	Unchanged as against the previous year	102,235	–
Sales revenue	9,954	Will fall slightly short of prior-year level	Unchanged as against the previous year	10,002	+1%
Operating profit/loss	–101	Significantly above previous year, including the figure before special items	Significantly above previous year, including the figure before special items	209	€+311 million
Operating return on sales (%)	–1.0%	Significantly above previous year, including the figure before special items	Significantly above previous year, including the figure before special items	2.1%	+3.1 percentage points

Forecast versus actual figures Power Engineering

€ million	Actual 2015	Original forecast for 2016	Most recent forecast for 2016	**Actual 2016**	Change 2016 to 2015
Order intake	3,408	Slightly above prior-year level	Unchanged as against the previous year	3,281	–4%
Sales revenue	3,775	Noticeably below previous year	Noticeably below previous year	3,593	–5%
Operating profit	283	Significantly below previous year	Significantly below previous year	39	€–244 million
Operating return on sales (%)	7.5%	Significantly below previous year	Significantly below previous year	1.1%	–6.4 percentage points

The MAN Group largely met its forecast targets in fiscal 2016. However, the Group's profitability remained well below its long-term targets due to the challenging market situation in several divisions. The Executive Board of the MAN Group therefore considers business developments to be unsatisfactory overall. MAN again reacted in a timely manner, introducing programs for the future in fiscal 2016 to secure the long-term competitiveness of all its divisions. Measures to improve the cost structure were defined and initiated at both MAN Latin America and MAN Diesel & Turbo.

The MAN Group's sales revenue was down slightly on the previous year, as forecast. As expected, operating profit improved significantly year-on-year to €204 million (previous year: €92 million). The operating return on sales improved by 0.8 percentage points to 1.5%. Excluding special items resulting from restructuring measures, operating profit also rose significantly to €417 million (previous year: €277 million).

In the Commercial Vehicles business area, MAN Truck & Bus posted an encouragingly clear increase in profit, buoyed by the structural improvements introduced in previous years and material growth in the European commercial vehicles market. In contrast, MAN Latin America's operating loss was worse than expected due to the persistently weak market in full-year 2016 and the necessary restructuring expenses. As expected, the unit sales recorded by the business area matched the prior-year level overall. Sales revenue was even up slightly on the 2015 level, exceeding the original forecast for the full year. At €209 million, operating profit in the Commercial Vehicles business area was up significantly year-on-year and thus also materially exceeded the prior-year figure before special items (€84 million) in absolute terms, as forecast. As a result, the operating return on sales rose noticeably to 2.1% in 2016.

MAN fell short of its order intake targets in the Power Engineering business area. In the half-yearly financial report, we had already revised our original forecast of a slight increase in order intake to reflect a value on a level with the previous year. At MAN Diesel & Turbo, the Engines & Marine Systems and Turbomachinery strategic business units in particular received fewer orders than in the previous year due to market-related factors. This could not be completely offset by the increase in orders received by the Power Plants strategic business unit, with the result that order intake in the Power Engineering business area was down 4% on the previous year overall. Sales revenue in the Power Engineering business area was down noticeably on the prior-year figure as forecast. Operating profit was also negatively impacted by the necessary restructuring expenses and only amounted to €39 million (previous year: €283 million). The operating return on sales decreased accordingly by 6.4 percentage points to 1.1%. As expected, operating profit excluding restructuring expenses declined year-on-year to €194 million (previous year: €283 million) for volume and margin-related reasons.

THE DIVISIONS IN DETAIL

MAN Truck & Bus

- **Significant growth in European truck market**
- **Considerable improvement in operating profit**
- **PACE2017 program for the future has clear effect on results**

MAN Truck & Bus

€ million	2016	2015
Order intake	10,342	10,059
Sales revenue	9,243	8,997
Vehicle sales (units)	83,199	79,222
Operating profit before special items [1]	416	205
Operating return on sales (%) before special items [1]	4.5	2.3
Operating profit	416	20
Operating return on sales (%)	4.5	0.2

[1] 2015: Special items comprise restructuring expenses in the amount of €185 million.

Economic environment

The European truck market again developed positively in 2016 following significant growth in the previous year. Demand continued to be driven by low interest rates, the low oil price, and a euro exchange rate conducive to foreign trade. The European market volume in the segment for trucks over 6 t was again up significantly on the prior-year level, at approximately 351,000 units (previous year: 316,000 units). In contrast, the market declined in a number of regions outside of Europe that are important to MAN, such as Turkey and Saudi Arabia. Competitive pressure was high in all markets. MAN Truck & Bus recorded an 8% increase in new registrations to approximately 56,000 units in the European market for trucks over 6 t, giving the company a market share of 15.9% (previous year: 16.3%).

The European bus market grew slightly in 2016 to approximately 29,000 units (previous year: 28,100 units). The volume markets Germany and Spain continued to expand in the year under review, while demand eased in France and the UK. After an extremely weak prior year, Norway and the Netherlands saw strong growth in new registrations. MAN Truck & Bus recorded a 1.5% increase in new registrations to 3,555 units in the European market for buses over 8 t. The company's market share in 2016 was almost unchanged at 12.2% (previous year: 12.5%).

Business developments

The Trucks business generated an order intake of €8.8 billion (previous year: €8.6 billion). This was mainly driven by the year-on-year rise in order intake in Europe, particularly in Germany. In comparison, as expected, the UK, Saudi Arabia, and Turkey in particular saw declines in order intake compared with the prior year. Measured in terms of units, orders rose by 1% over the previous year to a total of 79,757 trucks (previous year: 78,713).

Sales revenue in the Trucks business rose by 3% to €7.8 billion. At 77,073 trucks, unit sales were up significantly on the prior-year level (73,117), mainly as a result of higher unit sales in Poland and Italy. In contrast, countries such as Saudi Arabia and Turkey saw a downward trend in unit sales.

Order intake in the Bus business was up 9% on the prior-year figure, at €1.6 billion. Year-on-year, higher order intake in Tunisia, Morocco, and Georgia, among other countries, compensated for lower order intake in Israel and Mexico. Orders rose by 10% to 6,211 buses (previous year: 5,649).

The Bus business generated sales revenue of €1.5 billion, on a level with the previous year. It sold 6,126 buses (previous year: 6,105) with positive unit sales growth in Mexico and Spain, among other countries.

Operating profit

MAN Truck & Bus's operating profit improved significantly to €416 million, well above the prior-year figure before special items (€205 million). Both volume- and margin-related factors contributed to the increase. The PACE2017 program for the future, which covers all areas in the company, had a significant positive impact, with improvements on both the sales and cost sides. Production sites are being restructured, administrative areas streamlined, processes optimized, and productivity increased. This program for the future will lift profitability and competitiveness at MAN Truck & Bus in order to finance large-scale investments in new products.

MAN Latin America

- **Market environment still strongly impacted by recession**
- **Again noticeable decline in vehicle sales and sales revenue**
- **Comprehensive restructuring measures introduced**

MAN Latin America

€ million	2016	2015
Order intake	861	1,047
Sales revenue	861	1,047
Vehicle sales (units)	20,369	24,472
Operating loss before special items [1]	–132	–120
Operating return on sales (%) before special items [1]	–15.3	–11.5
Operating loss	–190	–120
Operating return on sales (%)	–22.1	–11.5

[1] 2016: Special items comprise restructuring expenses in the amount of €58 million.

Economic environment

The Brazilian commercial vehicles market declined significantly in 2016 due to the difficult political and business climate. After a 3.8% decline in GDP in 2015, the Brazilian economy contracted again by around 3.6% in the year under review. Austerity measures introduced in previous years by the Brazilian government served to fuel unemployment in 2016, while strict credit conditions throughout the banking sector exacerbated the recessive trend. State-subsidized financing through the Brazilian Development Bank's program for new-vehicle purchases remained very restrictive and with unfavorable terms. In addition, many government orders, including those for school buses, were tabled due to budgetary constraints.

In this environment, new registrations for trucks in Brazil weighing 5 t and over dropped by 30% to 49,281 units in 2016 (previous year: 70,735). MAN Latin America recorded 13,690 new registrations (previous year: 19,543), maintaining a prominent position in the Brazilian truck market under intense competition and a shrinking market. The company's market share improved slightly to 27.8% (previous year: 27.6%) in the year under review.

The Brazilian bus market declined by 34% to 11,162 units in 2016 (previous year: 16,792). With a total of 1,798 new registrations (previous year: 3,659), MAN Latin America achieved a market share of 16.1% (previous year: 21.8%), maintaining its number two position. The decrease in market share was mainly attributable to the lower volume of government-sponsored school buses — a market segment in which MAN Latin America enjoyed above-average representation in the previous year.

Brazil's commercial vehicle exports also declined year-on-year as a result of the ongoing weak economy in other Latin American markets. MAN Latin America secured its position as one of Brazil's leading exporters, with 16.1% (previous year: 16.2%) of the country's commercial vehicle exports.

Business developments

MAN Latin America sold a total of 20,369 commercial vehicles in the reporting period (previous year: 24,472). Sales revenue decreased to €0.9 billion (previous year: €1.0 billion) due to market-related factors.

The company sold 12,100 vehicles (previous year: 16,164 vehicles) in the increasingly competitive Brazilian truck market. This corresponded to a decrease of 25% as against the previous year. MAN Latin America sold 1,490 bus chassis in Brazil (previous year: 2,569), a decrease of 42%. The ongoing deterioration in economic conditions had a substantial impact on these developments.

Operating loss

Lower demand, continuous and intense competition, and the resulting pressure on margins resulted in a higher operating loss. MAN Latin America introduced substantial restructuring measures in both production and administrative areas as well as in sales to improve efficiency and adjust to the changing market environment. The resulting restructuring expenses of €58 million impacted the operating loss, which rose to €190 million (previous year: operating loss of €120 million). Excluding these special items, the operating loss increased by only €12 million compared with the previous year to €132 million.

MAN Diesel & Turbo

- **Difficult marine and turbomachinery market environments**
- **Significant decline leads to operating loss**
- **Base Camp 3000+ program for the future initiated**

MAN Diesel & Turbo

Mio €	2016	2015
Order intake	2,808	2,949
Sales revenue	3,113	3,305
Operating profit before special items [1]	126	216
Operating return on sales (%) before special items [1]	4.1	6.5
Operating profit/loss	–29	216
Operating return on sales (%)	–0.9	6.5

[1] 2016: Special items comprise restructuring expenses in the amount of €155 million.

Economic environment

MAN Diesel & Turbo's markets are subject to various regional and economic influences. This means that the performance of the different businesses is usually independent from one another.

Order activity in the merchant shipping sector was again extremely subdued in 2016. Existing and emerging overcapacity in the market had a negative impact on the capacity utilization of the entire merchant fleet, with bulk carriers especially affected by low freight rates. Lower transport rates and greater competitive pressure also led to further consolidation of the container shipping sector through mergers and market elimination. Despite the slight recovery in oil prices, the existing overcapacity in the offshore sector continued to inhibit investment in offshore oil production, resulting in a nearly complete decline in shipbuilding. In contrast, a positive trend was again seen in the demand for cruise ships and ferries. The trend toward gas-powered ships weakened as prices for liquid fuels declined slightly. Other factors contributing to this reluctance included the ongoing lack of refueling infrastructures for gas-powered ships in some areas, as well as uncertainty surrounding future emission standards. The special market for government vessels saw sustained positive growth. Overall, the marine market declined significantly year-on-year in 2016. China, Korea, and Japan continued to be the dominant shipbuilding countries, with a global market share of more than 80% in terms of tonnage ordered. Lower market volumes across all market segments resulted in significantly higher competitive pressure, triggering a noticeable drop in prices.

Demand for energy solutions in developing countries and emerging economies continued to increase over the course of the year. However, tougher economic and financing conditions led to noticeable delays in project implementation. Regions such as the Middle East, Southeast Asia and, increasingly, South America, remain relevant markets for the Power Plants strategic business unit. Overall, demand for decentralized diesel and gas engine power plants was up slightly from the previous year. The shift away from heavy oil power plants toward dual-fuel and natural gas power plants continued, but stronger competitive and price pressure is noticeable across all projects, impacting the earnings quality of orders.

The market for new turbomachinery is largely driven by investment projects for oil and gas, the processing industry, and power generation. Due to the persistently low oil price, leading oil and gas businesses again severely reduced their capital expenditures, causing projects to be further delayed or even canceled. The moderate increase in the oil price over the past few months has not yet led to a recovery in demand. Demand for products in the processing industry and power generation also remained weak overall in 2016. Overcapacity in a number of industries such as steel is preventing a recovery in the corresponding markets, and causing intensified competition at many manufacturers. Overall, the market volume for turbomachinery during the year under review was again significantly lower than in the preceding year, and competitive and price pressures remain very strong.

Business developments

MAN Diesel & Turbo reported an order intake of 11.8 gigawatts (GW) for large two-stroke engines, compared with 19.1 GW in the previous year. Order intake for four-stroke medium-speed diesels used in the company's own propulsion engines and for powering on-board equipment fell short of the prior-year figure. MAN Diesel & Turbo received orders for 558 original and licensed engines in total with a combined output of 1.7 GW, compared with 894 original and licensed engines with an output of 2.1 GW in 2015. Overall, at €1,502 million, order intake in the Engines & Marine Systems strategic business unit was 4% lower than in the previous year.

MAN Diesel & Turbo's power plants business received orders for 118 four-stroke engines in 2016 compared with 91 in the prior year. The supplied products range from an engine-generator unit to comprehensive power plant solutions including ancillary systems and fuel preparation. Orders were mainly generated in developing countries and emerging economies, particularly in Arabic-speaking countries and Asia. For example, Turkish energy company Karpowership ordered twelve engines with a combined output of 227 MW for its floating power plants. These are a flexible solution to urgent energy bottlenecks from the water. German energy provider EnBW awarded MAN Diesel & Turbo the contract for the construction of a gas engine power plant with cogeneration. The plant will be powered by three MAN gas engines. As well as electricity, it will also generate up to 30 MW for district heating. At €460 million, order intake in the Power Plants strategic business unit was up significantly on the prior-year figure of €334 million.

Order intake in the Turbomachinery strategic business unit declined by 20% in fiscal 2016 to €847 million due to the persistently difficult market environment.

The orders generated by MAN Diesel & Turbo are often part of larger projects for which delivery times of up to several years and partial deliveries based on construction progress are common practice. Sales revenue in the new construction business therefore tends to mirror the order intake trend with a corresponding delay.

The Engines & Marine Systems strategic business unit generated sales revenue of €1,510 million in the year under review, down 6% on the 2015 figure. The delivery of two-stroke engines exclusively built by licensees decreased significantly year-on-year in 2016. These engines are largely used in merchant ships. MAN Diesel & Turbo maintained its leading market position. The medium-speed engines business delivered fewer engines in fiscal 2016 than in the previous year. A substantial share of these deliveries concerned the cruise liner and government vessel segments. The four-stroke engine business continued to experience high competitive and price pressure in 2016.

At €498 million, sales revenue in the Power Plants strategic business unit was up 4% on the prior-year figure in 2016 and was primarily generated by major projects, mostly in the Middle East, Europe, Central America, and Africa. MAN Diesel & Turbo delivered eight engines for a new power plant in Nicaragua, for instance. The power plant will have an output of 140 MW once it has been completed and put into operation and will cover around 10% of Nicaragua's total energy needs.

In the Turbomachinery strategic business unit, sales revenue declined by 10% in the year under review to €1,106 million as a result of lower order intake in previous years.

The after-sales business recorded healthy growth in both order intake and sales revenue. The after-sales business for large-bore engines in the marine and power plant sector in particular benefited from growing interest in long-term maintenance contracts.

Operating loss

MAN Diesel & Turbo recorded an operating loss of €29 million in 2016, significantly below the prior-year figure (operating profit of €216 million). As a result, the operating return on sales decreased by 7.4 percentage points to –0.9%. The deterioration is attributable to the decline in sales revenue, the significant pressure on margins in the new construction business, and lower capacity utilization levels. MAN Diesel & Turbo also launched the comprehensive Base Camp 3000+ program to safeguard future viability in the year under review, including measures to optimize internal processes and improve the cost structure. In this context, the operating loss was negatively impacted by restructuring expenses in the amount of €155 million. Excluding these special items, MAN Diesel & Turbo recorded an operating profit of €126 million and an operating return on sales of 4.1%.

Renk

- **Stable order intake**
- **Steady sales revenue**
- **Operating return on sales again in double digits**

Renk

€ million	2016	2015
Order intake	486	483
Sales revenue	496	487
Operating profit	67	68
Operating return on sales (%)	13.5	14.0

Economic environment

According to the *Verband deutscher Maschinen- und Anlagenbau* (VDMA — German Engineering Federation), global machine construction sales stagnated in 2016 for the second year in a row, with slight regional differences. Moderate growth in China contrasted with declines in the U.S.A. and Japan. Sales in the EU were roughly on a level with the previous year.

Business developments

Renk's broad range of specialized solutions for gear unit and slide bearing applications covers a multitude of different market segments.

Order intake in the Special Gear Units business was once again noticeably above the prior-year level in 2016. Demand for complex gear solutions for maritime applications remained strong: in addition to follow-up orders from various long-term coast guard and naval procurement programs, a number of major orders for gear unit sets were secured in 2016. In the stationary gear unit segment, growth was recorded in applications for the plastics processing industry, while orders for mill gear units decreased.

The Vehicle Transmission business also posted significant order growth in 2016, primarily due to a larger order to supply tracked vehicle transmissions coupled with other additional services. Renk's test bed activities in 2016 almost matched order intake from the previous year.

In contrast, the Standard Gear Units business recorded a material decline in order intake. This negative impact was largely due to the absence of substantial new orders for offshore wind power gear units.

Order intake in the Slide Bearings business was also down on the prior-year level in 2016. The decline was mainly attributable to lower demand for E Standard bearings for economic reasons.

Renk's sales revenue in the year under review was easily on a level with the previous year. The Special Gear Units, Vehicle Transmissions, and Standard Gear Units businesses posted moderate growth, but the Slide Bearings business declined. Operating profit at Renk was roughly on a level with the previous year.

FINANCIAL STATEMENTS OF MAN SE (HGB)

MAN SE, domiciled in Munich, is the holding company and parent of the MAN Group. It conducts its business in close coordination with Volkswagen Truck & Bus GmbH and Volkswagen AG. Financial management for the MAN Group is performed centrally by MAN SE. MAN SE communicates with the capital markets on behalf of the entire MAN Group.

Business developments

MAN SE's business developments largely correspond to those of the MAN Group and are described in detail in the chapter entitled "Course of business and economic position of the MAN Group in 2016."

MAN SE recorded a loss after tax of €99 million for the fiscal year before loss absorption, compared with a profit after tax of €513 million before the transfer of profit in the previous year. The deterioration of €612 million was primarily due to the decline in net income from investments and the higher tax expense.

Results of operations [1]

€ million	2016	2015
Net investment income	63	508
Net interest expense	–34	–26
Sales revenue	20	23
Cost of sales	–17	–19
Gross profit	**3**	**4**
General and administrative expenses	–56	–70
Other operating income	15	23
Other operating expenses	–15	–31
Taxes on income	–75	105
Profit/loss after tax	**–99**	**513**
Profit transferred/loss absorbed on the basis of a domination and profit and loss transfer agreement	**99**	**–513**
Net income for the fiscal year	**–**	**–**

[1] Presentation and prior-year figures adjusted; for details please refer to the annual financial statements of MAN SE.

Net investment income deteriorated by €445 million year-on-year, mainly due to lower income and higher losses from profit and loss transfer agreements. Losses from profit and loss transfer agreements primarily relate to the operating loss recorded by MAN Diesel & Turbo SE, which was impacted by restructuring expenses. In the previous year, net investment income included the dividend of €138 million from Scania. There was no dividend for the year under review.

General and administrative expenses have already been reduced significantly by the reorganization of MAN SE and amounted to €56 million. Other operating income was down €8 million on the previous year. Other operating expenses declined by €16 million to €15 million. The prior-year figure included one-time costs in connection with the reorganization of MAN SE.

The net loss for the fiscal year before loss absorption (€99 million) was absorbed by Volkswagen Truck & Bus GmbH in accordance with the domination and profit and loss transfer agreement entered into in fiscal 2013. Profit of €513 million was transferred in the previous year.

As a result of the domination and profit and loss transfer agreement, MAN SE does not distribute dividends and has not done so since fiscal year 2014. Volkswagen Truck & Bus GmbH will make the contractually defined cash compensation payment (€3.07) to each MAN SE free float shareholder.

Net assets and financial position

€ million	2016	2015
Fixed assets	5,356	5,190
Receivables [1]	461	535
Marketable securities and cash and cash equivalents	264	430
Total assets	**6,081**	**6,155**
Equity	2,125	2,125
Financial liabilities	805	1,292
Other liabilities and provisions	3,151	2,738
Total equity and liabilities	**6,081**	**6,155**

[1] Including deferred items

Total assets decreased by €74 million year-on-year to €6,081 million. As of the reporting date, MAN SE's fixed assets primarily comprised shares in affiliated companies (€3,744 million; previous year: €3,595 million) and other long-term equity investments (€1,306 million; previous year: €1,306 million), in particular the shares in Scania acquired in fiscal years 2006–2008. The share of total assets attributable to fixed assets rose to 88.1% as of December 31, 2016 (previous year: 84.3%).

Bank balances from the Group's central financing by MAN SE decreased by €166 million to €264 million in the fiscal year. Other current assets declined by €74 million to €461 million.

Total equity did not change compared with the previous year. The ratio of equity to total assets was 35.0% as of December 31, 2016 (previous year: 34.5%).

MAN SE's capital reserves of €795 million (previous year: €795 million) consist of premiums paid as part of capital increases and the conversion of preferred shares into common shares. MAN SE's retained earnings amounted to €954 million, as in the previous year.

Financial liabilities to banks and others declined by €487 million year-on-year to €805 million (previous year: €1,292 million). These stem from the MAN Group's central financing, among other sources.

Other liabilities and provisions mainly include liabilities to affiliated companies, provisions for taxes, other provisions, and provisions for pensions. Other provisions mainly relate to risks in connection with the sale of equity investments, risks in connection with obligations under public law, obligations to employees, and other specific risks.

Net liquidity/net financial debt is calculated as bank balances, receivables from intragroup finance transactions, loans to Group companies and marketable securities, less financial liabilities to banks/others and less financial liabilities from intragroup finance transactions. MAN SE's net liquidity amounted to €–2,817 million as of December 31, 2016 (previous year: €–2,697 million).

Report on MAN SE's risks and opportunities

MAN SE is the holding company and parent of the MAN Group. The Company's significant opportunities and risks are therefore directly related to the significant opportunities and risks of its operating subsidiaries. As the parent of the MAN Group, MAN SE is integrated into the Group-wide risk management system. See the "Report on Risks and Opportunities" for further information. This chapter also contains the description of MAN SE's internal control system required by section 289 (5) of the HGB.

Additional information

The arrangements governing the appointment and dismissal of members of the Executive Board of MAN SE and amendments to the Articles of Association comply with the statutory provisions.

The principles governing the remuneration system for members of the Executive and Supervisory Boards are explained in the remuneration report, which forms part of the Management Report in accordance with section 315 of the HGB. The remuneration of the members of the Executive and Supervisory Boards is reported individually in the sections entitled "Remuneration of the Executive Board" and "Remuneration of the Supervisory Board" in the "Notes to the Consolidated Financial Statements." MAN SE employed 176 people as of December 31, 2016 (previous year: 236).

Outlook

MAN SE is the holding company and parent of the MAN Group. All significant wholly owned investees in Germany — in particular MAN Truck & Bus AG and MAN Diesel & Turbo SE, which are material divisions — are linked to MAN SE by way of domination and profit and loss transfer agreements. As a result, their earnings are recognized directly by MAN SE. The expected business developments described in the outlook for the Group will continue to influence MAN SE's earnings. The outlook for the Group therefore also applies to MAN SE. See the "Report on Expected Developments" for further information.

REPORT ON RISKS AND OPPORTUNITIES

(includes report in accordance with section 289 (5) of the HGB)

Managing risks and opportunities is an integral part of corporate management and business processes. In 2017, the focus will be on market risk.

Company-wide risk management system

Operating a business entails constant exposure to risks. The MAN Group defines risk as the danger that events or decisions and actions will prevent the Company from achieving defined goals and/or successfully implementing strategies. The Company consciously assumes risks with a view to exploiting market opportunities if it expects this to contribute sufficiently to increasing its enterprise value. As a basic principle, risks that could jeopardize the Group's continued existence may not be entered into, or if unavoidable, must be minimized by taking appropriate measures. This requires an effective risk management system that is tailored to its business needs and quickly provides the information necessary for its management.

The MAN Group's risk management system is an integral part of its corporate management and business processes. The core elements of the system are corporate planning (including the intrayear review process), opportunity and risk management, Volkswagen AG's standard governance, risk, and compliance management process (standard GRC process), the internal control system, and the compliance management system.

One of the objectives of corporate planning is to identify and assess opportunities and risks at an early stage so that appropriate measures can be taken. Opportunity and risk management is configured at all levels of the Group to quickly provide up-to-date and relevant information on the status of significant event-related individual opportunities and risks and the efficacy of the measures taken. The standard GRC process covers the main recurrent systemic risks inherent in the respective business model. In addition, the risk management and control measures taken are documented and their efficacy is tested at management level. The internal control system focuses on monitoring and managing risks in a targeted manner, particularly those with regard to the efficacy of business processes, the propriety and reliability of the financial reporting, and legal compliance. The MAN compliance management system addresses white collar crime (especially combating corruption, preventing money laundering, and terrorism funding) and antitrust law issues. To this end, MAN developed a Group-wide integrity and compliance program that anticipates and uncovers compliance violations as quickly as possible and deals with these promptly and efficiently.

Risk management organization

Overall responsibility for setting up and maintaining an appropriate and focused risk early recognition system lies with MAN SE's Executive Board, which has defined the scope and focus of the risk management and internal control system based on the Company's specific requirements. The Group policy "Risk and Opportunity Management/Internal Control System" ("Group policy") provides the framework for a common understanding of the risk management system throughout the Group and contains guidelines on organizational structure, processes, and reporting. Divisional management is responsible for ensuring that all Group companies are integrated into the opportunity and risk management and internal control system in accordance with the Group policy. Inclusion in the standard GRC process is subject to Volkswagen AG's materiality criteria, among other conditions. Compliance with the requirements of the risk management system is verified by the Corporate Audit function.

Organizational structure

The organizational structure of the risk management and internal control system is based on the MAN Group's management hierarchy. Therefore, roles and responsibilities and committees have been put in place both at Group level and in the divisions. The MAN Group's divisions and material companies have officers responsible for opportunity and risk management, the internal control system, and the standard GRC process. These ensure that the processes set out in the Group policy are implemented. They also play a part in the continuous development and improvement of the risk management system. At both the division and Group levels, cross-functional GRC boards have been set up to act as central supervisory, management, and oversight bodies for the risk management and internal control system.

Standard processes in the risk management system

The quarterly standard opportunity and risk management process contains identification, measurement, management, monitoring, and communication phases. In this context, individual risks and opportunities are classified as either short-term, i.e., up to the end of the fiscal year, or as long-term, i.e., up to five years. They are assessed in terms of their probability of occurrence and impact on a gross and net basis, with the net assessment factoring in any measures that mitigate the risk in question. The projected operating profit of the relevant organizational unit is used to evaluate the materiality of such a net assessment. Risk managers in the divisions define and implement risk mitigation measures and review their efficacy. Uniformly defined risk fields allow the Group to promptly identify and actively manage any concentration of risk.

The annual standard GRC process has five process steps, which follow on from each other in a circular process. The scoping phase is aimed at identifying the companies to be incorporated into the standard GRC process in accordance with specified criteria. Relevant systemic risks are assessed, taking countermeasures into account, i.e., as part of a net assessment on the basis of the expected probability of occurrence and various (financial and nonfinancial) risk criteria. The documentation of countermeasures and management controls and the review of their effectiveness are also part of the standard GRC process. Any weaknesses identified in this process are reported and the measures to rectify them are tracked.

The divisional GRC boards assess the current risk position by discussing and comparing key risks and opportunities as well as by monitoring measures and reviewing their effectiveness. The MAN Group's GRC Board then assesses the Group's risk position on the basis of these key risks and opportunities and resolves measures to manage and mitigate risk. Discussion focuses on the risk causes and measures.

In addition, the risk management system is continually enhanced to reflect changed conditions and to further increase its efficacy across all levels of the Company.

Reporting

The risk position, consisting of individual opportunities and risks, systemic risks (reported annually) and the appropriate risk management measures, and material control weaknesses and measures to rectify such weaknesses are reported in the GRC boards to the divisional executive boards and the Executive Board of MAN SE on a quarterly basis. In addition, at the meetings of its Audit Committee, the Supervisory Board is regularly briefed on the MAN Group's risk position and on the effectiveness of the Group's internal control system.

Accounting-related risk management and internal control system

As a rule, opportunity and risk management, the internal control system, and the standard GRC process, which forms an integral part of it, also comprise the accounting-related processes as well as all risks and controls with respect to financial reporting. This relates to all parts that could have a significant effect on the Consolidated Financial Statements. As part of opportunity and risk management and the standard GRC process, the impact of any risks identified on the Consolidated Financial Statements is assessed and appropriate risk management and control measures are taken.

The internal controls focus on limiting the risks of material misstatement in financial reporting and risks arising from noncompliance with regulatory standards or from acts of deception, as well as on minimizing operational/economic risks (e.g., threats to assets as a result of unauthorized operational decisions or obligations entered into without authorization). Accounting-related controls must provide sufficient assurance that the Group accounting process is reliable and complies with IFRSs, the *Handelsgesetzbuch* (HGB — German Commercial Code), and other accounting-related rules and laws.

The MAN Group has structured its existing internal control system and documented it uniformly throughout the Group in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to allow it to systematically assess the effectiveness of its internal controls. The documentation covers all standard business processes, including the processes relevant for preparing the financial statements together with the necessary controls, as well as controls relating to any identified business-specific risks. The scope of the documentation is determined by those companies that are significant for the Consolidated Financial Statements or exposed to increased risk due to qualitative characteristics. It is reviewed annually on the basis of defined criteria.

The key elements of risk management and control in financial reporting in the MAN Group are the clear allocation of responsibilities and controls in the preparation of financial statements, transparent requirements in the form of guidelines for accounting and preparing financial statements, appropriate rules governing access to the IT systems that are relevant for the financial statements, and the clear assignment of responsibilities when using external specialists. The dual control principle and the separation of functions are also important principles in the accounting process and are implemented within the MAN Group's internal controls.

The effectiveness of accounting-related internal controls is assessed at least once a year, primarily during the preparation of the financial statements. Identified control weaknesses and agreed measures to rectify them are covered in the quarterly report in the GRC Board. In addition, the Corporate Audit function assesses the propriety and security of accounting-related internal controls and the corresponding management and monitoring processes. The external auditors also assess the accounting related processes as part of their audit activities.

The internal control system is regularly reviewed with regard to the completeness, appropriate design, and effectiveness of the existing controls with the aim of ensuring compliance at all levels of the MAN Group with existing regulations aimed at reducing process-related and organizational risks.

Opportunities and risks

Significant opportunities and risks that may have an impact on the MAN Group's net assets, financial position, and results of operations are classified into five risk fields: markets, products, processes, employees, and finances.

Markets

In the medium to long term, the MAN Group sees opportunities for all divisions to achieve profitable growth in the transportation and energy markets. The underlying global economic trends are expected to continue. In particular, these include continued, albeit moderate, economic growth, value chains based on an international division of labor and the resulting high level of global transport volumes, as well as a growing demand for energy and the innovation required by climate policy, which is gaining momentum. MAN continuously works on leveraging these market opportunities worldwide as part of its strategy.

In our view, volatility on the financial markets, protectionist tendencies, and structural deficits are the main risks to the continued growth of the global economy. They pose a threat to growth in some industrialized nations and emerging economies. In the southern eurozone, the situation of some financial institutions, whose ability to withstand a crisis remains uncertain, is hindering sustained economic recovery. Moreover, the effects of the UK's plan to leave the EU are associated with risks. Private and public sector debt remain high in many places; this also hinders growth prospects and can trigger negative market reactions. Declines in growth in key countries and regions often have an immediate impact on the state of the global economy and therefore pose a central risk.

Economic growth in some emerging economies is overshadowed in particular by dependence on energy and commodity prices and capital imports as well as by socio-political tensions. Corruption, inadequate government structures, and a lack of legal certainty also give rise to risks. Geopolitical tensions and conflicts are another significant risk factor for the growth of individual economies and regions. Local trends can also impact the global economy as this becomes increasingly interconnected. An escalation of the conflicts in Eastern Europe, the Middle East, or in Africa could distort the energy and commodity markets around the world and intensify migration trends, for example. The same applies to armed conflicts, terrorist activities, or the spread of infectious diseases, which could lead to unexpected market reactions in the short term.

Overall, we consider the probability of a global recession to be low. Due to the risk factors listed, however, the possibility of a decline in global economic growth or a period of below-average growth rates cannot be ruled out.

Forming part of the capital goods industry, MAN is additionally exposed to fluctuations in the investment climate. Even small changes to growth rates, growth forecasts, and government investment incentives can lead to significant changes in the demand for capital goods in the markets relevant for the MAN Group, or orders being canceled. Flexible production concepts and cost flexibility through temporary work, flextime accounts, short-time working, and the option of structural adjustments enable MAN to counter significant economic sales risks. Structural adjustments may involve substantial one-time expenses.

The macroeconomic environment may also give rise to opportunities for MAN if actual developments differ in a positive way from expected developments.

In addition, there is a risk that protectionist efforts, minimum local content requirements for the proportion of domestic production in individual countries, and changes in competitive conditions in the MAN Group's sales markets may have an adverse effect on projected growth. In particular, the failure to achieve the required degree of localization may result in additional import duties or penalties. Furthermore, the MAN Group is subject to considerable competitive and price pressure in a number of markets, which may lead to a deterioration in the profit margins that can be achieved.

Changes in legislation, taxes, or customs duties, or in environmental regulations in individual countries may also entail risks to MAN. MAN continuously monitors and assesses the economic, political, legal, and social environment so that the resulting opportunities and risks can be promptly incorporated into corporate decisions. MAN manages risks arising from changes to environmental regulations such as the tightening of emission standards by expanding its product portfolio as appropriate, and modifying existing products or production processes.

MAN Diesel & Turbo's two-stroke engines are manufactured exclusively by licensees, particularly in Korea, China, and Japan. Volatile demand in shipbuilding and high capital expenditure by a number of licensees have led to overcapacity in the marine engine market, which may give rise to risks ranging from a decline in license revenue to bad debt losses. There is also a risk of losing market share as a result of mergers of Chinese state-owned licensees and competitors. We address these risks by constantly monitoring the markets and maintaining close working relationships with all licensees, including receivables management to secure our license revenue.

Products

As a leading supplier of advanced technology, it is the MAN Group's mission to develop and launch technologically superior and highly cost-effective products that are of outstanding quality. Abandoning this mission would pose an unjustifiable risk to MAN's market position. During the product development phase, there is a significant risks that budgeted costs will be exceeded. The rollout of new products involves conceptual and market risks, which MAN manages through a careful strategic planning process based on an analysis of trends in the market and business environment. The resulting product plans are used to manage our extensive research and development activities. Annual research and development expenditures amount to 5% of Group sales revenue. MAN Diesel & Turbo's MAN 175D compact high-speed marine engine and the highly efficient MGT 6000 gas turbine series show how these risks can be overcome in the Power Engineering business area. Another example is the MAN TGE Transporter, which was developed in cooperation with Volkswagen AG, and enlarges MAN Truck & Bus's portfolio to include a product from the light commercial vehicles segment. The divisions are expanding their business models in order to be able to meet the requirements of increasing digitization: they are developing new mobility solutions and see the challenges posed by the digital transformation as an opportunity.

Products that have already been launched pose a risk in relation to the product quality expected by customers. Substandard quality may result in manufacturer's guarantee, statutory warranty, and ex gratia repair costs as well as the loss of market share or lower product margins. In extreme cases, product liability and compensation claims may be made. The MAN Group starts to identify and limit these risks right from the product gestation stage. A standardized product gestation process (PGP) ensures that only properly functioning and reliable product concepts move on to the next stage of development. Suppliers and their products are required to undergo a strict approval process in order to safeguard the Company's high quality standards. After production has started, defined quality assurance measures within the production process ensure that manufacturing defects are promptly identified and eliminated. During use, any defects are collected, analyzed, and rectified in collaboration with the service operations.

During the industrial manufacture of our products, accidents or technical faults in production facilities may cause hazardous substances to contaminate water, soil, and air. We have taken a variety of preventive and detective measures to counter this. They include preventive plant maintenance and servicing, regular checks by qualified personnel, on-site inspections, risk-avoidance plans, hazardous substance management, and plant fire departments.

The MAN Group's international presence and large number of products and services create a diversified economic base that offsets the risks of dependence on key customers or individual products and markets. However, this also exposes the Group to risks arising from breaches of patents, or the unauthorized disclosure of Company-specific expertise. MAN therefore monitors the sales markets and takes legal steps if necessary to protect the Company's expertise.

Long-term customer contracts give rise to additional risks. For example, changes in the political or economic conditions in a particular market may result in additional expenditure on major projects. At MAN Truck & Bus, buyback obligations pose a risk if the amount obtainable from the future sale of a used vehicle in the market changes significantly from expectations at the time the contract was concluded. In cases where guarantees or guarantee obligations form an integral part of the customer contracts, there is a risk that an unjustified claim will be made. This risk is combated by formulating contracts carefully.

Processes

The MAN Group considers the continual optimization of its development, purchasing, production, sales, and administration processes to be an ongoing task in order to increase the efficiency of these processes and to counter the cost risks in these areas. For example, it operates a preventive and continuous supplier monitoring system to identify risks from delivery delays or supplier defaults at an early stage and to mitigate the effects. It also works vigorously and systematically to improve underlying processes with an eye towards optimizing working capital employed.

In the case of major projects, risks may arise that are often only identified in the course of the project. As a general rule, major projects in the MAN Group are subject to a two-step approval process. Following a project-specific risk analysis and assessment, they require the approval of the divisional executive board. Major projects are then submitted to MAN SE's Executive Board for approval. Any approved and ongoing contracts that deviate significantly from plan are entered in a special reporting system for critical contracts and regularly submitted to MAN SE's Executive Board.

In the Power Engineering business area, long-term construction risks may result in particular from contracting deficiencies, miscosting, post-contracting changes in economic and technical parameters, weaknesses in project management, or poor performance by subcontractors. In particular, shortcomings or errors at the beginning of a project are usually very difficult to remedy or rectify and are often associated with significant additional expenditures. We endeavor to identify such risks at an even earlier stage and to take appropriate measures to eliminate or minimize them before they occur, through continual optimization of the project control process across all project phases, a lessons learned process, and regular project reviews. This allows us to further reduce the risks associated with major upcoming projects, especially in the bidding and planning phase.

The MAN Group is involved in various legal disputes and legal proceedings in connection with its Group-wide business activities. These give rise to risks, some of them significant. In each case, MAN reviews the legal situation, with the support of external legal advisors as appropriate, to defend itself against unjustified claims or assert its own claims. Further information can be found in note (30) Litigation/legal proceedings in the "Notes to the Consolidated Financial Statements."

The MAN Group's business processes are intensively supported and in some cases enabled by information technology. Besides improving efficiency, this also gives rise to risks. Parts of the infrastructure may fail as a result of accidents, disasters, technical faults, or cyberattacks, thereby impairing business processes or bringing them to a complete standstill. There is also the risk of unauthorized access, theft, or the destruction or other misuse of business data and information. The resulting financial damage and loss of image may affect individual MAN companies or even the entire MAN Group. In order to ensure the availability, integrity, and confidentiality of information so as to mitigate and prevent risk, MAN uses a risk-based information security management system, as well as a combination of the latest hardware and software technologies, effective IT organizational mechanisms, and a continuously enhanced IT-related internal control system. The centralization and selective sourcing of IT tasks and the systematic introduction of IT service management processes in accordance with the ITIL (IT Infrastructure Library) standard for the organization of IT processes help ensure that business processes are efficiently supported. By organizing information security on the basis of the internationally recognized ISO 27001 standard, the MAN Group has significantly improved the transparency and reliability of the IT processes and IT infrastructure.

The internal control system plays a key role in all business processes, including the accounting process. It is focused on ensuring compliance with the relevant regulations and helping to reduce risks and thus protect assets.

Employees

Specialist employee training is an important concern for MAN as a company. Unique selling points that set a company apart from the competition can only be achieved with first-class products and a customer-specific offering of product-related services. The opportunities for the MAN Group lie in the specialist training of all its employees around the world, from vocational trainees to executives. They are fundamental to sustained, trust-based customer relationships with repeated business success in all markets.

Through the MAN Academy, we ensure the same skills and quality standards in vocational training and human resources development as well as in training for vocational groups.

International training and development offerings have a positive impact on customer satisfaction, quality, and sales revenue in all divisions.

MAN is currently examining the changes in the workplace and any new technical know-how requirements resulting from the digitization of working processes. We will develop a large range of new offerings for employees to this end.

A breach of laws or regulations by employees or managers, either intentionally or by gross negligence, would expose the MAN Group to significant risk. MAN's compliance management system employs a wide range of measures to manage risks relating to corruption, anti-trust law, money laundering, and terrorism funding. In particular, these include the Code of Conduct, compliance guidelines and training, the Compliance Helpdesk, the "Speak up!" whistleblower portal, and regular compliance risk assessments and communication measures.

Finances

Because of its business activities and international nature, the MAN Group is exposed to considerable market, liquidity, and credit risk. It manages these risks — which also represent opportunities due to market fluctuations — using a Group-wide financial risk management system.

Market risk comprises currency, interest rate, and commodity price risk. The international nature of the MAN Group's business activities entails a significant volume of cash flows in a variety of currencies. If MAN companies carry out transactions in a currency other than their functional currency, they are exposed to currency risk. Changes in exchange rates can affect prices for goods and services. The MAN Group therefore largely hedges currency risk arising from contracts, receivables, and liabilities, and partly hedges currency risk arising from forecast transactions. The inclusion of subsidiaries or associates in countries outside the eurozone in the Consolidated Financial Statements represents a risk as a result of currency translation. As a general rule, MAN does not use derivatives to hedge these translation risks. Financial management activities entail interest rate risk from interest rate-sensitive assets and liabilities. The goal of interest rate risk management is to largely reduce these risks through the use of derivative financial instruments. Furthermore, the manufacture of the MAN Group's products requires substantial amounts of raw materials. Price trends on the commodity markets or price escalation clauses in supplier contracts may entail commodity price risks. These risks are managed through long-term supplier contracts, price escalation clauses in customer contracts, and targeted commodity price hedging in the banking market.

Liquidity risk describes the risk that the MAN Group will have difficulty in meeting obligations associated with financial liabilities. To ensure liquidity, cash inflows and outflows are continuously monitored and managed. In addition, changes in the MAN Group's liquidity are monitored using a detailed financial plan. Where permitted by law, financial management for the operating units is performed centrally to a large extent using a cash pooling process. For external financing purposes, the opportunities available on the financial market are tracked continuously so as to ensure the MAN Group's financial flexibility. Its integration into the Volkswagen Group also enables the MAN Group to draw on intragroup financing.

The MAN Group is exposed to credit risk through its business operations and financing activities. This is the risk that a party to a contract will fail to meet its contractual obligations as a result of its own financial situation or the political environment, thereby causing a financial loss for the MAN Group. This country and counterparty risk is reduced through the careful selection of transactions and business partners, through appropriate contractual and payment terms, and through guarantees and documentary credits. In addition, a central cash management function and limit allocation system are used to distribute investments of cash funds across multiple prime-rated financial institutions.

The MAN Group is exposed to a risk of impairment affecting profit or loss if there are indications that equity-method investments or other equity investments are impaired.

Economic hedges are generally used to hedge currency, interest rate, and commodity risks. Their effectiveness is tested regularly. Cash flow hedges and, in exceptional cases, fair value hedges are used for hedge accounting to manage currency risk. Further information on market, liquidity, and credit risk management can be found in note (35) in the "Notes to the Consolidated Financial Statements."

In order to reduce the financial risks inherent in defined benefit pension plans, and as a result of legal regulations abroad, the MAN Group's defined benefit obligations are largely funded through pension plan assets that are ring-fenced from its business assets. For detailed information on pensions, please refer to note (26) in the "Notes to the Consolidated Financial Statements."

Executive Board's assessment of the Group's risk and opportunity position

As in the previous year, market risk continues to outweigh the other risk fields. There have been no significant changes to the overall risk position. Risks may be able to be only partially offset by the opportunities identified. With regard to the individual risks reported on in the MAN Group's GRC Board, the Executive Board is convinced that there are no major risks in the areas that are not covered individually or overall by the projected operating profit on the basis of the net assessment performed. This also applies to risks for which a higher gross impact was calculated since risk-mitigating measures were taken for these or the probability of occurrence was assumed to be low. In the risk fields, the Executive Board sees the most significant short-term risks in the market risk field. For both the Commercial Vehicles and Power Engineering business areas, these are risks in margin and unit sales development, as well as uncertainty in the relevant markets. The Power Engineering business area is also exposed to risks arising from strong competitive pressure, especially in Asia. Product-related risks primarily relate to excess costs in the further development of our products. The main process-related risks arise from legal disputes as well as the issue of supplier defaults. Among financial risks, future currency developments are also an area of uncertainty. The short-term risks in the employee risk field are of minor significance.

On the basis of the risk management system established by the MAN Group, the Executive Board has again determined that, at the present time, there are no identifiable risks that could have a material and long-term adverse effect on the net assets, financial position, and results of operations of the MAN Group. The risk management system introduced by the Group and the related organizational measures allow the Executive Board to identify risks rapidly and initiate appropriate measures. Given the uncertainty surrounding developments in some areas, activities in 2017 will continue to focus on market risk management.

REPORT ON EXPECTED DEVELOPMENTS

Slightly stronger global economic growth, but ongoing difficult environment in many of the markets relevant to the MAN Group; sales revenue up slightly on the previous year in 2017; significant improvement in operating profit

In the following, we describe the expected future development of the MAN Group and the general framework for its business activities. Risks and opportunities that represent a departure from the forecast trends are presented in the Report on Risks and Opportunities.

Slightly stronger global economic growth

We prepare our forecasts on the basis of current estimates by third-party institutions, including economic research institutes and banks.

Our planning is based on the assumptions that global economic growth will be slightly above the prior-year level in 2017. We see risks in the volatility on the financial markets, protectionist tendencies, and structural deficits in individual countries. In addition, geopolitical tensions and conflicts will continue to weigh on growth prospects. In the majority of the industrialized nations, we expect the economic upturn to continue with growth rates stable overall. Most of the emerging economies will presumably record stronger growth than in the previous year, with the highest rates expected in the emerging economies of Asia.

Western Europe's economic recovery is likely to slow slightly in 2017. The resolution of structural problems as well as the unknown effects of the exit negotiations between the European Union (EU) and the UK present major challenges. We anticipate high growth rates for Central Europe in 2017, similar to those recorded in the past fiscal year. The economic situation in Eastern Europe should continue to stabilize, providing the latent conflict between Russia and Ukraine does not intensify again. In Germany, GDP is expected to grow in 2017 at much the same rate as in the year under review: the stable situation in the labor market is likely to continue and boost consumer spending.

Economic output in Russia will presumably increase slightly after the downward trend in recent years.

For the North American economies, we anticipate stronger year-on-year growth in 2017 that should exceed the prior-year level in the U.S.A. and Canada. In contrast, the growth rate of the Mexican economy will probably slow.

Brazil will, in all likelihood, overcome its recession in 2017 and record modest growth. The Argentinian economy is expected to regain momentum despite the persistently high inflation rate.

China's economic growth will probably remain at a high level in 2017, but will be slower than in previous years. In India, the economy should expand at around the same rate as in the prior year. The economic situation in Japan is expected to remain largely unchanged.

Commercial Vehicles: European market down slightly, Brazilian market up on the previous year

For Western Europe and Germany, we anticipate that demand will be slightly lower in 2017 than in the previous year. We predict a sharp increase in demand in the markets in Eastern and Central Europe. Overall, we expect the European market to contract slightly.

In Russia, we expect a strong recovery in demand in 2017 based on the low level in 2016.

Demand on the Brazilian market will firm in 2017 compared with the weak prior year, now that the economy shows signs of a recovery.

In China, the world's largest truck market, registrations in 2017 should slightly exceed the 2016 figure. In the Indian market, we expect material growth due to the positive economic environment and the implementation of numerous infrastructure initiatives.

The bus markets relevant to MAN should see a modest increase in demand in 2017. In Western Europe, we expect demand to be down on the 2016 figure in 2017. We anticipate stronger demand than in the previous year in Central and Eastern Europe. New registrations in South America should be noticeably higher year-on-year.

Power Engineering: Market environment remains strained

We expect the difficult overall market environment for the Power Engineering business area to persist in 2017 and price pressure to continue unabated as a result.

Order volumes for two-stroke engines used in merchant shipping are expected to remain approximately at the prior-year level in 2017. Demands for high energy efficiency and low pollution will continue to significantly influence ship design in the future. We expect demand for special-purpose ships such as cruise liners, ferries, and government vessels to remain strong. Despite the recent slight increase in oil prices, new orders in the offshore segment should remain at a very low level due to the existing overcapacity. In general, we expect the marine market to be at the previous year's level. Competitive pressure will continue unabated.

Energy demand is closely correlated with economic and demographic trends, particularly in developing countries and emerging economies. The global trend toward decentralized power plants and gas-based applications remains undiminished. For 2017, we expect demand to increase slightly compared with the previous year, but remain at a low level overall.

Despite the slight increase in the price of oil, the market environment for turbomachinery is likely to continue to be difficult in 2017, accompanied by high pricing and competitive pressures caused by expectations of an unfavorable economic and political situation in a number of relevant markets. As a result, we expect the 2017 market for turbomachinery and turbo gear units to remain at the low level of the previous year.

Orders and sales revenue in 2017 generated by propulsion components should be roughly on a level with the 2016 figure.

Competitive pressure is expected to increase in the aftersales business due to the unutilized capacity in new construction.

Executive Board's sales revenue and earnings expectations

Based on the macroeconomic trends and the development of the markets relevant to the MAN forecast above, MAN SE's Executive Board currently expects the following:

We anticipate slight year-on-year growth in the MAN Group's sales revenue in 2017. Unit sales and sales revenue in the Commercial Vehicles business area are expected to increase noticeably, with contributions from both MAN Truck & Bus and MAN Latin America. In contrast, we expect order intake on a level with the previous year in the Power Engineering business area. Sales revenue will be down significantly on the 2016 figure following the low order intake in previous years.

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.

The accounting principles used here are consistent with those used in the 2016 financial statements.

Long-term growth strategy

Overall, global demand for innovative solutions in the transportation and energy sectors will continue to rise. Going forward, the MAN Group will therefore continue to pursue its profitable growth strategy 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. MAN develops innovative products and solutions that meet the needs of customers and markets. Its focus is on reducing fuel consumption and emissions, as well as generating energy efficiently, reliably, and in an environmentally-friendly manner. MAN will also exploit the opportunities of the digital transformation and unlock new potential with new business models based on innovative mobility solutions.

Measures to improve earnings in all divisions

MAN has taken measures to secure profitability in all divisions. In the commercial vehicles business, we will continue to systematically implement the PACE2017 future growth program at MAN Truck & Bus as well as the measures at MAN Latin America. PACE2017 covers all areas of MAN Truck & Bus and addresses improvements on both the performance and cost sides. Production sites are being restructured, administrative areas streamlined, and processes optimized. We expect this to have a clear effect on results in 2017 as well. The Base Camp 3000+ program for the future was initiated at MAN Diesel & Turbo in the fall of 2016. The package of measures aims to sustainably improve MAN Diesel & Turbo's earnings by €450 million. As well as updating the strategy and portfolio, the program is designed to optimize internal processes and substantially improve the cost structure. This will establish clear competency allocation for each site and simplified structures. Efficiency and optimization measures are planned for development, sales, quality, and product costs in particular.

MAN as part of the commercial vehicles holding group

MAN Truck & Bus, MAN Latin America (most of whose vehicle sales are made through Volkswagen Caminhões e Ônibus), and Scania work closely together under the umbrella of the Volkswagen Truck & Bus commercial vehicles holding group. The aim is to turn Volkswagen Truck & Bus and its brands into a global champion. The brands will, however, retain their identities and full operational responsibilities. Synergies in procurement in particular have already led to annual savings of around €200 million within the alliance. In the medium term, Volkswagen Truck & Bus aims to generate synergy potential of up to €1 billion a year, but given the long product lifecycles in the commercial vehicles business, it will take 10 to 15 years before this has been fully exploited. In the long term, the entire powertrain — the most important cost driver for a truck — is relevant for joint development activities.

An important step here is the lead engineering concept, which sets out clear principles for joint development activities within the Group. In the future, cross-brand teams from MAN Truck & Bus, MAN Latin America, and Scania will together expedite the development of core drive train 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 can then be adapted by the individual brands.

Partnerships will play an important role along the road to becoming a global champion. In 2016, Volkswagen Truck & Bus GmbH entered into a far-reaching, strategic alliance with U.S. commercial vehicles manufacturer Navistar International Cooperation, Lisle, U.S.A. (Navistar) and will acquire 16.6% of Navistar shares by way of a capital increase. The alliance includes master agreements for strategic technology and supply collaboration and a joint venture to pursue joint global sourcing opportunities. The transaction is expected to be completed in the first quarter of 2017.

Uncertainties in the outlook

The forward-looking statements and information described above are based on current expectations and certain assumptions. They therefore involve a series of risks and uncertainties, including but not limited to those described in the "Report on Risks and Opportunities" as well as in other publications. Many factors are beyond the MAN Group's control. The MAN Group's actual performance and results could differ significantly from those stated or implied in these forward-looking statements if one of the uncertainties materializes or the underlying expectations and assumptions prove to be incorrect. MAN undertakes no obligation nor does it intend to update these forward-looking statements on an ongoing basis.

REPORT ON POST-BALANCE SHEET DATE EVENTS

No events occurred after the reporting period that are material for the MAN Group and that could lead to a reassessment of the Company.

EMPLOYEES

Being a leading employer is part of MAN's corporate strategy and means attracting talented and skilled employees, offering them innovative working environments, and actively promoting diversity in the Company both now and in the future. The digital transformation is changing the way we work and presents new challenges — and numerous opportunities — for MAN.

Digitization and the entry into the labor market of a new generation of employees and their needs and collaboration styles are also changing the face of work. MAN will primarily need IT specialists in the future as well as traditional mechanical engineers and electrical and computer engineers, and is striking out in new directions to attract suitable talent and generate interest in the product. For instance, the Company participated in the first Techfest at the Technical University of Munich as a major sponsor. An exciting big data challenge promoted MAN as an innovative IT employer among the students.

It is equally important that MAN retains employees and gives them flexibility and freedom. The introduction of the Flex Work pilot project at the Munich site, which has been actively used by employees since its launch, enables flexibility in working hours and location.

Workplace design and facilities also play an important role in work 4.0. Three "future office innovation labs" have been initiated at the Munich site, for example. Here, new open space concepts with private and social areas are being designed and tested in practice.

Diversity management extends far beyond the promotion of women and is a key focus at MAN. A diverse workforce increases competitiveness and as such, is a cornerstone of the Company's success. This is why MAN actively recognizes and promotes employee diversity. The Company defines diversity based on the following dimensions: gender, nationality, disability, and age. MAN's clear position on the promotion of diversity — and thus an appreciation of different skills as well as professional and personal experience — creates value for the Company.

Programs to help employees balance work and family life were again expanded in the year under review. A master agreement with a care platform assists employees in organizing care and support for family members, especially emergency child care.

Employees on parental leave or other passive employment contracts have had access to the MAN intranet since 2016. This enables them to keep up-to-date on the latest developments and news at the Company, view the internal jobs board, and access professional development opportunities, and primarily serves to facilitate their return to the Company.

REMUNERATION REPORT FOR FISCAL YEAR 2016

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 member, 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.

In fiscal 2016, Executive Board members were appointed at MAN SE who received remuneration from MAN Truck & Bus AG (Mr. Drees and Mr. Lafrentz) and Volkswagen AG respectively (Mr. Schelchshorn) 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 the remuneration paid to Mr. Schelchshorn, including 10% of the expenses needed to finance the occupational pension plan. MAN Truck & Bus AG reimbursed Volkswagen AG for the remuneration paid to Mr. Schelchshorn, including 65% of 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 Truck & Bus AG introduced a new variable remuneration system for members of the Executive Board for fiscal 2016 onwards. Variable remuneration is calculated on the basis of three equally-weighted components, each of which are 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 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 the previous 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, and the overall index for the fiscal year concerned is then also zero.

The **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 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 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). (For fiscal 2016, target achievement is calculated based on the ROS for fiscal 2016 compared with the target figure.)

  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.

The **personal performance bonus** recognizes the individual employee's performance in the past 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 Supervisory Board of MAN Truck & Bus AG.

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 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 the previous 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 operating profit over a two-year assessment period.

The **personal performance bonus** recognizes the individual employee's performance in the past 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

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, or "capital account plan" with the value of benefits dependent upon the performance of certain fund indices.

Every year, MAN Truck & Bus AG contributes an amount equal to 20% of eligible remuneration, i.e., of the sum of the 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 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 Insurance Code).

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

Special contract provisions

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, in the event of the early termination of their contract without good cause and at the instigation of the Company concerned. 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, Mr. Lafrentz, and Mr. Schelchshorn as members of the Company's Executive Board:

Mr. Lafrentz and Mr. Schelchshorn will not be granted retirement benefits by MAN. Instead, MAN Truck & Bus AG has undertaken to assume for Mr. Lafrentz the expenses associated with continuing his existing retirement benefits in the Volkswagen Group.

In addition, a special arrangement relating to guaranteed variable remuneration was agreed with Mr. Drees, Mr. Lafrentz, and Mr. Schelchshorn. Further information can be found in note (37) in the "Notes to the Consolidated Financial Statements."

Executive Board members' remuneration in 2016

The remuneration awarded to active members of the Executive Board for their services in fiscal 2016 totaled €4,574 thousand plus €449 thousand for pensions (previous year: €4,754 thousand plus €985 thousand for pensions). 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 September 30, 2014). 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' remuneration in 2016 (benefits granted)

	Joachim Drees[1, 2] Chief Executive Officer			
€ thousand	2015	2016	2016 (Min)	2016 (Max)
Fixed remuneration	102	450	450	450
Fringe benefits	23	88	88	88
Total	**125**	**538**	**538**	**538**
One-year variable remuneration (Performance component 2 / PPB)	51	225	0	450
Multi-year variable remuneration				
Performance component 1 / CPB (2 years)	51	225	0	450
Long-term remuneration components (3 years) / LTI (4 years)	51	225	0	450
Other (special arrangements)	102	345	1,020	120
Total	**255**	**1,020**	**1,020**	**1,470**
Pension expense	20	210	210	210
Total remuneration	**400**	**1,768**	**1,768**	**2,218**

	Jan-Henrik Lafrentz[1, 2] Chief Financial Officer			
€ thousand	2015	2016	2016 (Min)	2016 (Max)
Fixed remuneration	90	408	408	408
Fringe benefits	8	33	33	33
Total	**98**	**441**	**441**	**441**
One-year variable remuneration (Performance component 2 / PPB)	45	204	0	408
Multi-year variable remuneration				
Performance component 1 / CPB (2 years)	45	204	0	408
Long-term remuneration components (3 years) / LTI (4 years)	45	204	0	408
Other (special arrangements)	0	0	0	0
Total	**135**	**612**	**0**	**1,224**
Pension expense	21	96	96	96
Total remuneration	**254**	**1,149**	**537**	**1,761**

	Josef Schelchshorn[3, 4] Chief Human Resources Officer			
€ thousand	2015	2016	2016 (Min)	2016 (Max)
Fixed remuneration	204	432	432	432
Fringe benefits	27	36	36	36
Total	**231**	**468**	**468**	**468**
One-year variable remuneration (Performance component 2 / PPB)	140	280	0	560
Multi-year variable remuneration				
Performance component 1 / CPB (2 years)	140	280	0	560
Long-term remuneration components (3 years) / LTI (4 years)	140	280	0	560
Other (special arrangements)	180	360	1,200	0
Total	**600**	**1,200**	**1,200**	**1,680**
Pension expense	104	143	143	143
Total remuneration	**936**	**1,811**	**1,811**	**2,291**

[1] MAN Truck & Bus AG employment contract [2] Joined October 1, 2015 [3] VW AG employment contract [4] Joined July 1, 2015

Table 2: Executive Board members' remuneration in 2016 (benefits received)

	Joachim Drees[1, 2] Chief Executive Officer		**Jan-Henrik Lafrentz**[1, 2] Chief Financial Officer		**Josef Schelchshorn**[3, 4] Chief Human Resources Officer	
€ thousand	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
Fixed remuneration	102	450	90	408	204	432
Fringe benefits	23	88	8	33	27	36
Total	**125**	**538**	**98**	**441**	**231**	**468**
One-year variable remuneration (Performance component 2 / PPB)	28	338	25	306	255	406
Multi-year variable remuneration						
Performance component 1 / CPB (2 years)	5	232	4	210	66	176
Long-term remuneration components (3 years) / LTI (4 years)	0	266	0	241	210	330
Other (special arrangements)	222	336	121	0	69	288
Total[5]	**255**	**1,170**	**150**[6]	**757**	**600**	**1,200**
Pension expense	20	210	21	96	104	143
Total remuneration	**400**	**1,918**	**269**	**1,294**	**936**	**1,811**

[1] MAN Truck & Bus AG employment contract [2] Joined October 1, 2015 [3] VW AG employment contract [4] Joined July 1, 2015
[5] 2016: Information based on key figures currently available [6] Adjustment following preparation of the 2015 Annual Report

Additionally, a total of €595 thousand (previous year: €614 thousand) in severance payments was made in fiscal 2016 to former members of the Executive Board. Appropriate provisions were recognized for these payments at the time of departure. These payments are also described in detail in the abovementioned note in the "Notes to the Consolidated Financial Statements."

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.

Since the amendment to the Articles of Association resolved at the Annual General Meeting on April 1, 2010, the members of the Supervisory Board have additionally received an attendance fee of €500 in each case for meetings of the Supervisory Board or of Supervisory Board committees at which they have been present.

In addition, members of the Supervisory Board are reimbursed 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 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 2016

The total remuneration payable to the members of the Supervisory Board for 2016 amounts to €751 thousand (previous year: €806 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €150 thousand (previous year: €124 thousand) for serving on supervisory boards at Group companies in fiscal 2016. 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 2016.

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, 2016, do not receive any remuneration.

TAKEOVER-RELATED DISCLOSURES

Disclosures in accordance with sections 289 (4) and 315 (4) of the *Handelsgesetzbuch* (HGB — German Commercial Code)

Composition of share capital, classes of shares

MAN SE's share capital is unchanged at €376,422,400. It is composed of 147,040,000 no-par value bearer shares with a notional value of €2.56 each. In accordance with Article 4 (1) of the Articles of Association, the no-par value shares are divided into 140,974,350 common shares and 6,065,650 nonvoting preferred shares. All shares are fully paid up. Under Article 4 (2) sentence 2 of the Articles of Association, shareholders may not claim delivery of physical share certificates.

All shares have the same dividend rights; however, a cumulative preferred dividend of €0.11 per preferred share is payable in advance from net retained profit to holders of preferred shares, as well as a further €0.11 per common share as a subordinate right to holders of common shares. If there is insufficient net retained profit to pay the preferred dividend, the shortfall is payable in arrears, without interest, from the net retained profit of the subsequent fiscal years before the distribution of a dividend to the holders of common shares.

In accordance with the domination and profit and loss transfer agreement entered into between Volkswagen Truck & Bus GmbH and MAN SE on April 26, 2013, which came into effect on its entry in the commercial register on July 16, 2013, common and preferred shareholders will be paid a compensatory or guaranteed dividend within the meaning of section 304 of the *Aktiengesetz* (AktG — German Stock Corporation Act).

The common shares are voting shares, while preferred shares do not generally carry voting rights.

Under section 140 (2) of the AktG, this does not apply if the preferred dividend is to be made good — as is the case in section 139 (1) sentence 3 of the AktG due to the absence of a provision in the Articles of Association of MAN SE — and the preferred dividend is not paid in a given year, or is not paid in full, and is not made good in the following year in addition to the full preferred dividend for that year. In such cases, shareholders have voting rights until the shortfalls are made good, and the preferred shares must be included in the calculation of any capital majority required by law or by the Articles of Association. In light of the domination and profit and loss transfer agreement between Volkswagen Truck & Bus GmbH and MAN SE, section 140 (2) of the AktG also applies in the event that the compensation within the meaning of section 304 of the AktG, i.e., the compensatory or guaranteed dividend, is not actually paid. Preferred shareholders also have voting rights in accordance with section 60 of the *SE-Verordnung* (SE-VO — German SE Regulation), under which a consenting resolution by the preferred shareholders is required if the Annual General Meeting adopts a resolution that affects the specific rights of preferred shareholders, i.e., a resolution to revoke or limit the preferred dividend or to issue preferred stock that would rank prior to or equal with the existing nonvoting preferred shares in the distribution of profit or the net assets of the Company.

The same rights and obligations attach to all shares in all other respects.

Restrictions affecting voting rights or the transfer of shares

Other than restrictions on voting rights for preferred shares and restrictions by virtue of statutory provisions, for instance under section 136 of the AktG, MAN SE is not aware of any restrictions on voting rights. The same applies to the transfer of shares.

Significant shareholdings in MAN SE

Volkswagen Truck & Bus GmbH notified MAN SE on April 18, 2013, in accordance with section 21 (1) sentence 1 of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) that the share of voting rights held by Volkswagen Truck & Bus GmbH had exceeded the limit of 75% on April 16, 2013, and amounted to 75.03% at that time. Volkswagen AG notified MAN SE on June 6, 2012, in accordance with section 21 (1) sentence 1 of the WpHG, that the share of voting rights held by Volkswagen AG had exceeded the limit of 75% on June 6, 2012, and amounted to 75.03% at that time. Volkswagen AG contributed the relevant shares to Volkswagen Truck & Bus GmbH on April 16, 2013. The relevant shares are now attributable to Volkswagen AG via Volkswagen Truck & Bus GmbH. In addition, Porsche Automobil Holding SE and its controlling shareholders notified MAN SE in accordance with section 21(1) of the WpHG that Volkswagen AG's interest — now

Volkswagen Truck & Bus GmbH's interest — is also attributable to Porsche Automobil Holding SE and its controlling shareholders.

MAN SE has not been notified of, nor is it aware of, further existing direct or indirect interests in the capital of MAN SE that exceed 10% of the voting rights or the relevant thresholds of the WpHG.

Appointment and dismissal of members of the Executive Board, amendments to the Articles of Association

The appointment and dismissal of members of the Company's Executive Board is governed by sections 39 (2) and 46 of the SE-VO in conjunction with sections 84 and 85 of the AktG and Article 5 of the Articles of Association. Under these provisions, the Executive Board must consist of at least two members. It falls within the responsibility and the authority of the Supervisory Board to appoint the members of the Executive Board for a period of up to five years and to revoke the appointment for good cause. Members may be reappointed once or several times.

Section 59 (1) of the SE-VO in conjunction with sections 179ff. of the AktG applies to amendments to the Articles of Association. Under these provisions, the Annual General Meeting may resolve to amend the Articles of Association by a majority of at least three-quarters of the share capital represented when the vote is taken. Under Article 10 (6) of the Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association that affect only the wording.

Powers of the Executive Board

The powers of the Executive Board are governed by section 39 of the SE-VO in conjunction with sections 77ff. of the AktG and Article 6 of the Articles of Association. These provisions require the Executive Board to manage the Company independently and to represent the Company both in and out of court.

Material agreements of the Company that are subject to a change of control following a takeover bid

As already described above in the "MAN Group funding" section, MAN SE has entered into various material agreements that are subject to a change of control.

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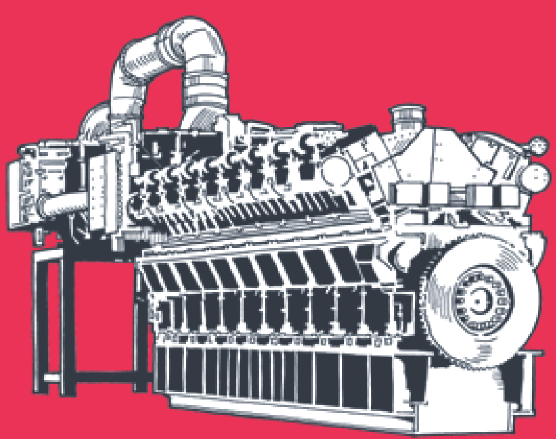

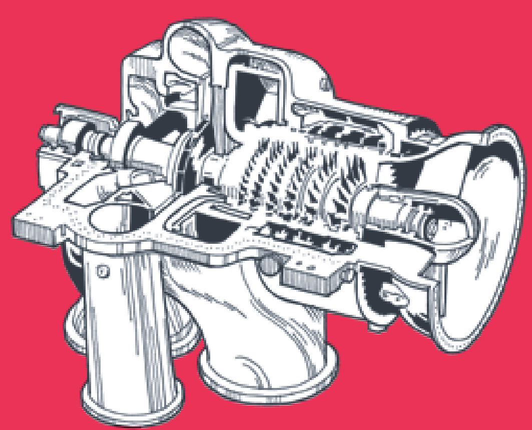

TWO-STAGE TURBOCHARGED GAS ENGINE 18V51/60G TS

Boasting an output of 20.7 megawatts and a mechanical efficiency of over 50 percent, the new gas engine from MAN Diesel & Turbo for producing energy is currently the most powerful on the market.

AR-MAX1 AIR COMPRESSOR

The new axial compressor is the first to combine the benefits of industrial compressors, such as robust design and high efficiency, with the advantage of gas turbine compressors and aircraft engines – their high power density.

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CONSOLIDATED FINANCIAL STATEMENTS

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MAN CONSOLIDATED INCOME STATEMENT

€ million	Note	2016	2015
Sales revenue	[6]	13,564	13,702
Cost of sales		–11,033	–11,107
Gross profit		**2,531**	**2,594**
Other operating income	[7]	592	513
Distribution expenses		–1,565	–1,562
General and administrative expenses		–757	–762
Other operating expenses	[8]	–597	–692
Operating profit		**204**	**92**
Share of profits and losses of equity-method investments	[17]	19	11
Finance costs	[9]	–203	–189
Other financial result	[10]	29	182
Financial result		**–155**	**3**
Profit before tax		**49**	**95**
Income taxes	[11]	–55	64
Current		–208	63
Deferred		152	1
Loss from discontinued operations, net of tax	[5]	–	–10
Profit/loss after tax		**–7**	**150**
of which attributable to noncontrolling interests		12	10
of which attributable to shareholders of MAN SE		**–18**	**140**
Earnings per share from continuing operations in € (diluted/basic)	[12]	**–0.12**	**1.02**
Earnings per share from continuing and discontinued operations in € (diluted/basic)	[12]	**–0.12**	**0.95**

MAN CONSOLIDATED RECONCILIATION OF COMPREHENSIVE INCOME FOR THE PERIOD

€ million	Note	2016	2015
Profit/loss after tax		**–7**	**150**
Items that will not be reclassified to profit or loss			
Pension plan remeasurements	[26]	–190	71
Other comprehensive loss for the period from equity-method investments	[17]	–1	–3
Deferred taxes		56	–22
Items that will be reclassified subsequently to profit or loss			
Currency translation differences		163	–231
Measurement of marketable securities and financial investments		129	637
Change in fair values of derivatives	[34/35]	63	3
Other comprehensive income/loss for the period from equity-method investments	[17]	–2	3
Deferred taxes		–23	–9
Other comprehensive income		**195**	**450**
Total comprehensive income		**189**	**599**
of which attributable to noncontrolling interests		12	11
of which attributable to shareholders of MAN SE		**177**	**588**

See also note (24) for additional information on equity.

MAN CONSOLIDATED BALANCE SHEET

Assets

€ million	Note	**12/31/2016**	**12/31/2015**
Intangible assets	[15]	2,229	1,909
Property, plant, and equipment	[16]	2,545	2,286
Equity-method investments	[17]	463	449
Other equity investments	[18]	2,897	2,758
Assets leased out	[19]	3,239	2,949
Income tax receivables		22	3
Deferred tax assets	[11]	541	389
Other noncurrent financial assets	[22]	327	346
Other noncurrent receivables	[23]	533	114
Noncurrent assets		**12,795**	**11,203**
Inventories	[20]	3,246	3,058
Trade receivables	[21]	2,038	1,924
Current income tax receivables		75	135
Other current financial assets	[22]	200	402
Other current receivables	[23]	289	609
Cash and cash equivalents		796	779
Current assets		**6,643**	**6,907**
		19,438	**18,110**

Equity and Liabilities

€ million	Note	12/31/2016	12/31/2015
Subscribed capital		376	376
Capital reserves		795	795
Retained earnings		3,786	3,705
Accumulated other comprehensive income		795	600
Equity attributable to shareholders of MAN SE		**5,752**	**5,476**
Noncontrolling interests		98	89
Total equity	[24]	**5,850**	**5,565**
Noncurrent financial liabilities	[25]	421	1,235
Pensions and other post-employment benefits	[26]	624	496
Deferred tax liabilities	[11]	143	181
Noncurrent income tax provisions		190	109
Other noncurrent provisions	[27]	772	638
Other noncurrent financial liabilities	[28]	1,602	1,431
Other noncurrent liabilities	[29]	1,100	991
Noncurrent liabilities and provisions		**4,851**	**5,082**
Current financial liabilities	[25]	2,574	1,280
Trade payables		1,914	1,683
Prepayments received		705	789
Current income tax payables		20	15
Current income tax provisions		27	27
Other current provisions	[27]	1,206	1,174
Other current financial liabilities	[28]	935	1,241
Other current liabilities	[29]	1,355	1,255
Current liabilities and provisions		**8,736**	**7,464**
		19,438	**18,110**

MAN CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	2016	2015
Cash and cash equivalents at beginning of period	**779**	**525**
Profit before tax	49	95
Income taxes refunded	63	34
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property [1]	349	370
Amortization of, and impairment losses on, capitalized development costs [1]	101	125
Impairment losses on equity investments	2	0
Depreciation of assets leased out [1]	562	550
Change in pension provisions	–70	–35
Loss on disposal of noncurrent assets and equity investments	–3	–6
Share of profits or losses of equity-method investments	–16	–2
Other noncash income	5	37
Change in inventories	–121	–62
Change in receivables	43	225
Change in liabilities and prepayments received (excluding financial liabilities)	615	491
Change in provisions	134	164
Change in assets leased out	–879	–826
Net cash provided by operating activities	**833**	**1,162**
Payments to acquire property, plant, and equipment and intangible assets (excluding capitalized development costs)	–579	–442
Additions to capitalized development costs	–276	–246
Payments to acquire other investees	–6	–20
Proceeds from the disposal of other investees	–	25
Proceeds from asset disposals (other than assets leased out)	30	17
Change in investments in securities and loans	103	175
Net cash used in investing activities	**–728**	**–492**
Dividends allocated to noncontrolling interests	–4	–3
Profit transfer	–513	–486
Capital transactions with noncontrolling interests	–3	–
Repayment of bonds	–500	–620
Change in other financial liabilities	894	717
Net cash used in financing activities	**–126**	**–392**
Effect of exchange rate changes on cash and cash equivalents	39	–25
Change in cash and cash equivalents	**17**	**253**
Cash and cash equivalents at end of period	**796**	**779**

[1] Net of impairment reversals.
See also note (33) for additional information on the statement of cash flows.

MAN CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income	Equity attributable to shareholders of MAN SE	Noncontrolling interests	Total
Balance at December 31, 2014	**376**	**795**	**4,081**	**152**	**5,404**	**81**	**5,485**
Profit after tax	–	–	140	–	140	10	150
Other comprehensive income	–	–	–	448	448	2	450
Total comprehensive income	–	–	140	448	588	11	599
Dividends allocated to noncontrolling interests	–	–	–	–	–	–3	–3
Profit transfer to Volkswagen Truck & Bus GmbH	–	–	–513	–	–513	–	–513
Other changes	–	–	–2	–	–2	–1	–3
Balance at December 31, 2015	**376**	**795**	**3,705**	**600**	**5,476**	**89**	**5,565**
Profit/loss after tax	–	–	–18	–	–18	12	–7
Other comprehensive income	–	–	–	195	195	0	195
Total comprehensive income	–	–	–18	195	177	12	189
Dividends allocated to noncontrolling interests	–	–	–	–	–	–4	–4
Loss absorption by Volkswagen Truck & Bus GmbH	–	–	99	–	99	–	99
Other changes	–	–	–	–	–	2	2
Balance at December 31, 2016	**376**	**795**	**3,786**	**795**	**5,752**	**98**	**5,850**

See also note (24) for additional information on equity.

MAN NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

1 General principles

MAN SE (referred to in the following as MAN or MAN SE) is a listed corporation headquartered in Munich, Germany, and entered in the commercial register at the Munich Local Court under no. HRB 179426. The MAN Group is one of Europe's leading commercial vehicle and mechanical engineering groups and focuses on activities in the areas of transportation and energy.

In compliance with section 315a (1) of the *Handelsgesetzbuch* (HGB — German Commercial Code), the accompanying consolidated financial statements of MAN SE for the fiscal year January 1 to December 31, 2016, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union. The Executive Board prepared these consolidated financial statements on February 6, 2017, and resolved to authorize them for submission to the Supervisory Board.

MAN SE is a subsidiary of Volkswagen Truck & Bus GmbH, Braunschweig, a wholly owned direct subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg (Volkswagen AG). Volkswagen Truck & Bus GmbH holds a 74.52% interest in MAN SE's capital. MAN SE is included in Volkswagen AG's consolidated financial statements, which are published in the *Bundesanzeiger* (German Federal Gazette).

The consolidated financial statements have been prepared in euros (€), the Group's functional currency. All amounts are shown in millions of euros (€ million) unless otherwise stated. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

2 Consolidation and measurement of investees

a) Investees

MAN SE's investees comprise subsidiaries, joint ventures, associates, and financial investments.

All significant German and non-German subsidiaries that are controlled directly or indirectly by MAN SE are included in the consolidated financial statements. Control exists if MAN SE obtains power over the potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the potential subsidiaries, and is able to influence those returns. Subsidiaries whose business activities have been suspended or are minimal and that are insignificant individually or in the aggregate for the presentation of a true and fair view of the MAN Group's net assets, financial position, results of operations, and cash flows are not consolidated. They are reported in the consolidated financial statements at their cost, net of any impairment loss required to be recognized.

Joint ventures are investees over which MAN SE has joint control with one or more partners and has rights to the net assets. Joint control is always established by a contractual arrangement.

Associates are investees over which MAN SE can exercise significant influence by virtue of its power to participate in the associate's financial and operating policies. As a rule, significant influence is assumed when MAN holds between 20% and 50% of the voting rights. Significant associates and joint ventures are measured using the equity method. Insignificant associates and joint ventures are generally recognized at their cost, net of any impairment losses required to be recognized.

All other investees are financial investments.

b) Basis of consolidation

Consolidated subsidiaries

In addition to MAN SE, all significant subsidiaries are consolidated in the consolidated financial statements. Subsidiaries that are acquired during the fiscal year are consolidated from the date when control exists. Companies that are disposed of in the fiscal year are deconsolidated from the date when control no longer exists.

Number of companies consolidated

	Germany	Other countries	Total
Consolidated as of December 31, 2015	**19**	**83**	**102**
Initially consolidated in fiscal 2016	1	3	4
Deconsolidated in fiscal 2016	0	2	2
Consolidated as of December 31, 2016	**20**	**84**	**104**

The changes in the MAN Group's basis of consolidation in fiscal year 2016 primarily resulted from the initial consolidation of existing companies that have now started operations. The deconsolidated companies relate in particular to intragroup mergers.

A list of the MAN Group's shareholdings in accordance with section 313 (2) of the HGB is provided on pages 130 ff.

The following consolidated German companies made use of the exemption under section 264 (3) of the HGB and section 264b of the HGB:

- MAN HR Services GmbH, Munich
- GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal
- GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal
- GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal
- GETAS Verwaltung GmbH & Co Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal
- GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal
- HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG, Pullach i. Isartal
- MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich
- MAN Truck & Bus AG, Munich
- MAN Truck & Bus Deutschland GmbH, Munich
- TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal (formerly: MAN Grundstücksgesellschaft mbH & Co. Beta KG, Munich)
- TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal (formerly: MAN Grundstücksgesellschaft mbH & Co. Alpha KG, Munich)
- M A N Verwaltungs-Gesellschaft mbH, Munich
- MAN Service und Support GmbH, Munich
- KOSIGA GmbH & Co. KG, Pullach i. Isartal
- MAN GHH Immobilien GmbH, Oberhausen
- MAN Diesel & Turbo SE, Augsburg.

Business combinations

Business combinations are accounted for using the purchase method of accounting. In the course of initial consolidation, the identifiable assets, liabilities, and contingent liabilities of the acquiree are recognized at fair value. Any remaining excess of cost of acquisition over the MAN Group's share of the revalued net assets of the acquiree is allocated to the relevant division of the MAN Group, as the cash-generating unit, and recognized separately as goodwill. The division, including allocated goodwill, is tested for impairment at least once a year and its carrying amount is written down to the recoverable amount if it is found to be impaired. If a subsidiary is disposed of, the attributable goodwill is included in the calculation of the disposal gain or loss. Any difference arising due to the acquisition of additional shares of a subsidiary that has already been consolidated is charged directly to equity. Unless otherwise stated, the share of equity attributable to direct noncontrolling interests is measured at the acquisition-date fair value of the net assets (excluding goodwill) attributable to such noncontrolling interests. Any contingent consideration is measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration do not adjust the acquisition-date fair value. Acquisition-related costs that are not equity transaction costs are not added to the purchase price, but instead recognized as expenses in the period in which they are incurred.

c) Equity-method investments

Equity-method investments include associates and joint ventures. Associates and joint ventures are initially measured at cost. In subsequent periods, the MAN Group's share of profits and losses generated after acquisition is recognized in the income statement. Other changes in the equity of associates and joint ventures, such as currency translation differences, are recognized in other comprehensive income. Intercompany profits or losses from transactions by Group companies with associates and joint ventures are eliminated ratably in the profit or loss of the Group companies. If there are indications that the carrying amount may be impaired, equity-method investments are tested for impairment; any impairment loss is recognized in the income statement.

Goodwill arising from the acquisition of an associate or joint venture is included in the carrying amounts of investments in associates or joint ventures.

d) Financial investments

Financial investments for which a quoted market price or a reliably determinable fair value is available are measured at that amount. Financial investments in equity instruments that are classified as available for sale but for which no quoted price is available in an active market and whose fair value cannot be measured reliably are measured at cost. If there are indications that the carrying amount may be impaired, financial investments carried at cost are tested for impairment; any impairment loss is recognized in the income statement.

e) Currency translation

Financial statements of subsidiaries and associates in countries outside the eurozone are translated using the functional currency method. The functional currency of subsidiaries is the currency of the primary economic environment in which they operate and is almost always their local currency. The functional currency of certain subsidiaries is the euro, rather than their local currency.

Financial statements are translated using the modified closing rate method, under which balance sheet items (with the exception of equity) are translated at the closing rate, while income statement items are translated at weighted average exchange rates for the year. With the exception of income and expenses recognized directly in equity, equity is translated at historical exchange rates. The resulting currency translation differences are recognized as a separate item in other comprehensive income until the disposal of the subsidiary.

3 New and revised accounting pronouncements

a) New accounting pronouncements applied

MAN has applied all accounting pronouncements adopted by the EU and required to be applied as from January 1, 2016.

A number of amendments to International Financial Reporting Standards resulting from the Annual Improvements Project 2012 and the Annual Improvements Project 2014 became effective on January 1, 2016. These amendments include changes to IFRS 2, IFRS 3, IFRS 5, IFRS 7, IFRS 8, IFRS 13, IASs 16/38, IAS 19, IAS 24, and IAS 34 and did not materially affect the MAN Group's net assets, financial position, and results of operations.

The amendment to IAS 16 and IAS 38 clarifies that, effective January 1, 2016, revenue-based depreciation and amortization methods are not generally permitted.

Amendments to IAS 19 have also been applicable since January 1, 2016. The amendments relate to the accounting for employee contributions to pensions. In the MAN Group, employee contributions in which the amount is independent of the number of years of service (fixed percentage of salary) are deducted from the service cost in the year the contributions are made.

In addition, clarifications and changes to IFRS reporting were made in IAS 1. These are effective from January 1, 2016. The amendments also specify that disclosures are only required in the notes to the consolidated financial statements if the content is material.

The amendments described above do not materially affect the MAN Group's net assets, financial position and results of operations. The other accounting pronouncements required to be applied in fiscal year 2016 for the first time also do not have any material effects on the presentation of the net assets, financial position, and results of operations in the MAN consolidated financial statements.

b) New or amended IFRSs not applied

In its 2016 consolidated financial statements, MAN did not apply the following accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year.

Standard/ Interpretation		Issued by the IASB	Effective date [1]	Adopted by the EU	Expected effects
IFRS 2	Classification and Measurement of Share-based Payment Transactions	June 22, 2016	Jan. 1, 2018	No	None
IFRS 4	Insurance Contracts: Applying IFRS 9 with IFRS 4	Sept. 12, 2016	Jan. 1, 2018	No	None
IFRS 9	Financial Instruments	July 24, 2014	Jan. 1, 2018	Yes	Detailed description below
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Sept. 11, 2014	Postponed [2]	–	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2018 [3]	Yes	Detailed description below
	Clarifications to IFRS 15 – Revenue from Contracts with Customers	April 12, 2016	Jan. 1, 2018	No	Additional relief for the initial application of IFRS 15, otherwise no material effects
IFRS 16	Leases	Jan. 13, 2016	Jan. 1, 2019	No	Detailed description below
IAS 7	Statement of Cash Flows: Disclosures	Jan. 29, 2016	Jan. 1, 2017	No	Preparation of a reconciliation for liabilities from financing activities
IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses	Jan. 19, 2016	Jan. 1, 2017	No	No material effects
IAS 40	Transfers of Investment Property	Dec. 8, 2016	Jan. 1, 2018	No	No material effects
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Dec. 8, 2016	Jan. 1, 2018	No	MAN is currently reviewing the resulting effects.
	Improvements to IFRSs 2016 [4]	Dec. 8, 2016	Jan. 1, 2017 or Jan. 1, 2018	No	No material effects

[1] Effective date from the MAN Group's perspective.
[2] On December 15, 2015, the IASB decided to postpone the effective date indefinitely.
[3] Postponed until January 1, 2018 (IASB decision of September 11, 2015).
[4] Minor amendments to a number of IFRSs (IFRS 12, IFRS 1, and IAS 28).

IFRS 9 — Financial Instruments

IFRS 9 “Financial Instruments” changes the accounting rules for the classification and measurement of financial assets, the impairment of financial assets, and for hedge accounting. The application of IFRS 9 is expected to affect the classification and measurement of the Group’s financial assets due to the introduction of new measurement categories. However, it is not expected to affect the classification and measurement of financial liabilities. The changed requirements for the impairment of financial instruments will tend to increase loss allowances from the application of the expected loss model as opposed to the incurred loss model applied to date. IFRS 9 also introduces additional designation options, more complex measurement methods, and simplified effectiveness tests for hedge accounting. In particular, reclassification will change under IFRS 9. The greater the exchange rate movements, the higher the offsetting effect of hedging transactions is on operating profit. This will continue to apply under IFRS 9 and so we do not expect operating profit from hedging accounting to change significantly as against current accounting. The MAN Group plans to apply the modified retrospective method on initial application of IFRS 9, under which the cumulative effects of the change are to be reported in the opening balance sheet for 2018. In addition, much more comprehensive disclosures will be required.

IFRS 15 — Revenue from Contracts with Customers

IFRS 15 updates the accounting rules for revenue recognition. The MAN Group expects the changed requirements in IFRS 15 to lead to minor changes in accounting for construction contracts. Further effects of IFRS 15 on the consolidated financial statements are currently being reviewed. The MAN Group plans to apply the modified retrospective transition method, under which the cumulative effects of the change are to be reported in the opening balance sheet for 2018. In addition, much more comprehensive disclosures will be required.

IFRS 16 — Leases

IFRS 16 changes the accounting requirements for leases. The main aim of IFRS 16 is to recognize all leases. Accordingly, lessees do not have to classify leases into financial and operating leases. Instead, they must recognize a right-of-use asset and a lease liability for all leases in their balance sheet in the future. The only exceptions are short-term and low-value asset leases. The right-of-use asset must be amortized over the lease term and the lease liability adjusted using the effective interest method, taking into account the lease payments. As a result, the new lessee accounting tends to increase noncurrent assets and noncurrent liabilities. It is expected to have a positive impact on operating profit and a negative impact on the financial result in the income statement. In addition, very comprehensive disclosures will be required. Lessor accounting largely corresponds to the current provisions of IAS 17. Lessors must continue to classify leases into finance and operating leases based on the risks and rewards of the asset in the future.

4 Accounting policies

The presentation of assets and liabilities in the balance sheet distinguishes between current and noncurrent items. Assets and liabilities are classified as current if they will be recovered or settled within twelve months after the reporting period or within a longer operating cycle. Deferred tax assets and liabilities, and assets and provisions related to defined benefit pension plans, are presented as noncurrent items. The consolidated income statement has been prepared using the cost of sales (function of expense) format.

In light of the domination and profit and loss transfer agreement entered into by Volkswagen Truck & Bus GmbH and MAN SE, the accompanying consolidated financial statements have been prepared following appropriation of net profit by Volkswagen Truck & Bus GmbH.

With the exception of certain items such as financial instruments that are measured at fair value, as well as provisions for pensions and other post-employment benefits, the consolidated financial statements have been prepared under the historical cost convention.

a) Revenue recognition

Revenue is recognized when the products or goods have been delivered and the risk has passed to the customer. It must be possible to measure the amount of revenue reliably, and collectability of the receivable must be probable. Discounts, customer rebates, and other sales allowances are deducted from revenue.

Revenue from services is recognized when the services have been rendered. In the case of long-term contracts for services, revenue is recognized on a straight-line basis over the term of the contract or, if services are not rendered on a straight-line basis, based on the stage of completion. Construction contracts are recognized using the percentage of completion (PoC) method. For more information on determining the stage of completion, please refer to note (4 i).

Income from sale transactions in which a Group company incurs a buyback obligation at a predetermined value is not immediately recognized in full as revenue. Instead, the difference between the selling price and the present value of the buyback price is recognized as revenue on a straight-line basis over the period until the return of the item sold, and the transaction is accounted for as an operating lease.

If the sale of products includes a certain amount for future services (multiple-element arrangements), the revenue attributable to these services is deferred and recognized in the income statement over the term of the agreement as the service is rendered.

b) Operating expenses and income

Operating expenses are recognized when the underlying products or services are utilized. Advertising expenses and other sales-related expenses are recognized when incurred. Cost of sales comprises the production cost of products sold and the purchase cost of merchandise sold. In addition to direct material and labor costs, production cost also includes production-related indirect costs, including depreciation of production facilities. Warranty provisions are recognized when the products are sold. Research expenditures are recognized as expenses when incurred. Interest and other borrowing costs are recognized as expenses in the period in which they arise, with the exception of borrowing costs that are capitalized as part of the cost of qualifying assets. An asset is a qualifying asset if it necessarily takes at least one year to get it ready for its intended use or sale.

Government grants for expenses incurred are recognized in other operating income for the period or in the item in which the expenses to be offset are also recognized.

c) Intangible assets

Separately purchased intangible assets are recognized at cost. Intangible assets acquired in the course of a business combination are measured at their fair value at the acquisition date.

Finite-lived intangible assets are amortized on a straight-line basis over their useful lives. The amortization period for software is mainly three to eight years. Licenses and similar rights are amortized over the contractual terms. Intangible assets whose useful life cannot be determined are not amortized, but are tested for impairment at least once a year. An impairment loss is recognized if the asset is found to be impaired.

Expenditures incurred to develop new products and series are capitalized if completion of the products or series is technically and economically feasible, they are intended for use or sale, the expenditures can be measured reliably, and adequate resources are available to complete the development project. Development expenditures that do not meet these criteria and all research expenditures are recognized immediately as expenses. Capitalized development costs are amortized from the date of market rollout.

They are amortized on a straight-line basis over a period of five to ten years. While a development project is still in progress, the accumulated capitalized amounts are tested for impairment at least once a year.

d) Property, plant, and equipment

Property, plant, and equipment is measured at cost less accumulated depreciation and any impairment losses. Investment grants are generally deducted from cost. The production cost of internally manufactured items of property, plant, and equipment comprises directly attributable production costs, proportionate production overheads, and borrowing costs attributable to the period of production. If items of property, plant, and equipment consist of significant identifiable components with different useful lives, such components are recognized and depreciated separately.

Maintenance and repair expenditures are recognized as expenses unless required to be capitalized.

Items of property, plant, and equipment are depreciated by the straight-line method over their estimated useful lives. The useful lives of items of property, plant, and equipment are reassessed at each reporting date and adjusted if necessary. Depreciation is mainly based on the following useful lives: buildings (10 to 50 years), leasehold improvements (5 to 33 years), production plant and machinery (3 to 33 years), and other equipment, operating and office equipment (3 to 25 years).

e) Investment property

Investment property consists of land and buildings held for rental and/or capital appreciation. Like items of property, plant, and equipment, it is measured at cost less accumulated depreciation and impairment losses and (except for land) depreciated by the straight-line method over its estimated useful life. The remaining useful lives of investment property are mainly between 5 and 25 years. The fair value of this investment property is disclosed in the notes. Fair value is estimated using internal calculations or appraisals prepared by external experts (based on recognized valuation techniques). These can be reused in subsequent years by adjusting the changing variables. This procedure involves determining the income value on the basis of the rental income, taking into account additional factors such as land value, remaining useful life, administrative and maintenance costs, and a multiplier specific to commercial property. For reasons of materiality, the disclosures on investment property are combined with the disclosures on property, plant, and equipment.

f) Assets leased out

The sale of products sold with a buyback obligation is reported under "Assets leased out" if MAN retains the opportunities and risks associated with the products. Leased items recognized as operating leases are measured at cost and written down to the residual value on a straight-line basis over the term of the lease or until they are bought back. Impairment losses identified as a result of impairment tests in accordance with IAS 36 are recognized and the depreciation rates are adjusted. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used vehicles.

g) Impairment losses

An impairment test is performed if there are indications that the carrying amounts of intangible assets, property, plant, and equipment, equity-method investments, other equity investments carried at cost, assets leased out, or other receivables may be impaired. Indefinite-lived intangible assets, intangible assets that are not yet ready for their intended use, and goodwill are tested for impairment at least once a year. In such cases, the asset's recoverable amount is first estimated to determine the amount of any impairment loss that may need to be recognized. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. The discount rate used is a current pre-tax market rate of interest.

If no recoverable amount can be measured for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets that generate cash flows (cash-generating unit) to which the asset belongs. For impairment testing purposes, goodwill is allocated to the smallest cash-generating unit to which the goodwill relates. If an asset's recoverable amount is less than its carrying amount, an impairment loss is recognized immediately in profit or loss.

h) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost comprises directly attributable production costs and proportionate fixed and variable production overheads. Overheads are mainly allocated on the basis of the normal capacity of the production facilities. Selling expenses, general and administrative expenses, and borrowing costs are not included in the cost of inventories. Raw materials and merchandise are measured at average purchase costs.

i) Construction contracts

Construction contracts are recognized using the percentage of completion (PoC) method, under which sales revenue and cost of sales are recognized by reference to the stage of completion at the end of the reporting period, based on the contract revenue agreed with the customer and the expected contract costs. As a rule, the stage of completion is determined as the proportion that contract costs incurred by the end of the reporting period bear to the estimated total contract costs (cost-to-cost method). In certain cases, in particular those involving innovative, complex contracts, the stage of completion is measured using contractually agreed milestones (milestone method). If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only in the amount of the contract costs incurred to date (zero profit method). In the balance sheet, contract components whose revenue is recognized using the percentage of completion method are reported as trade receivables, net of prepayments received.

Expected losses from construction contracts are recognized immediately in full as expenses by recognizing impairment losses on recognized contract assets, and additionally by recognizing provisions for amounts in excess of the impairment losses.

j) Nonderivative financial instruments

Financial instruments are contracts that give rise to a financial asset of one company and a financial liability or an equity instrument of another. Nonderivative financial instruments include in particular customer receivables, loans, financial investments, and cash and cash equivalents, as well as financial liabilities, trade payables, and liabilities from buyback obligations. Cash and cash equivalents include bank balances and highly liquid financial investments of a temporary nature that are exposed to no more than minor risks of fluctuation in value. Other financial assets and other financial liabilities also contain financial instruments that fall within the scope of IAS 39. Nonderivative financial instruments are accounted for at the settlement date in the case of regular way purchases or sales — that is, the date on which the asset is delivered.

IAS 39 classifies financial assets into the following categories:

- loans and receivables;
- available-for-sale financial assets;
- financial assets at fair value through profit or loss;
- held-to-maturity financial assets.

Financial liabilities are classified into the following categories:

- financial liabilities measured at amortized cost; and
- financial liabilities at fair value through profit or loss.

As a general principle, the MAN Group does not hold any financial assets in the “held-to-maturity financial assets” category. Equally, the MAN Group does not apply the fair value option.

Subsidiaries or associates and joint ventures that are not consolidated due to insignificance do not fall within the scope of IAS 39 and IFRS 7.

Nonderivative financial instruments are initially measured at fair value, which generally corresponds to the transaction price, i.e., the consideration given or received. Following initial recognition, nonderivative financial instruments are either measured at fair value or at amortized cost, depending on the category to which they are assigned.
The amortized cost of a financial asset or liability is the amount:

- at which a financial asset or liability is measured at initial recognition;
- minus any principal repayments;
- minus any writedown for impairment or uncollectability;
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity (premium, discount), amortized using the effective interest method over the term of the financial asset or liability.

Loans and receivables are generally carried at amortized cost. In the MAN Group, loans and receivables primarily include customer receivables, other financial assets, and cash and cash equivalents. The future cash flows associated with non- or low-interest- bearing receivables with a remaining term of more than twelve months are discounted using a market rate of interest.

Default risk on financial assets classified as loans and receivables is accounted for by recognizing specific valuation allowances and portfolio-based valuation allowances.

More specifically, significant individual receivables are tested for objective evidence of individual impairment. A potential impairment is assumed in the case of a number of situations such as delayed payment over a certain period, the institution of enforcement measures, the threat of insolvency or overindebtedness, application for or the opening of bankruptcy proceedings, or the failure of reorganization measures. If an individual impairment is determined, specific valuation allowances are recognized in accordance with Group-wide standards in the amount of the incurred loss.

Portfolio-based valuation allowances are recognized by grouping together insignificant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios. As long as no definite information is available as to which receivables are in default, average historical default probabilities for the portfolio concerned are used to calculate the amount of the valuation allowances.

Valuation allowances on receivables are generally recognized in separate allowance accounts. They are derecognized at the same time as the corresponding receivable for which the valuation allowance has been recognized.

Financial instruments that fall within the scope of IAS 39, that are not held to maturity or for speculative purposes, and that do not belong to any of the other categories described above are classified as available-for-sale financial assets. Available-for-sale financial assets are measured at fair value. The difference between cost and fair value is recognized in other comprehensive income and reported as accumulated other comprehensive income, net of deferred taxes.

Financial investments are also classified as available-for-sale financial assets. If there is no active market for these financial investments and fair values cannot be measured without undue effort, they are recognized at cost.

An impairment loss is recognized on available-for-sale financial assets if there is objective evidence of permanent impairment. For example, a significant (more than 20%) or prolonged (more than 10% of the average market price over a year) decline in the fair value of an equity instrument below its cost is considered evidence of impairment.

Financial liabilities other than derivatives are subsequently measured at amortized cost.

Financial assets and financial liabilities are generally reported at their gross amounts. They are only offset if the MAN Group has a currently enforceable right to set off the recognized amounts and intends to perform the settlement.

k) Derivatives

Derivatives are used in the MAN Group to hedge foreign currency, interest rate, and commodity price risks resulting mainly from ongoing business operations. Derivatives are recognized initially and at the end of each subsequent reporting period at fair value. They are generally recognized at the trade date.

In the case of derivatives with quoted market prices, fair value is the positive or negative market price. If no quoted market prices are available, fair value is estimated on the basis of the conditions obtaining at the end of the reporting period, such as interest rates or exchange rates, and using recognized valuation techniques, such as discounted cash flow models or option pricing models.

The recognition of gains and losses from fair value measurement depends on the classification of the derivative.

Derivatives that do not meet the IAS 39 hedge accounting criteria are measured at fair value through profit or loss.

A condition for the application of hedge accounting is that the hedging relationship between the hedged item and the hedging instrument is clearly documented and that the hedge is highly effective. If these criteria are met, MAN generally designates and documents the hedging relationship as from that date as a cash flow hedge. There were no fair value hedges.

A cash flow hedge is a hedge of the MAN Group's exposure to variability in the cash flows associated with recognized assets and liabilities, unrecognized firm commitments, and highly probable forecast transactions. In a cash flow hedge, the effective portion of the change in the fair value of the derivative is initially recognized in other comprehensive income and reported in accumulated other comprehensive income, net of deferred taxes. As soon as the hedged item affects profit or loss, the gains or losses recognized in other comprehensive income are reclassified as other operating income or expenses, respectively. The ineffective portion of the change in fair value is recognized immediately in profit or loss. If the hedging instrument expires, or is sold, terminated, or exercised or if the hedging relationship no longer exists, but the forecast transaction is still expected to occur, the unrealized gains or losses accumulated from the hedging instrument until that point remain in other comprehensive income and are recognized in profit or loss as described above when the hedged forecast transaction affects the income statement. If the originally hedged forecast transaction is no longer expected to occur, the unrealized cumulative gains or losses recognized in other comprehensive income until that point are also recognized in profit or loss..

l) Income taxes

Tax provisions contain obligations resulting from current taxes. Deferred taxes are presented in separate balance sheet and income statement items. Provisions are recognized for potential tax risks based on the best possible estimate. Recognized income tax items are based on the probable amount of the additional tax payments.

Deferred tax assets and liabilities are recognized for temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements, for consolidation adjustments recognized in profit or loss, for tax credits, and for tax loss carryforwards. Deferred taxes are measured using the tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are only recognized to the extent that taxable income will probably be available to use deductible temporary differences. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances. As a rule, deferred tax assets for tax loss carryforwards are measured based on future taxable income over a planning horizon of five fiscal years.

Deferred tax assets and deferred tax liabilities are offset where taxes are levied by the same taxation authority and relate to the same tax period.

Changes in deferred taxes in the balance sheet generally result in deferred tax income or expense. If the change in deferred taxes results from items recognized in other comprehensive income, the change in deferred taxes is also recognized in other comprehensive income.

m) Pensions and other post-employment benefits

Pension obligations from defined benefit plans are determined using the projected unit credit method, under which the future defined benefit obligation is measured on the basis of the proportionate benefit entitlements earned by the end of the reporting period and discounted to its present value. Measurement reflects assumptions about the future development of certain parameters that affect the level of future benefits.

Pension provisions are reduced by the fair value of plan assets used to cover benefit obligations. If plan assets exceed the defined benefit obligation, the excess is only recognized as an asset to the extent that it results in a refund from the plan or the reduction of future contributions.

The current service cost, which represents the entitlements acquired by active employees in the fiscal year in accordance with the benefit plan, is reported in the functional expenses in the income statement. Net interest income or expense results from multiplying the net defined benefit asset or liability by the discount rate and is reported in finance costs.

Remeasurements of the net defined benefit asset or liability comprise actuarial gains and losses resulting from differences between the actuarial assumptions made and what has actually occurred, or changes in actuarial assumptions, as well as the return on plan assets, excluding amounts included in net interest income or expense. Remeasurements are recognized in other comprehensive income, net of deferred taxes.

Payments for defined contribution plans are recognized in the functional expenses in the income statement.

n) Other provisions

Other provisions are recognized for all identifiable risks and uncertain obligations that arise from past events, whose settlement is expected to result in an outflow of resources embodying economic benefits, and where the amount of the obligation can be estimated reliably. They are measured in the amount that represents the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the provision is recognized at its present value. Discounting uses market rates of interest. If some or all of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset if it is virtually certain that it will be received.

The carrying amounts of provisions are regularly reviewed and adjusted to reflect new knowledge or changes in circumstances. If a new estimate results in a reduction in the amount of the obligation, the provision is reversed in the corresponding amount and the income recognized in other operating income.

Provisions for warranties are recognized at the time of sale of the products in question or when the corresponding services are rendered. These provisions are measured primarily on the basis of past experience. Individual provisions are also recognized for known claims. Provisions for restructurings are recognized if there is a detailed formal plan for the restructuring that has been notified to those affected by it. Provisions for unbilled costs and for other obligations relating to operating activities are measured on the basis of the goods and services still to be provided, usually in the amount of the expected production cost still to be incurred. Provisions for expected losses from onerous contracts are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

o) Noncurrent assets held for sale and discontinued operations

These include both individual noncurrent assets and groups of assets, together with liabilities directly associated with those assets (disposal groups), if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Noncurrent assets classified as held for sale, either individually or as part of a disposal group, are presented separately within current assets in the balance sheet. They are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated or amortized. If there is any subsequent increase in fair value less costs to sell, a remeasurement gain is recognized. The remeasurement gain may not exceed the cumulative impairment losses already recognized for that asset.

A discontinued operation is a component of an entity that represents a major line of business of the MAN Group and that is classified as held for sale or has been disposed of. The assets and liabilities of a discontinued operation are classified as held for sale in the balance sheet until the disposal is completed, and are measured at the lower of their carrying amount and fair value less costs to sell. Gains or losses recognized on measurement at fair value less costs to sell, gains or losses on the disposal, and the post-tax profit or loss of the discontinued operation are presented separately in the income statement as "Income/loss from discontinued operations, net of tax." Prior-period amounts in the income statement are adjusted accordingly.

p) Prior-period information

To enhance comparability, certain amounts relating to the previous fiscal year have been adjusted to conform to the current presentation.

q) Estimates and management's judgment

Preparation of the consolidated financial statements requires management to make estimates and exercise a degree of judgment in certain matters. The estimates applied were made on the basis of historical data and other relevant factors, including the assumption of the Group as a going concern. All estimates and assumptions represent the best of management's knowledge and belief in order to convey a true and fair view of the Group's net assets, financial position, and results of operations. Although estimation uncertainties are adequately reflected in the carrying amounts of assets and liabilities, future events may differ from these estimates and may materially affect the Group's net assets, financial position, and results of operations. Estimates and assumptions are continuously reviewed.

The estimates and assessments by management were based primarily on assumptions about general economic developments, trends in the relevant markets, and prevailing legal conditions. These and other assumptions are outlined in detail in the Report on Expected Developments, which is part of the Combined Management Report.

The accounting estimates applied to the following matters at the end of the reporting period are of particular significance:

The goodwill impairment tests to be performed at least once a year require an estimation of future cash flows and their discounting, among other factors. Such cash flows are based on forecasts contained in financial plans approved by management, see note (15). Other material assumptions relate to the weighted average cost of capital and to tax rates. Equally, if intangible assets, items of property, plant, and equipment, equity-method investments, other equity investments carried at cost, assets leased out, or other receivables are tested for impairment, the measurement of the recoverable amount of the assets entails estimates by management.

Estimates of the useful life of finite-lived assets are based on past experience. If a review of the useful life results in a change in the estimate, the residual useful life is adjusted and an impairment loss is recognized, if necessary. Measurement of assets leased out additionally depends on the residual value of vehicles leased out after expiration of the lease term. Depending on the extent to which buy-back rights are exercised and on the development of resale prices, the actual expenses incurred may differ from the expected risks.

Certain Group companies, especially within the MAN Diesel & Turbo division, account for some of their construction contracts using the percentage of completion method, under which revenue is recognized by reference to the stage of completion. Application of this method depends critically on a careful analysis of the stage of completion. Depending on the methodology applied to measure the stage of completion, the key estimation parameters include contract revenue, total contract costs, costs to complete the contract, contract risks, and other estimates. Management at the operating units continuously reviews the estimates relating to such construction contracts and adjusts them if required.

Estimating the recoverability of financial assets requires estimates about the extent and probability of occurrence of future events. As far as possible, estimates are derived from past experience. In addition, considerable forecasts and estimates are used to determine the carrying amounts of financial investments recognized at fair value for which there are no quoted market prices.

Pensions and other post-employment benefits are measured using actuarial techniques. Such measurements are based primarily on assumptions relating to discount rates, pay and pension trends, and mortality. These actuarial assumptions may differ considerably from actual developments because of variations in the market and economic environment, leading to material changes in pensions and other post-employment benefits.

Because the Group operates in many countries, it is subject to a variety of tax laws in a large number of jurisdictions. The expected current income taxes and the deferred tax assets and liabilities must be determined for each tax entity. Among other things, this requires assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income, depending on the tax type and tax jurisdiction involved. Any variance between these assumptions and the actual outcome of such tax uncertainties may affect tax expense and deferred taxes. Uncertain recognized income tax items are based on a best estimate of the probable tax payment.

Depending on the underlying transaction, the measurement of other provisions and similar obligations may be complex and associated with a considerable degree of estimation uncertainty. Management's assumptions about the timing and amount of settlement are based on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates, possible recoverable amounts, and other factors. Potential liabilities from projects in the Power Engineering business area must to a large extent be estimated. Such estimates may change in line with new information and increasing project progress. The measurement of restructuring provisions is based on estimates and assumptions regarding the amount of severance payments, the effects of onerous contracts, the timeline for the implementation of measures, and consequently, the timing of the expected payments. The measurement assumptions are regularly reviewed as the restructuring program progresses. At the same time, litigation and other legal proceedings raise complex legal issues and entail numerous difficulties and uncertainties.

A provision is recognized for these if it is probable that an obligation has arisen in connection with these proceedings that is likely to lead to a future outflow of resources and its amount can be estimated reliably. Assessing whether a present obligation exists at the reporting date as a result of a past event, whether a future outflow of resources is probable, and whether the obligation can be estimated reliably requires a substantial degree of judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions may lead to a different assessment at a future date. Additional expenses that could have a material effect on MAN's net assets, financial position, and results of operations therefore cannot be entirely ruled out.

5 Discontinued operations

There were no income or expenses from discontinued operations in fiscal year 2016.

The loss from discontinued operations in fiscal year 2015 amounted to €10 million. It is attributable to the reassessment of potential liabilities from the sale of a business in 2006.

The net profit/loss from discontinued operations is as follows:

€ million	2016	2015
Income and expenses	–	–10
Income taxes	–	–
	–	**–10**

The consolidated income statements for the period January 1, 2015, to December 31, 2015, do not contain any other results from these transactions. For the reporting period January 1, 2015, to December 31, 2015, net cash flows from operating activities contain cash flows from discontinued operations amounting to €59 million.

Income statement disclosures

6 Sales revenue

The Group's sales revenue by business area is broken down as follows:

Group sales revenue

€ million	2016	2015
Commercial Vehicles	10,002	9,954
Power Engineering	3,593	3,775
Others	–32	–28
	13,564	**13,702**

The sales revenue of the Commercial Vehicles business area primarily contains revenue from the sale of trucks, heavy special-purpose vehicles, and city and intercity buses and coaches, and from the provision of services offered by MAN Truck & Bus and MAN Latin America.

The Power Engineering business area generates revenue mainly from the sale of marine diesel and stationary engines, turbomachinery, gear units, and testing systems, and from the provision of product-related services. This includes revenue from construction contracts of €1,048 million (previous year: €1,190 million).

7 Other operating income

€ million	2016	2015
Income from reversal of provisions and accruals	236	153
Income from foreign exchange gains	155	188
Income from foreign currency hedging derivatives	69	29
Income from cost allocations	28	26
Gains on disposal of noncurrent assets	17	11
Income from reversal of valuation allowances on receivables and other assets	13	22
Rental and lease income	9	8
Miscellaneous other income	66	76
	592	**513**

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate. Foreign exchange losses from these items are included in other operating expenses.

Income from foreign currency hedging derivatives is attributable to the realization of effective cash flow hedges, with offsetting effects from the hedged items in sales revenue and cost of sales.

Miscellaneous other income includes government grants of €12 million (previous year: €15 million) for expenses incurred.

8 Other operating expenses

€ million	2016	2015
Foreign exchange losses	161	184
Valuation allowances on receivables and other assets	42	71
Losses from foreign currency hedging derivatives	26	90
Losses on disposal of noncurrent assets	13	3
Miscellaneous other expenses	355	344
	597	**692**

Other operating expenses comprise those expenses that are not allocated to the function expenses, and in particular to cost of sales.

Losses from foreign currency hedging derivatives are attributable to the realization of effective cash flow hedges, with offsetting effects from the hedged items in sales revenue and cost of sales.

Other operating expenses were impacted in the fiscal year by restructuring expenses of €155 million at MAN Diesel & Turbo and €58 million at MAN Latin America, which are mainly reported under miscellaneous other expenses. The prior-year figure contained expenses of €185 million for restructuring measures at MAN Truck & Bus.

9 Finance costs

€ million	2016	2015
Interest and similar expenses	163	139
Realized expenses from currency translation	11	18
Net interest on the net liability for pensions and other post-employment benefits	11	15
Unwinding of discount and effect of change in discount rate on liabilities and other provisions	18	17
Finance costs	**203**	**189**

The finance costs primarily contain interest expenses for financial liabilities and the interest cost from unwinding discounts on liabilities and provisions. The realized expenses from currency translation that were reported in the "Interest and similar expenses" item in previous years are presented separately in fiscal year 2016. The exchange rate effects reported here result from net liquidity positions. The prior-year figures were reclassified accordingly.

10 Other financial result

€ million	2016	2015
Cost of loss absorption	–	–1
Other income from equity investments	5	142
Other expenses from equity investments	–2	0
Other interest and similar income	41	81
Gains/losses from remeasurement and impairment of financial instruments	70	–99
Gains/losses from changes in the fair value of derivatives not included in hedge accounting	–84	59
	29	**182**

In the previous year, other income from equity investments mainly comprised dividend income of €138 million from the investment in Scania AB, Södertälje, Sweden (Scania). There was no dividend for the year under review.

Both the change in gains and losses from remeasurement and impairment of financial instruments and the gains and losses from changes in the fair value of derivatives not included in hedge accounting are attributable primarily to exchange rate movements. The amounts for the 2016 reporting period are affected by the performance of the Brazilian real.

11 Income taxes

The reported tax expense is broken down as follows:

€ million	2016	2015
Current tax expense (+)/income (–), Germany	96	–77
Current tax expense, other countries	112	14
Current tax expense (+)/income (–)	**208**	**–63**
of which prior-period expense (+)/income (–)	33	–141
Current income taxes	**208**	**–63**
Deferred tax income, Germany	–89	–17
Deferred tax income (–)/expense (+), other countries	–63	16
Deferred tax income	**–152**	**–1**
Income taxes	**55**	**–64**

The tax expense expected for fiscal 2016 is based on the application of the German tax rate applicable for the 2016 assessment period of 29.9% (previous year: 29.8%) to earnings before tax. This tax rate includes municipal trade tax (14.02%), corporate income tax (15.0%), and the solidarity surcharge (5.5% of the corporate income tax liability). The Group tax rate results from the profit and loss transfer agreement effective since January 1, 2014, with Volkswagen Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG. The measurement of deferred taxes in the German consolidated tax group is based on a tax rate of 29.9% (previous year: 29.8%). The income tax rates applied for foreign companies vary between 0 and 40.0%. As in the previous year, tax rate changes outside Germany did not materially affect the total tax expense in fiscal 2016. The realization of tax loss carryforwards from previous years reduced current income taxes in fiscal 2016 by €7 million (previous year: €11 million).

No deferred tax assets in respect of loss carryforwards for corporate income tax and municipal trade tax are currently recognized for German companies (previous year: €0 million). Companies outside Germany have recognized deferred tax assets of €97 million (previous year: €70 million) for their local taxes. A deferred tax asset of €56 million (previous year: €30 million) was recognized for companies that recorded a tax loss in the previous year or in the reporting period because this tax asset is expected to be recoverable on the basis of the tax planning. No deferred tax assets were recognized or written down as of December 31, 2016, for existing tax loss carryforwards of €760 million (previous year: €560 million) and temporary differences of €4 million (previous year: €27 million) due to the low probability of such deferred tax assets being recoverable. Tax loss carryforwards of €24 million (previous year: €63 million) for which no deferred tax assets have been recognized can only be carried forward for a limited period. The related expiration dates are between 2017 and 2027. The deferred tax expense from the decrease of a deferred tax asset is €7 million (previous year: €27 million). The deferred tax income from the reversal of a write-down of a deferred tax asset is €21 million (previous year: €5 million).

There are temporary differences in connection with shares in subsidiaries for which no deferred taxes of €39 million (previous year: €28 million) were recognized.

Reconciliation of expected to effective income tax:

€ million	2016	2015
Profit before tax	49	95
Expected income tax expense (tax rate: 29.9%; previous year: 29.8%)	**15**	**28**
Reconciliation:		
Effect of different tax rates outside Germany	–40	–13
Proportion of taxation relating to:		
Tax-exempt income	–16	–55
Expenses not deductible for tax purposes	17	13
Effects of loss carryforwards and tax credits	33	100
Prior-period tax expense/income	33	–141
Effect of tax rate changes	5	0
Nondeductible withholding tax	4	10
Other tax changes	5	–6
Effective income tax expense (+)/income (–)	**55**	**–64**
Effective tax rate in %	113.6	–67.5

Deferred tax assets and liabilities are attributable to the following balance sheet items:

	Deferred tax assets		Deferred tax liabilities	
€ million	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Intangible assets	1	4	503	416
Property, plant, and equipment, and assets leased out	27	26	741	700
Noncurrent financial assets	1	1	24	22
Inventories	63	41	21	27
Receivables and other assets	26	18	81	82
Pensions and other post-employment benefits	247	206	1	1
Liabilities and other provisions	1,161	1,031	15	73
Valuation allowances on deferred tax assets from temporary differences	–1	–10	–	–
Temporary differences, net of valuation allowances	1,526	1,315	1,385	1,320
Tax loss carryforwards, net of valuation allowances	97	70	–	–
Tax credits, net of valuation allowances	14	12	–	–
Figure before consolidation and offsetting	**1,637**	**1,398**	**1,385**	**1,320**
of which noncurrent	1,115	1,013	1,275	1,154
Offset	–1,263	–1,101	–1,263	–1,101
Consolidation	167	92	21	–38
Amount recognized in balance sheet	**541**	**389**	**143**	**181**

12 Earnings per share

€ million (unless otherwise stated)	2016	2015
Profit/loss after tax attributable to shareholders of MAN SE	–18	140
of which: income/loss from discontinued operations, net of tax	–	–10
Profit/loss from continuing operations attributable to shareholders of MAN SE	**–18**	**150**
Number of shares outstanding (weighted average, million)	147.0	147.0
Earnings per share from continuing operations in €	**–0.12**	**1.02**

Earnings per share are calculated by dividing consolidated profit/loss from continuing operations by the average number of shares outstanding in the year. The number of shares outstanding includes both common and preferred shares because both share classes carry the same dividend rights in 2016, as in the previous year.

Earnings per share from discontinued operations were €0.00 (previous year: €–0.07).

13 Other income statement disclosures

Personnel expenses

€ million	2016	2015
Wages and salaries	3,140	3,100
Social security contributions, retirement and other employee benefit expenses	606	660
	3,746	**3,760**

Average annual headcount

	2016	2015
Performance-related wage-earners	25,622	25,516
Salaried staff	25,546	26,819
	51,168	**52,335**
of which in the passive phase of partial retirement	672	612
Vocational trainees	2,967	2,932
	54,135	**55,267**

Expenses of €167 million (previous year: €148 million) were recognized in the reporting period for minimum lease payments on assets leased through operating leases. These relate to lease expenses for buildings, among other things. Expenses of €50 million (previous year: €44 million) for contingent lease payments were also incurred. Payments for subleases amounted to €2 million (previous year: €3 million).

14 Total remuneration of the auditors

The following table shows the fees charged for the work performed by the auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich (PwC), as well as by companies in the international PwC network:

€ million	2016	2015
Audits	3.3	3.5
Other assurance and valuation services	1.0	0.9
Tax advisory services	0.5	0.6
Other services	1.1	0.4
	5.9	**5.4**

The fees charged for work performed by the auditor, PwC, and its affiliated German companies totaled €3.5 million in fiscal 2016 (previous year: €2.9 million). €1.6 million of this amount relates to audits (previous year: €1.7 million), €0.8 million to other assurance and valuation services (previous year: €0.7 million), and €1.0 million to other services (previous year: €0.4 million). No tax advisory services were performed by the auditor PwC or its affiliated companies in Germany in 2016 (previous year: €0.1 million).

Balance sheet disclosures

15 Intangible assets

€ million	Licenses, software, similar rights, customer relationships, brands, and other assets	Capitalized development costs	Goodwill	Intangible assets
Gross carrying amount at January 1, 2015	870	1,556	863	3,290
Accumulated depreciation and impairment losses	–514	–679	–77	–1,270
Balance at January 1, 2015	**357**	**877**	**786**	**2,020**
Additions	13	246	–	259
Transfers	3	–	–	3
Disposals	0	0	–	–1
Amortization	–47	–88	–	–135
Impairment losses	–2	–37	–	–38
Currency translation differences	–65	–51	–82	–198
Balance at December 31, 2015	**258**	**948**	**704**	**1,909**
Gross carrying amount at December 31, 2015	731	1,737	782	3,249
Accumulated amortization and impairment losses	–473	–789	–78	–1,340
Balance at January 1, 2016	**258**	**948**	**704**	**1,909**
Additions	20	276	–	295
Transfers	4	–	–	4
Disposals	–1	–2	–	–3
Amortization	–41	–99	–	–141
Impairment losses	–1	–1	–	–2
Currency translation differences	46	45	76	167
Balance at December 31, 2016	**284**	**1,165**	**779**	**2,229**
Gross carrying amount at December 31, 2016	861	2,060	857	3,779
Accumulated amortization and impairment losses	–577	–895	–78	–1,550

Purchased licenses, software, similar rights and assets, and capitalized development costs are finite-lived assets. Amortization and impairment losses are included in the functional expenses, in particular cost of sales and selling expenses. The impairment losses on capitalized development costs recognized in the previous year were due to the knowledge gained from project changes and the assessment of the market environment.

Research and development costs

€ million	2016	2015
Research and noncapitalized development costs	605	545
Amortization of and impairment losses on capitalized development costs	101	125
Research and development costs recognized in the income statement	**706**	**670**

Capitalized development costs for in-process development projects that are not subject to amortization amounted to €773 million as of December 31, 2016 (previous year: €573 million).

Analysis of goodwill

€ million	12/31/2016	12/31/2015
MAN Truck & Bus	243	242
MAN Latin America	444	370
MAN Diesel & Turbo	92	92
	779	**704**

Goodwill is allocated to the divisions as shown above.

Goodwill is tested for impairment at least once a year by comparing the carrying amounts of the units to which goodwill is allocated with their value in use. Value in use is determined using the discounted cash flow method. Impairment testing is based on the current five-year planning for the division concerned.

The principal planning assumptions are expected market trends in relation to MAN's development, changes in significant production and other costs, developments in the after-sales business, and the discount rate. Assumptions are based on general market forecasts, current developments, and past experience. The long-term growth rates reflect business- and country-specific circumstances. The long-term growth rate used in fiscal 2016 is a maximum of 1% (previous year: 1%).

Cash flows are forecasted individually on the basis of sales revenue and cost projections for each division to which goodwill is allocated. The pretax cost of capital (WACC) rates shown in the table below are used when measuring value in use for goodwill impairment testing. For MAN Latin America, the WACC is adjusted for country-specific risks to reflect the risk exposure.

WACC	2016	2015
MAN Truck & Bus	6.5%	7.7%
MAN Latin America	10.9%	10.4%
MAN Diesel & Turbo	7.7%	9.2%

Goodwill is impaired if the division's value in use is less than its carrying amount. No impairment of recognized goodwill was identified for fiscal 2016 and 2015. The value of the recognized goodwill is not impaired even if the growth forecast for the perpetuity or the discount rate varies by –/+ 0.5 percentage points.

16 Property, plant, and equipment

€ million	Land and buildings	Production plant and machinery	Other plant, operating, and office equipment	Prepayments and construction in progress	Investment property	Property, plant, and equipment
Gross carrying amount at January 1, 2015	1,893	1,991	1,611	213	101	5,809
Accumulated depreciation and impairment losses	–954	–1,368	–1,179	–6	–84	–3,591
Balance at January 1, 2015	**939**	**622**	**432**	**208**	**17**	**2,217**
Changes in consolidated Group structure/acquisitions	0	3	0	–	–	3
Additions	51	72	110	196	–	430
Transfers	35	84	12	–134	0	–3
Disposals	–5	–2	–4	–1	1	–11
Reversals of impairment losses	–	–	–	1	–	1
Depreciation	–56	–125	–132	–	–1	–314
Impairment losses	–5	–3	0	0	–	–9
Currency translation differences	–10	–2	–13	–4	–	–29
Balance at December 31, 2015	**949**	**649**	**405**	**266**	**17**	**2,286**
Gross carrying amount at December 31, 2015	1,942	2,175	1,595	269	97	6,078
Accumulated depreciation and impairment losses	–992	–1,527	–1,190	–3	–80	–3,792
Balance at January 1, 2016	**949**	**649**	**405**	**266**	**17**	**2,286**
Changes in consolidated Group structure/acquisitions	0	2	0	–	–	2
Additions	43	105	116	295	–	559
Transfers	32	73	22	–131	–2	–6
Disposals	–2	–10	–8	–4	0	–24
Depreciation	–53	–123	–129	–	–1	–306
Impairment losses	–	–1	–	–1	–	–1
Currency translation differences	8	3	10	14	–	35
Balance at December 31, 2016	**978**	**698**	**415**	**440**	**14**	**2,545**
Gross carrying amount at December 31, 2016	2,018	2,290	1,654	444	83	6,488
Accumulated depreciation and impairment losses	–1,040	–1,592	–1,238	–4	–69	–3,943

Depreciation and impairment losses on items of property, plant, and equipment are included in the functional expenses, in particular cost of sales.

The carrying amount of investment property amounted to €14 million as of December 31, 2016 (previous year: €17 million), compared with a fair value of €56 million (previous year: €52 million). As a general rule, fair value is calculated using an income capitalization approach based on internal calculations (Level 3 in the fair value hierarchy).

17 Equity-method investments

Associates

The most significant equity-method investment as of December 31, 2016, is the Sinotruk (Hong Kong) Ltd., Hong Kong/China, associate (Sinotruk).

Sinotruk

Since 2009, MAN SE's Commercial Vehicles business area has held a strategic interest of 25% plus one share in Sinotruk, one of China's largest truck manufacturers. The investment enables MAN to operate in the local market. In addition to the cooperation with Sinotruk in the high-volume segment, the small but growing premium truck market is being expanded through the export of MAN vehicles to China.

The quoted market value of MAN's equity interest in Sinotruk amounted to €466 million as of December 31, 2016 (previous year: €251 million). As in the previous year, no impairment of the investment in Sinotruk was identified.

Summarized financial information for Sinotruk (on a 100% basis and thus not adjusted for the equity interest held by MAN) is presented in the following tables:

Balance sheet

€ million	2016 [1]	2015 [2]
Noncurrent assets	2,075	2,299
Current assets	4,034	4,472
Total assets	**6,108**	**6,771**
Noncurrent liabilities and provisions	123	484
Current liabilities and provisions	3,029	3,204
Total liabilities and provisions	**3,152**	**3,688**
Net assets	**2,956**	**3,083**

[1] Fiscal 2016: Amounts shown relate to the reporting period ended June 30, 2016.
[2] Fiscal 2015: Amounts shown relate to the reporting period ended June 30, 2015.

Statement of comprehensive income

€ million	2016 [1]	2015 [2]
Sales revenue	4,116	4,079
Profit after tax from continuing operations	46	64
Other comprehensive income/loss	11	–2
Total comprehensive income	**57**	**62**
Dividends received	2	5

[1] Fiscal 2016: Amounts shown relate to the reporting period from July 1, 2015, to June 30, 2016.
[2] Fiscal 2015: Amounts shown relate to the reporting period from July 1, 2014, to June 30, 2015.

The following table shows the reconciliation of the financial information to the equity-method carrying amount of the investment in Sinotruk:

€ million	2016	2015
Net assets	2,956	3,083
Noncontrolling interests	317	299
Net assets attributable to shareholders	2,639	2,784
Interest held by MAN in % [1]	25	25
Net assets attributable to the MAN Group	**660**	**696**
Impairment losses	–190	–190
Goodwill, effect of purchase price allocation, currency translation differences, and other changes	–36	–82
Carrying amount at December 31	**434**	**424**

[1] 25% plus one share.

Other associates

The carrying amounts of other associates amounted to €29 million as of December 31, 2016 (December 31, 2015: €25 million). The following table contains summarized financial information on the other associates; the disclosures relate in all cases to the Group's share of the investees:

€ million	2016 [1]	2015 [2]
Profit/loss after tax from continuing operations	7	–11
Other comprehensive loss	–3	–1
Total comprehensive income/loss	**4**	**–12**

[1] Fiscal 2016: Amounts shown relate to the reporting period from October 1, 2015, to September 30, 2016.
[2] Fiscal 2015: Amounts shown relate to the reporting period from October 1, 2014, to September 30, 2015.

The 49% interest in the Rheinmetall MAN Military Vehicles GmbH, Munich, (RMMV) associate is also accounted for using the equity method and presented in the MAN Truck & Bus segment. The equity method is applied with a three-month delay. The accumulated unrecognized losses of RMMV are €5 million (previous year: €3 million).

There are no contingent liabilities to associates.

18 Other equity investments

Other equity investments include shares in unconsolidated subsidiaries, associates and joint ventures not accounted for using the equity method due to insignificance, and financial investments.

MAN reports shares of Scania as a material other equity investment. This is classified as an available-for-sale financial asset.

19 Assets leased out

€ million	2016	2015
Gross carrying amount at January 1	4,346	3,987
Accumulated depreciation	–1,397	–1,309
Balance at January 1	**2,949**	**2,677**
Additions	1,360	1,279
Disposals	–481	–453
Depreciation	–562	–550
Currency translation differences and other changes	–27	–5
Balance at December 31	**3,239**	**2,949**
Gross carrying amount at December 31	4,688	4,346
Accumulated depreciation	–1,449	–1,397

Assets leased out mainly relate to commercial vehicles that were sold and paid for with buyback obligations or options.

20 Inventories

€ million	12/31/2016	12/31/2015
Raw materials, consumables, and supplies	456	439
Work in progress	923	930
Finished goods and purchased merchandise	1,760	1,593
Prepayments	106	96
	3,246	**3,058**

Inventories in the amount of €6,365 million (previous year: €6,477 million) were recognized under cost of sales at the same time as the sales revenue. The impairment loss amounted to €43 million (previous year: €69 million). The reduction in expenses from the reversal of impairment losses recognized on inventories amounted to €19 million (previous year: €90 million).

21 Trade receivables

€ million	12/31/2016	12/31/2015
Customer receivables	1,986	1,877
Receivables from investees	52	47
	2,038	**1,924**

€13 million of the trade receivables (previous year: €14 million) is due in more than one year.

Trade receivables include PoC receivables recognized using the percentage of completion method, which are calculated as follows:

€ million	12/31/2016	12/31/2015
Contract costs and proportionate contract profit/loss of construction contracts	813	1 146
Exchange rate effects	2	– 4
PoC receivables, gross	**815**	**1 142**
Prepayments received	– 622	– 939
PoC receivables	**193**	**203**

Other prepayments of €222 million (previous year: €350 million) received on construction contracts are recognized as liabilities.

Revenue from construction contracts amounted to €1,048 million (previous year: €1,190 million). Orders and part-orders billed to customers are reported in customer receivables.

22 Other financial assets

€ million	12/31/2016	12/31/2015
Positive fair value of derivatives	62	96
Positive fair value of derivatives	329	431
Receivables from the profit and loss transfer agreement and tax allocation procedure with Volkswagen Truck & Bus GmbH	67	–
Other financial assets	69	221
	527	**749**

Other financial assets are reported as follows:

€ million	12/31/2016	12/31/2015
Other noncurrent financial assets	327	346
Other current financial assets	200	402

Derivatives are measured at fair value. They are mainly used to hedge currency risks in customer orders and other foreign currency positions.

Receivables from loans include €325 million (previous year: €426 million) from MAN Group and Volkswagen Group companies.

23 Other receivables

€ million	12/31/2016	12/31/2015
Recoverable income taxes	582	558
Miscellaneous receivables	239	165
	821	**723**

Other receivables are reported in the following balance sheet items:

€ million	12/31/2016	12/31/2015
Other noncurrent receivables	533	114
Other current receivables	289	609

24 Equity

a) Share capital, rights to implement capitalization measures

MAN SE's share capital is unchanged at €376,422,400. It is composed of 147,040,000 no-par value bearer shares with a notional value of €2.56 each. In accordance with Article 4(1) of the Articles of Association, the no-par value shares are divided into 140,974,350 common shares and 6,065,650 nonvoting preferred shares. All shares are fully paid up. Under Article 4(2) sentence 2 of the Articles of Association, shareholders may not claim delivery of physical share certificates.

All shares have the same dividend rights; however, a cumulative preferred dividend of €0.11 per preferred share is payable in advance from net retained profit to holders of preferred shares, as well as a further €0.11 per common share as a subordinate right to holders of common shares. If there is insufficient net retained profit to pay the preferred dividend, the shortfall is payable in arrears, without interest, from the net retained profit of the subsequent fiscal years before the distribution of a dividend to the holders of common shares.

In accordance with the domination and profit and loss transfer agreement entered into between Volkswagen Truck & Bus GmbH and MAN SE on April 26, 2013, which came into effect on its entry in the commercial register on July 16, 2013, common and preferred shareholders will be paid a compensatory or guaranteed dividend within the meaning of section 304 of the *Aktiengesetz* (AktG — German Stock Corporation Act).

The common shares are voting shares, while preferred shares do not generally carry voting rights.

Under section 140(2) of the AktG, this does not apply if the preferred dividend is to be made good — as is the case in section 139(1) sentence 3 of the AktG due to the absence of a provision in the Articles of Association of MAN SE — and the preferred dividend is not paid in a given year, or is not paid in full, and is not made good in the following year in addition to the full preferred dividend for that year. In such cases, shareholders have voting rights until the shortfalls are made good, and the preferred shares must be included in the calculation of any capital majority required by law or by the Articles of Association. In light of the domination and profit and loss transfer agreement between Volkswagen Truck & Bus GmbH and MAN SE, section 140(2) of the AktG also applies in the event that the compensation within the meaning of section 304 of the AktG, i.e., the compensatory or guaranteed dividend, is not actually paid. Preferred shareholders also have voting rights in accordance with section 60 of the *SE-Verordnung* (SE-VO — German SE Regulation), under which a consenting resolution by the preferred shareholders is required if the Annual General Meeting adopts a resolution that affects the specific rights of preferred shareholders, i.e., a resolution to revoke or limit the preferred dividend or to issue preferred stock that would rank prior to or equal with the existing nonvoting preferred shares in the distribution of profit or the net assets of the Company.

The same rights and obligations attach to all shares in all other respects.

b) Significant shareholdings in MAN SE

Volkswagen Truck & Bus GmbH notified MAN SE on April 18, 2013, in accordance with section 21(1) sentence 1 of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) that the share of voting rights held by Volkswagen Truck & Bus GmbH had exceeded the limit of 75% on April 16, 2013, and amounted to 75.03% at that time. Volkswagen AG notified MAN SE on June 6, 2012, in accordance with section 21(1) sentence 1 of the WpHG, that the share of voting rights held by Volkswagen AG had exceeded the limit of 75% on June 6, 2012, and amounted to 75.03% at that time. Volkswagen AG contributed the relevant shares to Volkswagen Truck & Bus GmbH on April 16, 2013. The relevant shares are now attributable to Volkswagen AG via Volkswagen Truck & Bus GmbH. In addition, Porsche Automobil Holding SE and its controlling shareholders notified MAN SE in accordance with section 21(1) of the WpHG that Volkswagen AG's interest — now Volkswagen Truck & Bus GmbH's interest — is also attributable to Porsche Automobil Holding SE and its controlling shareholders.

MAN SE has not been notified of, nor is it aware of, further existing direct or indirect interests in the capital of MAN SE that exceed 10% of the voting rights or the relevant thresholds of the WpHG.

c) Reserves

MAN SE's capital reserves consist of premiums paid for capital increases and the conversion of preferred shares into common shares. The MAN Group's retained earnings contain the retained earnings of MAN SE amounting to €954 million (previous year: €954 million). They also contain the retained profits and accumulated losses of subsidiaries and differences arising between carrying amounts in the consolidated financial statements and carrying amounts in the local GAAP financial statements.

The net loss for the fiscal year before loss absorption amounting to €99 million (previous year: net income of €513 million) was absorbed by Volkswagen Truck & Bus GmbH in accordance with the domination and profit and loss transfer agreement entered into in fiscal 2013.

As a result of the domination and profit and loss transfer agreement, MAN SE does not distribute dividends and has not done so since fiscal year 2014. Volkswagen Truck & Bus GmbH will make the contractually defined cash compensation payment (€3.07) to each MAN free float shareholder.

d) Other comprehensive income

€ million	12/31/2016	12/31/2015
Currency translation differences	–228	–390
Fair value measurement of marketable securities and financial investments	1,644	1,515
Fair value of derivatives	29	–34
Pension plan remeasurements	–827	–638
Other comprehensive loss for the period from equity-method investments	–11	–8
Deferred taxes	187	155
	795	**600**

Of the deferred taxes of €187 million (previous year: €155 million), €220 million (previous year: €164 million) is attributable to remeasurements of pension plans, €–10 million (previous year: €12 million) is attributable to the measurement of derivatives, and €–23 million (previous year: €–21 million) to the fair value measurement of marketable securities and financial investments.

The decline in the reserves for pension plans remeasurements is mainly attributable to the reduction in the discount rate for pension provisions in Germany and in the UK. The increase in the reserves for currency translation differences as well as the reserves for fair value measurement of derivatives is largely due to exchange rate movements. The amounts for fiscal 2016 are affected by the performance of the Brazilian real.

Other comprehensive income for the period, including noncontrolling interests, changed as follows:

	2016			2015		
€ million	before tax	tax effect	after tax	before tax	tax effect	after tax
Items that will not be reclassified to profit or loss						
Pension plan remeasurements	–190	56	–134	71	–22	49
Other comprehensive loss for the period from equity-method investments	–1	–	–1	–3	–	–3
Items that will be reclassified subsequently to profit or loss						
Currency translation differences	163	–	163	–231	–	–231
Unrealized gains and losses from the fair value measurement of marketable securities and financial investments	129	–2	127	637	–9	628
Fair value measurement of marketable securities and financial investments	129	–2	127	637	–9	628
Unrealized gains and losses from the fair value measurement of derivativesFinanzinstrumente	106	–28	78	–57	7	–51
Reclassification of realized gains and losses to profit or loss	–43	7	–36	60	–7	54
Fair value of derivatives	63	–21	41	3	0	3
Unrealized other comprehensive income/loss for the period from equity-method investments	–2	–	–2	3	–	3
Other comprehensive income/loss for the period from equity-method investments	–2	–	–2	3	–	3
Other comprehensive income	**163**	**33**	**195**	**481**	**–31**	**450**

e) Noncontrolling interests

The noncontrolling interests are mainly attributable to Renk Aktiengesellschaft, Augsburg, in which MAN holds a 76% interest. The following table presents summarized financial information for Renk.

€ million	2016	2015
Interest attributable to noncontrolling interests	**24**	**24**
Noncurrent assets	214	207
Current assets	494	458
Total assets at December 31	**708**	**665**
Noncurrent liabilities and provisions	26	24
Current liabilities and provisions	292	280
Total liabilities and provisions at December 31	**318**	**304**
Net assets	**390**	**360**
Carrying amount attributable to noncontrolling interests	94	86
Sales revenue	496	487
Profit after tax	44	42
Other comprehensive income	0	6
Total comprehensive income	**44**	**48**
Net income attributable to noncontrolling interests	11	10
Other comprehensive income attributable to noncontrolling interests	0	1
Dividends allocated to noncontrolling interests	3	3
Net cash provided by operating activities	57	101
Net cash provided by/used in investing activities	55	–41
Net cash used in financing activities	–15	–15
Net change in cash and cash equivalents	**97**	**47**

f) Capital management

The Group's capital management ensures that the goals and strategies can be achieved in the interests of stakeholders. In particular, the management focuses on generating the minimum return on invested assets that is required by the capital markets. The overall objective is to maximize the value of the Group and its subdivisions. This benefits all of the Company's stakeholder groups.

In order to maximize the use of resources and measure the success of this, we use return on investment (ROI) as a value-based control concept.

Return on investment (ROI)

€ million	12/31/2016	12/31/2015
MAN Group annual average invested capital	5 943	5 860
Operating profit	204	92
Operating profit after tax	143	64
ROI in %	2,4	1,1

Invested capital is calculated as total operating assets (property, plant, and equipment, intangible assets, assets leased out, inventories, and receivables) less non-interest-bearing liabilities (trade payables, prepayments received and customer payments received for assets leased out). Prepayments received are only deducted if they have already been used in order processing. Average invested capital is derived from the balance at the beginning and the end of the reporting period.

As the concept of value-based management only comprises our operating activities, assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital. Interest charged on these assets is reported in the financial result. Using the various international income tax rates of the relevant companies, we assume an overall average tax rate of 30% when calculating the operating result after tax.

25 Financial liabilities

€ million	12/31/2016	12/31/2015
Bonds	750	1,249
Liabilities to banks	883	752
Loans and other liabilities	1,362	515
	2,995	**2,515**

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2016	12/31/2015
Noncurrent financial liabilities	421	1,235
Current financial liabilities	2,574	1,280

Current financial liabilities include one bond:

Instrument	€ million	Interest rate	Issue date	Maturity	Carrying amount 12/31/2016	Fair value 12/31/2016
Publicly offered bonds	750	2.125%	3/13/2012	3/13/2017	750	753

26 Pensions and other post-employment benefits

Depending on the situation in specific countries, the MAN Group grants its employees pension benefits in the form of defined benefit or defined contribution pension plans.

Under defined contribution plans, contributions are paid to public or private pension providers on the basis of legislative or contractual requirements. There are no benefit obligations over and above the payment of contributions. Current contribution payments are recognized as an expense in the period in which they are incurred; in the MAN Group, they amounted to a total of €206 million in 2016 (previous year: €186 million).

The following amounts were recognized in the balance sheet for defined benefit obligations:

€ million	2016	2015
Present value of funded obligations	3,007	2,748
Fair value of plan assets	–2,512	–2,376
Funded status at December 31	**495**	**373**
Present value of unfunded obligations	127	119
Amount not recognized as an asset because of the ceiling in IAS 19	–	1
Carrying amounts at December 31	**623**	**492**
of which: pension provisions	624	496
of which: other receivables	–1	–4

a) German pension plans

Once their active working life is over, the MAN Group grants its employees in Germany benefits provided by a modern, attractive occupational pension system that constitute a key element of its remuneration policy. Occupational pensions provide reliable additional retirement benefits as well as risk protection in the event of invalidity or death.

Under the MAN Group's current pension plans, all active employees receive employer contributions that are tied to their remuneration and can also make additional provision through deferred compensation — which is employer-subsidized for staff subject to collective bargaining agreements. The employer- and employee funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement, or that can be annuitized in certain cases. The risk of the investments is gradually reduced as employees get older (lifecycle concept). The performance of the plan assets is based on the return on capital investments. In line with the legislative requirements, at a minimum the total amount of contributions paid in for the employee are paid out when the employee retires.

Former employees, pensioners, or employees with vested benefits who have left the MAN Group have benefit commitments from discontinued pension plans, most of which are designed to provide lifelong pension payments. These commitments are exposed to the standard longevity and inflation risks, which are regularly monitored and assessed.

The MAN Group's German pension assets are managed by MAN Pension Trust e. V. and MAN Pensionsfonds AG. These assets are irrevocably protected from recourse by the Group companies and may only be used to fund current pension benefit payments or to settle claims by employees in the event of insolvency. Proper management and utilization of the trust assets are supervised by independent trustees. Additionally, MAN Pensionsfonds AG is regulated by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin — German Federal Financial Supervisory Authority).

The pension assets are invested by professional investment managers in accordance with investment rules laid down by MAN SE's investment committee. Strategic allocation of the pension assets is based on regular asset/liability management studies. .

There is a general prohibition on acquiring securities issued by companies in the Volkswagen Group and on investing in real estate used by MAN Group companies.

b) Pension plans outside Germany

Employees in the United Kingdom, Switzerland, and Brazil receive pension benefits under defined benefit funded pension plans.

The pension plans in the United Kingdom have been closed and grant lifelong pension benefits. Trustee boards, which have appointed professional administrators and advisers, are responsible for administering the pension plans, including investing the assets. Regular asset/liability management studies form the basis for investment and risk management. The investment risk is being successively reduced as part of a defined derisking strategy as funding ratios improve.

In Switzerland, the pension entitlements and the plan assets are managed in multiple-employer pension institutions. The employees accumulate plan assets in these institutions that are then converted into a lifelong annuity at the terms prevailing when the employee reaches pensionable age. The pension institutions are managed conservatively on the basis of standards imposed by government. If the plan assets are insufficient to meet the pension entitlements because of adverse market developments, the member employers and their employees can be required to make "stabilization contributions."

Furthermore, in other countries, there are pension plans with a low level of benefits or mandatory post-employment benefits are granted. These benefits are backed in full (Brazil) or in part (Belgium, France, India) by capital, or are only funded by provisions.

c) Funded status

Measurement of the present value of the defined benefit obligation was based on the following actuarial assumptions:

	Germany		Other countries[1]	
in %	2016	2015	2016	2015
Discount rate at December 31	1.60	2.70	2.11	2.76
Payroll trend	3.20	3.40	2.50	2.34
Pension trend	1.50	1.70	1.28	1.16
Employee turnover rate	4.42	4.44	4.03	4.22

[1] Weighted average rates.

The biometric parameters are based on current country-specific mortality tables. For Germany, the 2005 G mortality tables issued by Prof. Klaus Heubeck were adjusted in line with MAN-specific empirical values. In the United Kingdom and Switzerland, the "S2PA CMI 2015 1.25%" and "BVG 2015 GT" mortality tables, respectively, were used.

As a general principle, the discount rates are defined to reflect the yields on highly rated corporate bonds with matching maturities and currencies. The pension and payroll trends either correspond to contractually stipulated adjustments or are based on the general criteria that are valid in the countries concerned. The payroll trends cover expected wage and salary trends, which also include increases due to career development.

The assumptions used to determine the discount rate for German pension obligations were reviewed for the financial statements as of December 31, 2016. The resulting change led to an increase of €41 million in provisions for pensions and other post-employment benefits. This amount is reported in accumulated other comprehensive income.

The change in the present value of the defined benefit obligation is attributable to the following factors:

€ million	2016	2015
Present value of DBO at January 1	2,867	2,859
Current service cost	82	83
Interest cost	75	73
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	4	–20
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	297	–57
Actuarial gains (–)/losses (+) arising from experience adjustments	–10	0
Employee contributions to plan assets	15	15
Pension payments from company assets	–28	–26
Pension payments from plan assets	–99	–107
Past service cost (including plan curtailments)	–32	–6
Other changes	6	–2
Currency translation differences from foreign plans	–44	54
Present value of DBO at December 31	**3,134**	**2,867**

Changes in the relevant actuarial assumptions would have had the following effects on the present value of the defined benefit obligation:

		12/31/2016		12/31/2015	
Present value of DBO if		€ million	%	€ million	%
Discount rate	is 0.5 percentage points higher	2,955	–5.73	2,711	–5.46
	is 0.5 percentage points lower	3,337	6.48	3,043	6.14
Payroll trend	is 0.5 percentage points higher	3,146	0.38	2,883	0.53
	is 0.5 percentage points lower	3,124	–0.33	2,853	–0.49
Pension trend	is 0.5 percentage points higher	3,262	4.08	2,989	4.23
	is 0.5 percentage points lower	3,016	–3.76	2,756	–3.89
Longevity	increases by 1 year	3,207	2.30	2,932	2.27

The sensitivity analysis shown above considers the change in one assumption at a time, leaving the other assumptions unchanged versus the original calculation, i.e. any correlation effects between the individual assumptions are ignored.

To examine the sensitivity of the present value of the defined benefit obligation to a change in assumed longevity, the age of the beneficiaries was reduced by one year as part of a comparative calculation.

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation (Macaulay duration) is 12 years (previous year: 12 years).

The maturity profile of payments attributable to the defined benefit obligation is presented in the following table by classifying the present value of the obligation by the maturity of the underlying payments:

€ million	**2016**	**2015**
Payments due within one year	141	132
Payments due between one and five years	508	478
Payments due after more than five years	2,486	2,257
Total	**3,134**	**2,867**

Changes in plan assets are shown in the following table:

€ million	**2016**	**2015**
Plan assets at January 1	2,376	2,258
Interest income on plan assets calculated using the discount rate	64	59
Return on plan assets not included in interest income	87	4
Employer contributions to plan assets	114	105
Employee contributions to plan assets	8	9
Pension payments from plan assets	–99	–107
Other changes	2	0
Currency translation differences from foreign plans	–40	49
Plan assets at December 31	**2,512**	**2,376**

Employer contributions to plan assets are expected to amount to €65 million in the next annual reporting period (previous year: €85 million).

Plan assets are invested in the following asset classes:

€ million	12/31/2016			12/31/2015		
	Quoted prices in active markets	No quoted prices in active markets	Total	Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	102	–	**102**	79	–	**79**
Equity instruments	89	–	**89**	83	–	**83**
Debt instruments	197	–	**197**	188	–	**188**
Direct investments in real estate	–	88	**88**	–	81	**81**
Equity funds	497	–	**497**	457	–	**457**
Bond funds	828	–	**828**	844	–	**844**
Real estate funds	52	–	**52**	43	–	**43**
Other funds	79	–	**79**	46	–	**46**
Other instruments	22	558	**580**	17	539	**556**
Fair value of plan assets	**1,866**	**645**	**2,512**	**1,756**	**620**	**2,376**

26% (previous year: 27%) of the plan assets are invested in German assets, 50% (previous year: 53%) in other European assets, and 24% (previous years: 20%) in assets in other regions.

27 Other provisions

€ million	As of 12/31/2015	Change in consolidated Group structure, currency translation	Utilization	Additions	Reversals	Interest unwinding and change in discount rate	As of 12/31/2016
Warranties	814	6	–207	311	–98	1	**826**
Outstanding costs	191	–4	–81	79	–16	0	**171**
Obligations to employees	167	4	–46	57	–22	1	**162**
Other obligations arising from operating activities	136	45	–55	85	–25	0	**187**
Miscellaneous provisions	503	–20	–149	360	–63	1	**631**
	1,811	**33**	**–538**	**892**	**–224**	**3**	**1,978**

The following table provides an overview of other provisions by maturity:

€ million	12/31/2016		12/31/2015	
	Noncurrent	Current	Noncurrent	Current
Warranties	428	398	389	424
Outstanding costs	48	122	51	140
Obligations to employees	113	49	103	64
Other obligations arising from operating activities	84	104	67	69
Miscellaneous provisions	98	533	27	476
	772	**1,206**	**638**	**1,174**

Provisions for warranty obligations are recognized for statutory and contractual guarantee obligations and for ex gratia settlements with customers. The timing of settlement of provisions for warranties depends on the occurrence of the warranty claim and may extend to the entire warranty and ex gratia settlement period. Provisions for outstanding costs are recognized for services still to be provided for customer contracts and contract elements already billed, and for obligations under maintenance and service contracts. Obligations to employees relate to anniversary payments, termination benefits, and partial retirement obligations. Other obligations arising from operating activities relate to provisions for sales expenses as well as other obligations. As well as provisions for expected losses from onerous contracts, miscellaneous provisions mainly comprise provisions for restructuring measures in the amount of €307 million (previous year: €183 million).

28 Other financial liabilities

€ million	12/31/2016	12/31/2015
Liabilities from buyback obligations	2,349	2,065
Negative fair value of derivatives	72	86
Interest payable	30	42
Liabilities from the profit and loss transfer agreement and tax allocation procedure with Volkswagen Truck & Bus GmbH	–	403
Miscellaneous other financial liabilities	87	76
	2,537	**2,672**

The liabilities from buyback obligations originate from sales of commercial vehicles accounted for as operating leases because of a buyback agreement.

Other financial liabilities continue to include the negative fair value of derivatives. Because these instruments are predominantly used to hedge currency risks in customer orders, they are matched in this respect by offsetting effects from the underlyings.

Other financial liabilities are reported in the following balance sheet items:

€ million	12/31/2016	12/31/2015
Other noncurrent financial liabilities	1,602	1,431
Other current financial liabilities	935	1,241

29 Other liabilities

€ million	12/31/2016	12/31/2015
Deferred purchase price payments for assets leased out	1,561	1,480
Payroll liabilities	424	335
Miscellaneous other tax payables	379	347
Liabilities related to social security contributions	22	22
Miscellaneous other liabilities	69	61
	2,455	**2,246**

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2016	12/31/2015
Other noncurrent liabilities	1,100	991
Other current liabilities	1,355	1,255

Other disclosures

30 Litigation/legal proceedings

In 2011, the European Commission launched an antitrust investigation into suspected antitrust violations in the commercial vehicles business between 1997 and 2011 and sent MAN and all other major European commercial vehicle manufacturers the statement of objections in 2014, informing them of the claims brought against them. The European Commission imposed penalties on five commercial vehicle manufacturers in its decision dated July 19, 2016. MAN will not have to pay any fine because it notified the European Commission about the cartel as a whistleblower. MAN has received antitrust damages claims from customers. As in any antitrust proceedings, further claims for damages may follow. The antitrust investigation of several commercial vehicle manufacturers that was also launched in 2011 by the South Korean antitrust authorities was terminated at the end of 2013 with the imposition of administrative fines on all the manufacturers involved. An administrative fine of €2 million was imposed on MAN Truck & Bus Korea Ltd. MAN filed an appeal against this fine with the competent court in early 2014. In late 2015, the court upheld this appeal. After the antitrust authorities in Korea responded by appealing the judgment of the court in early 2016, the Korean Supreme Court finally dismissed the appeal in favor of MAN at the end of 2016.

In addition to the issues described above, MAN is involved in various legal disputes and legal proceedings in connection with its Group-wide business activities. Although any negative decisions in such cases could have a material effect on the Company's results in a particular reporting period, MAN does not believe that they could have a material adverse effect on its net assets, financial position, and results of operations. MAN does not tolerate compliance violations. Neither corruption nor breaches of competition law are tolerated, encouraged, or accepted by MAN.

No disclosures in accordance with IAS 37, Provisions, Contingent Liabilities, and Contingent Assets, are made on certain legal disputes if the Company concludes that these disclosures could seriously prejudice the outcome of the legal proceedings in question.

31 Contingencies and commitments

€ million	12/31/2016	12/31/2015
Contingent liabilities under guarantees	24	40
Other contingent liabilities	221	158

The contingent liabilities under guarantees relate mainly to guarantees issued for trade obligations of investees, former investees, and other companies. They include financial guarantees amounting to €9 million (previous year: €11 million). The year-on-year decrease is attributable to the planned reduction of guarantees for legacy transactions due to the expiry of the warranty periods. The maximum total potential contingent liability for Ferrostaal under MAN's obligations from guarantees is €9 million (previous year: €25 million). MAN's guarantees for Ferrostaal are largely covered by indemnities, depending on the origination date of the guarantee.

Guarantees of €4 million (previous year: €9 million) are in place for the benefit of subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group. Guarantees for nonconsolidated subsidiaries in the amount of €8 million (previous year: €3 million) also exist.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist for MAN Latin America in particular. It is not currently considered likely that a claim will be made against MAN Latin America in connection with these liabilities. An additional tax case is expected to have a favorable outcome for MAN Latin America. This relates to differing assessments with regard to the tax issues arising in the year that the Brazilian arm of the company was acquired.

Customer liabilities to companies of MAN Financial Services GmbH, Munich (MAN Financial Services) that finance the purchase of the Group's products are covered by standard industry buyback guarantees, under which MAN Truck & Bus is obliged to buy back vehicles from the financing company in the event of default. The maximum expenses under buyback guarantees amounted to €1,720 million as of December 31, 2016 (previous year: €1,615 million). However, based on experience, the majority of these guarantees expire without being drawn upon.

Any recourse claims are not offset in the measurement of the contingent liabilities disclosed.

32 Other financial obligations

Other financial obligations include rental and lease obligations for leased property, among other things. The future rental and lease obligations under operating leases are due as follows until expiration of the lease terms:

€ million	12/31/2016	12/31/2015
Due within one year	167	151
Due between one and five years	351	329
Due after more than five years	336	349
	854	**829**

Purchase commitments for items of property, plant, and equipment amounted to €413 million at the end of the reporting period (previous year: €390 million). Purchase commitments for intangible assets amounted to €7 million (previous year: €10 million).

33 Statement of cash flows

The statement of cash flows classifies cash flows into cash flows from operating, investing, and financing activities. The effects of changes in the consolidated Group structure and of exchange rate changes are eliminated in the corresponding line items. The change in cash and cash equivalents attributable to changes in exchange rates is presented in a separate line item. Cash flow from operating activities is reported using the indirect method.

Noncash operating expenses and income, as well as gains and losses from asset disposals, are eliminated in cash flow from operating activities. The change in assets leased out and in the customer payments received for them is allocated to cash flow from operating activities.

Cash flow from investing activities includes additions to property, plant, and equipment, intangible assets and equity investments, capitalized development costs, and investments in securities and loans. Payments received from these positions are offset. Payments from the disposal of subsidiaries are reported net of cash disposed.

Net cash used in financing activities is composed of the following cash transactions: dividends allocated to noncontrolling interests, transfer of the profit for fiscal years 2015 and 2014 to Volkswagen Truck & Bus GmbH, capital transactions with noncontrolling interests, repayment of bonds, and the change in other financial liabilities.

The cash and cash equivalents reported in the statement of cash flows correspond to the cash and cash equivalents recognized in the balance sheet.

In 2016, net cash provided by operating activities includes interest received amounting to €59 million (previous year: €104 million) and interest paid amounting to €166 million (previous year: €144 million). In addition, the share of profits and losses of equity-method investments includes dividends amounting to €2 million (previous year: €8 million). Dividends received from financial investments and other equity activities amounted to €139 million (previous year: €4 million).

Based on the current domination and profit and loss transfer agreement between Volkswagen Truck & Bus GmbH and MAN SE, the profit of €513 million for fiscal 2015 was transferred in March 2016 (previous year: profit of €486 million transferred for fiscal 2014).

34 Additional disclosures on financial instruments

The following section contains supplemental disclosures on the significance of financial instruments and on individual balance sheet and income statement line items relating to financial instruments.

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments, as well as the allocation of the balance sheet items to the measurement categories.

	Measured at fair value						
	Recognized in other comprehensive income1 [1]	Through profit or loss [2]	Measured at (amortized) cost [3]		Derivatives included in hedging relationships [4]	Not within the scope of IFRS 7	Balance sheet item at 12/31/2016
€ million	Carrying amount	Carrying amount	Carrying amount	Fair Value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-method investments	–	–	–	–	–	463	463
Other equity investments	2,837	–	5	–	–	55	2,897
Other financial assets	–	2	306	306	19	–	327
Current assets							
Trade receivables	–	–	2,038	2,038	–	–	2,038
Other financial assets	–	16	158	158	26	–	200
Cash and cash equivalents	–	–	796	796	–	–	796
Noncurrent liabilities							
Financial liabilities	–	–	421	421	–	–	421
Other financial liabilities	–	2	1,597	1,597	3	–	1,602
Current liabilities							
Financial liabilities	–	–	2,574	2,578	–	–	2,574
Trade payables	–	–	1,914	1,914	–	–	1,914
Other financial liabilities	–	55	869	869	12	–	935

[1] Corresponds to the "available-for-sale financial assets" measurement category under IAS 39. These are classified in Level 3 of the fair value hierarchy.
[2] Corresponds to the "financial instruments measured at fair value through profit or loss" measurement category under IAS 39. These are classified in Level 2 of the fair value hierarchy.
[3] Includes financial investments classified as available for sale whose fair value cannot be reliably determined due to the lack of an active market and that are measured at cost, and the "loans and receivables" and "financial liabilities measured at amortized cost" measurement categories.
[4] Classified in Level 2 of the fair value hierarchy.

€ million	Measured at fair value: Recognized in other comprehensive income [1]	Measured at fair value: Through profit or loss [2]	Measured at (amortized) cost [3]	Measured at (amortized) cost [3]	Derivatives included in hedging relationships [4]	Not within the scope of IFRS 7	Balance sheet item at 12/31/2015
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-method investments	–	–	–	–	–	449	449
Other equity investments	2,708	–	1	–	–	48	2,758
Other financial assets	–	15	330	330	1	–	346
Current assets							
Trade receivables	–	–	1,924	1,924	–	–	1,924
Other financial assets	–	63	322	322	17	–	402
Cash and cash equivalents	–	–	779	779	–	–	779
Noncurrent liabilities							
Financial liabilities	–	–	1,235	1,252	–	–	1,235
Other financial liabilities	–	11	1,403	1,403	17	–	1,431
Current liabilities							
Financial liabilities	–	–	1,280	1,293	–	–	1,280
Trade payables	–	–	1,683	1,683	–	–	1,683
Other financial liabilities	–	27	1,182	1,182	32	–	1,241

[1] Corresponds to the "available-for-sale financial assets" measurement category under IAS 39. These are classified in Level 3 of the fair value hierarchy.
[2] Corresponds to the "financial instruments measured at fair value through profit or loss" measurement category under IAS 39. These are classified in Level 2 of the fair value hierarchy.
[3] Includes financial investments classified as available for sale whose fair value cannot be reliably determined due to the lack of an active market and that are measured at cost, and the "loans and receivables" and "financial liabilities measured at amortized cost" measurement categories.
[4] Classified in Level 2 of the fair value hierarchy.

The cumulative carrying amounts of the financial instruments classified by IAS 39 measurement category are as follows:

IAS 39 measurement category € million € million	12/31/2016: Total assets	12/31/2016: Total equity and liabilities	12/31/2015: Total assets	12/31/2015: Total equity and liabilities
Available-for-sale financial assets	2,842	–	2,709	–
Financial instruments measured at fair value through profit or loss	18	57	78	38
Loans and receivables	3,298	–	3,355	–
Financial liabilities measured at amortized cost	–	7,375	–	6,784

Fair values were determined on the basis of the conditions prevailing at the end of the reporting period and the valuation techniques described in the following, and correspond to the prices that would be received for the sale of an asset or paid for the transfer of a liability between market participants in an arm's length transaction. There were no material changes in the valuation techniques applied as against those applied in the previous year.

Cash and cash equivalents, trade receivables, other financial assets, and trade payables mostly have short remaining maturities. For this reason, their carrying amounts at the end of the reporting periods are approximately the same as their fair values. An appropriate impairment loss has also been recognized on trade receivables where there is objective evidence.

The fair values of listed bonds are based on the quoted prices at the end of the reporting period. The fair value of fixed-rate bank borrowings and other financial liabilities is measured as the present value of the cash flows expected to be required to settle the liabilities, discounted using standard market rates of interest for matching maturities.

Future cash flows are estimated using forward curves for derivative financial instruments without option components, which include currency forwards, commodity futures, interest rate swaps, and cross-currency swaps. The fair value of these instruments corresponds to the total discounted cash flows. Options on currency pairs or interest rates are measured on the basis of standard option pricing models, i.e., generalized Black Scholes formulas.

With the exception of other equity investments, which are classified in Level 3, the financial assets and liabilities measured at fair value as well as the derivative financial instruments included in hedging relationships are classified in Level 2 of the fair value hierarchy.

The following is an overview of the fair values of the financial assets and liabilities measured at amortized cost by level:

€ million	12/31/2016	Level 1	Level 2	Level 3
Trade receivables	2,038	–	2,023	15
Other financial assets	465	–	465	–
Cash and cash equivalents	796	796	–	–
Financial liabilities	2,998	753	2,245	–
Trade payables	1,914	–	1,914	–
Other financial liabilities	2,466	–	2,466	–

€ million	12/31/2015	Level 1	Level 2	Level 3
Trade receivables	1,924	–	1,862	62
Other financial assets	652	–	652	–
Cash and cash equivalents	779	779	–	–
Financial liabilities	2,545	1,279	1,267	–
Trade payables	1,683	–	1,683	–
Other financial liabilities	2,586	–	2,586	–

Fair value hierarchy:
Measurement and presentation of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is classified as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of Level 2 financial instruments is determined on the basis of the conditions prevailing at the end of the reporting period, such as interest rates or exchange rates, and using recognized models such as discounted cash flow or option pricing models.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value of Level 3 receivables was measured by reference to individual expectations of losses; these are based to a significant extent on the Company's assumptions about counterparty credit quality.

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. There were no transfers between Level 1, Level 2, and Level 3 in fiscal years 2016 and 2015.

The investment in Scania is measured at fair value using a discounted cash flow method and is classified in Level 3 of the fair value hierarchy.

The following table shows the change in the balance sheet items measured at fair value classified in Level 3, which relate solely to the investment in Scania.

€ million	Financial assets measured at fair value
Balance at January 1, 2015	2,071
Fair value changes recognized in "Measurement of marketable securities and financial investments" in other comprehensive income	637
Balance at December 31, 2015	2,708
Fair value changes recognized in "Measurement of marketable securities and financial investments" in other comprehensive income	129
Balance at December 31, 2016	2,837

As significant unobservable inputs, the assumptions regarding corporate planning, the growth rates used to estimate cash flows after the end of the planning period, and the discount rate are taken into account in the measurement. A long-term growth rate of 1% (previous year: 1%) and a pre-tax cost of capital of 5.4% (previous year: 7.3%) are applied. Based on the information currently available, a material change in corporate planning is considered unlikely. The cash flow forecasts used are therefore considered to be an appropriate basis for measuring fair value. A variation of +/– 0.5 percentage points in the long-term growth rate would increase equity by €16 million (previous year: €252 million) or reduce it by €16 million (previous year: €203 million), respectively. A variation of +/– 0.5 percentage points in the after-tax cost of capital (based on an after-tax calculation) would reduce equity by €302 million (previous year: €268 million) or increase it by €380 million (previous year: €332 million), respectively. There are no significant interrelationships between the significant unobservable inputs.

Other financial investments classified as available for sale are measured at cost and have a carrying amount of €5 million (previous year: €1 million). These are mainly investments in and shares of unlisted entities whose fair values cannot be reliably measured without undue effort. No material shares measured at cost were sold in the reporting period or in the previous year. The Company currently has no intention to sell these shares.

The valuation allowances on financial assets mainly related to trade receivables and other financial assets. They changed as follows:

€ million	2016	2015
Balance at January 1	**142**	**120**
Additions	30	65
Utilization	–17	–17
Reversals	–13	–21
Exchange rate effects and other changes	4	–6
Balance at December 31	**145**	**142**

The following tables present information about the effects of offsetting on the consolidated balance sheet and the financial effects of offsetting in the case of instruments that are subject to a legally enforceable master netting arrangement or a similar agreement.

The gross amount of recognized financial assets and liabilities corresponds to the net amount, since these were not set off in the balance sheet.

		Amounts that are not set off in the balance sheet		
€ million	Net amount of financial assets presented in the balance sheet	Financial instruments	Collateral received	Net amount at 12/31/2016
Derivatives	62	–24	–	39
Trade receivables	2,038	–	–7	2,031

		Amounts that are not set off in the balance sheet		
€ million	Net amount of financial assets presented in the balance sheet	Financial instruments	Collateral received	Net amount at 12/31/2015
Derivatives	96	–36	–	60
Trade receivables	1,924	–	–231	1,693

€ million	Net amount of financial liabilities presented in the balance sheet	Amounts that are not set off in the balance sheet: Financial instruments	Collateral pledged	Net amount at 12/31/2016
Derivatives	72	–24	–	48

€ million	Net amount of financial liabilities presented in the balance sheet	Amounts that are not set off in the balance sheet: Financial instruments	Collateral pledged	Net amount at 12/31/2015
Derivatives	86	–36	–	50

The "Financial instruments" column shows the amounts that are subject to a master netting arrangement but that have not been set off because they do not meet the offsetting criteria. These amounts can only be set off if specific future events occur, such as the insolvency of one of the counterparties. The "Collateral received" and "Collateral pledged" columns contain the amounts of cash collateral and collateral in the form of financial instruments received and pledged for the total amount of assets and liabilities.

Net gains and losses on financial instruments are presented in the following table:

€ million	2016	2015
Loans and receivables	–38	–77
Available-for-sale financial assets	3	139
Financial liabilities at cost	40	–73
Financial assets and liabilities at fair value through profit or loss	–84	59

Net gains and losses on loans and receivables primarily contain changes in valuation allowances, currency translation differences, and reversals of impairment losses.

Net gains and losses on available-for-sale financial assets result primarily from net income from investments.

Net gains and losses on financial liabilities measured at cost are principally composed of gains and losses from currency translation.

Net gains and losses on financial assets and liabilities at fair value through profit or loss contain changes in the fair value of derivative financial instruments for which hedge accounting is not used.

The interest income and expenses relating to financial assets and liabilities that are not measured at fair value through profit or loss are as follows:

€ million	2016	2015
Interest income	31	37
Interest expenses	–135	–145

Interest income on impaired financial assets is insignificant because receipt of payment is expected in the short term in most cases.

35 Derivatives and hedging strategies

Because of the MAN Group's business activities and international focus, its assets, liabilities, and forecast transactions are exposed to market, credit, and liquidity risk. The MAN Group has in place a Group-wide risk management system to identify, quantify, and mitigate these risks.

MAN Group companies generally hedge their currency, interest rate, and commodity risks through MAN SE's Group Treasury on an arm's length basis using nonderivative and, primarily, derivative financial instruments. In countries whose exchange controls or regulatory provisions do not permit direct hedging by MAN SE — especially Brazil — currency, interest rate, and money market transactions are entered into by MAN SE on behalf of and for the account of the Group company concerned. Derivatives are accounted for at the trade date.

The Group's risk positions are hedged externally by Group Treasury with banks within defined risk limits. Hedging transactions entered into adequately reflect the risk management requirements applicable to banks and are subject to rigorous oversight, which is ensured in particular by the strict separation of trading, settlement, and supervision functions.

The MAN Group's market risks are reported regularly to the Executive and Supervisory Boards. Compliance with the guidelines is reviewed by the Internal Audit function.

a) Currency risk

A currency risk arises for each MAN company if it enters into transactions resulting in future cash flows that are not denominated in that MAN company's functional currency. To mitigate the effects of exchange rate movements, the MAN companies continuously quantify the currency risk and hedge all material risks using currency forwards, currency options, and cross-currency swaps on an ongoing basis.

In the MAN Group, all firm customer orders (firm commitments), the Group's own purchases, receivables, and liabilities denominated in foreign currencies are hedged as a matter of principle. Currencies that are highly correlated with the euro, such as the Danish krone, as well as equity investments or equity-equivalent loans, are only hedged in individual instances. We also enter into hedges for forecast foreign currency revenue from the series production business within defined hedging limits that are specific to MAN's business, and (on a case-by-case basis) for highly probable customer projects.

The MAN Group's foreign currency exposure at the end of the reporting period consists primarily of transactions denominated in Danish kroner, U.S. dollars, and UK pound sterling. MAN SE was not exposed to any material currency risk due to the hedging transactions entered into for this exposure.

Cash flow hedges are generally used for hedge accounting.

In fiscal 2016, net gains of €78 million (previous year: net losses of €56 million) from cash flow hedges were recognized in other comprehensive income. In the course of the fiscal year, gains of €69 million (previous year: €29 million) were reclassified from other comprehensive income to other operating income, and losses of €26 million (previous year: €89 million) were reclassified to other operating expenses.

If the results of the retrospective effectiveness test applied to cash flow hedge accounting indicate that effectiveness is not 100% but within the effectiveness range of 80% to 125%, the resulting hedge ineffectiveness is recognized in the other financial result.

The maximum remaining term of cash flow hedges of forecast transactions was 35 months at the end of fiscal 2016. 29% (previous year: 31%) of the hedged forecast transactions are expected to occur and thus affect profit for the period in the first quarter of 2017. A further 49% (previous year: 50%) of the forecast transactions are expected to be implemented by the end of 2017.

There were no fair value hedges.

The nonderivative and derivative financial instruments existing at the end of the reporting period were measured in a hypothetical scenario as part of a sensitivity analysis. The effects of a 10% increase/decrease in a currency per exchange rate were as follows:

€ million	12/31/2016				12/31/2015			
	Equity		Profit for the period		Equity		Profit for the period	
Exchange rate	+10%	–10%	+10%	–10%	+10%	–10%	+10%	–10%
Euro/Brazilian real	0	0	–17	17	0	0	8	–8
Euro/Danish krone	6	–6	30	–30	5	–5	–30	30
U.S. dollar/Brazilian real	–29	29	–7	7	8	–8	–1	1
Euro/UK pound sterling	21	–21	4	–4	23	–23	2	–2
Euro/Swiss franc	4	-4	–5	5	3	–3	–10	10
Euro/U.S. dollar	11	–11	19	–19	10	–10	–8	8
Mexican peso/U.S. dollar	0	0	–7	7	0	0	1	–1
Euro/Mexican peso	0	0	–6	6	0	0	1	–1

b) Interest rate risk

The MAN Group is exposed to interest rate risk from interest rate-sensitive assets and liabilities. Most of the assets that are sensitive to interest rate movements result from the existing nonderivative and derivative financial instruments entered into with MAN Finance before January 1, 2014.

Interest rate-sensitive financial liabilities at the reporting date exist primarily in the form of variable-rate liabilities at banks and other variable-rate financial liabilities.

Financial instruments that are sensitive to movements in interest rates are exposed to interest rate risk in the form of fair value risk or cash flow risk. Fair value risk is a measure of the sensitivity of the carrying amount of a financial instrument to changes in market rates of interest. Cash flow risk describes the exposure to variability in future interest payments in response to interest rate movements.

The goal of interest rate risk management is to largely eliminate the MAN Group's interest rate risk. Interest rate risk is captured, analyzed, and managed centrally in the MAN Group using sensitivity analyses. Group Treasury enters into hedges to mitigate risk resulting from nonderivative financial instruments and, in certain cases, for highly probable forecast customer transactions. Interest rate swaps and cross-currency swaps are used for hedging. The volumes and maturities are oriented on the redemption structure of the defined customer portfolios or of the financial liability, and on the target hedging level.

The sensitivity analyses are based on the following assumptions:

In the case of variable-rate nonderivative financial instruments, hypothetical changes in market rates of interest would affect profit before tax as of the reporting date as shown below.

Fixed-rate nonderivative financial instruments measured at amortized cost are not exposed to any interest rate risk. At MAN, these include the fixed-rate bonds issued under the EMTN program and the promissory note loans. The interest rate risk of interest rate derivatives is analyzed and managed based on the measurement of the variable and fixed interest payments.

A 100 basis point (bp) parallel shift in the yield curve is assumed to calculate interest rate sensitivity. This would produce the following opportunities (positive values) and risks (negative values):

€ million	12/31/2016		12/31/2015	
	+ 100 BP	– 100 BP	+ 100 BP	– 100 BP
Variable-rate nonderivative financial instruments	–4	4	–1	1
Derivatives	1	–1	1	–1

Any earnings effects of the interest rate sensitivity analysis would be recognized exclusively in profit for the period.

c) Commodity price risk

Commodity price fluctuations lead to cost volatility for MAN. This in turn leads to commodity price risks that cannot always be passed on to the customer. MAN SE enters into cash-settled commodity futures to mitigate these risks.

The commodity price risks are regularly captured centrally and hedged externally on the basis of defined risk limits, to the extent that there are liquid markets. There were no material concentrations of risk in the past fiscal year. Commodity futures had been entered into at the end of the reporting period to hedge commodity price risks relating to gas, steel, nonferrous metals, precious metals, and rubber with a fair value of €+1 million (previous year: €–3 million).

The maximum remaining term of hedges of forecast transactions was 24 months at the end of fiscal 2016. Hedge accounting is not used at present.

A hypothetical 10% increase/decrease in commodity prices is assumed, in line with the sensitivity analysis of currency risks. The potential effect on profit for the period of the change in the fair value of the commodity futures is €+2 million (previous year: €+3 million) for +10% or €–2 million (previous year: €–3 million) for –10%, respectively.

d) Credit risk

The MAN Group is exposed to credit risk because of its business operations and certain financing activities.
From the MAN Group's perspective, credit risk entails the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the MAN Group. Credit risk comprises both the direct default risk and the risk of a deterioration in credit quality. The maximum credit risk is reflected by the carrying amount of the financial assets recognized in the balance sheet; see note (34).

The following measures in particular are used to minimize credit risk and measure risk provisions:

The MAN Group has largely centralized liquidity management at MAN SE. The financial institutions and investment forms are carefully selected when investing cash funds, while a limit system ensures diversification. Significant cash and capital market investments as well as derivatives are made through domestic and international banks with good creditworthiness.

Country and counterparty risk resulting from business operations is continuously assessed locally. Risks are classified and profiled on this basis. Outstanding balances are also continuously monitored locally. Impairment losses are recognized if default risks arise. Credit risk is mitigated by various forms of protection, which may also be country-specific if appropriate. These include documentary credits, credit insurance, sureties, guarantees, and retention of title, as well as customer prepayments. In the project business, the default risk is minimized by requiring prepayments and obtaining collateral.

The MAN Group recognizes adequate risk provisions for the credit risk resulting from the operating business. This is achieved by continuously monitoring all receivables. Bad debt allowances are recognized if there is objective evidence of default or other breach of contract. Material individual receivables, as well as receivables whose collectability is in doubt, are measured on an item-by-item basis. The contractual terms governing trade receivables were not changed in the reporting period or in the previous year. The remaining receivables are combined into groups of similar contracts and then tested for impairment, reflecting country-specific risks and any collateral received. The maximum default risk exposure for trade receivables is reduced by collateral of €226 million (€232 million). The trade receivables include no transferred receivables that were not derecognized in their entirety as of either the 2016 or the 2015 reporting date. The fair values of the receivables and liabilities are not materially different to their carrying amounts.

There were no material concentrations of credit risk in the MAN Group as of the 2016 reporting date.

Maturity overview of financial assets measured at amortized cost that are not individually impaired:

€ million	12/31/2016 Trade receivables	12/31/2016 Other financial assets	12/31/2015 Trade receivables	12/31/2015 Other financial assets
Up to 30 days past due	224	0	210	0
31–90 days	142	0	159	0
91 days–1 year	138	1	132	1
More than 1 year	77	2	48	2
Total financial assets past due but not individually impaired	582	4	549	3
Financial assets neither individually impaired nor past due	1,456	459	1,327	649
Carrying amounts of financial assets not individually impaired	2,038	463	1,876	652

Collective impairment losses are recognized for groups of financial assets on the basis of past experience to cover the credit risk from these receivables and from receivables not past due.

The gross carrying amount of the individually impaired trade receivables amounted to €144 million (previous year: €189 million) and the associated impairment loss was €–130 million, (previous year: €–127 million), so the net carrying amount was €15 million (previous year: €62 million).

There are no indications at the end of the reporting period that the credit quality of receivables and other financial assets that are neither individually impaired nor past due is impaired.

e) Liquidity risk

Liquidity risk describes the risk that the MAN Group will have difficulty in meeting its obligations associated with financial liabilities or that it can only procure liquidity at a higher price.

To minimize this risk, cash inflows and outflows and due dates are continuously monitored and managed. Cash requirements are primarily met by our operating business and by external financing arrangements. As a result, there were no material concentrations of risk in the past fiscal year.

Cash management for the operating units is performed centrally to a large extent using a cash pooling process in which the cash funds of the Group companies and MAN SE are pooled every day. This allows cash surpluses and requirements to be managed in line with the needs of the Group as a whole and the individual Group companies.

The Group's cross-border access to local cash funds is limited by applicable foreign exchange controls in certain countries (including Brazil, China, India, Russia, and South Korea). Other than that, no significant restrictions exist.

Currently, a bond with a principal amount of €0.75 billion is outstanding from one fixed-rate public issue (maturing in 2017). The integration with the Volkswagen Group enables the MAN Group to draw on intragroup financing. For instance, MAN SE has a line of €2.5 billion with Volkswagen AG, of which €1.25 billion has been drawn down. Local MAN companies have also agreed financing with the locally based Volkswagen companies in an amount equivalent to €66 million (previous year: €62 million), all of which has been utilized.

There are also committed bilateral credit lines with financial institutions in the amount of €876 million (previous year: €817 million), of which €812 million (previous year: €603 million) has been utilized.

More detailed information on existing short-and long-term external financing arrangements and further information on material agreements regarding a change of control can be found in note (25).

Management is informed regularly about cash inflows and outflows, as well as sources of finance.

The following table shows how the cash flows relating to liabilities, derivatives, and contingent liabilities affect the MAN Group's liquidity position:

Maturity overview [1]

	12/31/2016			12/31/2015		
€ million	**2017**	**2018–2021**	**>2021**	**2016**	**2017–2020**	**>2020**
Cash outflows from nonderivative financial liabilities [2]	5,420	2,003	51	4,227	2,655	39
of which financial liabilities	2,637	425	12	1,361	1,256	10
of which trade payables	1,914	–	–	1,683	–	–
of which other financial liabilities [3]	869	1,578	39	1,183	1,399	29
Cash outflows from derivatives with a negative fair value that are settled gross [2]	669	69	0	928	58	0
related cash flows [2]	650	65	0	901	54	0
Cash outflows from derivatives with a negative fair value that are settled net [2]	34	13	0	22	6	0
Potential cash flows from financial guarantees	9	–	–	11	–	–

[1] The following methodology was applied in calculating the amounts:
- If no contractual maturity has been agreed, the liability refers to the earliest maturity date.
- Variable-rate interest payments reflect the conditions at the end of the reporting period.
- It is assumed that the cash outflows will not occur earlier than shown.

[2] In accordance with IFRS 7, only undiscounted cash flows from contractual interest rate and principal payments are shown.

[3] The undiscounted maximum cash flows from buyback obligations are recognized as a financial liability.

f) Amounts recognized for hedging instruments

The positive fair values of hedging instruments that are included in a cash flow hedge amounted to €44 million as of December 31, 2016 (previous year: €18 million). The negative fair values of hedging instruments that are included in a cash flow hedge amounted to €15 million as of December 31, 2016 (previous year: €48 million). These relate mainly to currency forwards.

36 Related party disclosures

Related parties within the meaning of IAS 24 are persons or entities that can be influenced by MAN SE, that can exercise influence over MAN SE, or that are influenced by another related party of MAN SE.

Related parties from MAN's perspective as of December 31, 2016, are:

- Volkswagen Truck & Bus GmbH and its subsidiaries,
- Volkswagen AG and its subsidiaries and material equity investments outside the MAN Group,
- Porsche Automobil Holding SE, Stuttgart, and its affiliated companies and related parties (Porsche Stuttgart),
- Other individuals and entities that can be influenced by MAN SE or that can influence MAN SE, such as:
  - the members of the Executive and Supervisory Boards of MAN SE,
  - the members of the Management and the Supervisory Board of Volkswagen Truck & Bus GmbH,
  - the members of the Board of Management and Supervisory Board of Volkswagen AG,
  - associates and joint ventures,
  - unconsolidated subsidiaries.

On December 31, 2016, Volkswagen Truck & Bus GmbH held 75.73% of MAN SE's voting rights and 74.52% of its share capital.

Volkswagen Truck & Bus GmbH and MAN SE had a domination and profit and loss transfer agreement in place in fiscal years 2015 and 2016. Profit of €513 million for fiscal 2015 was transferred on March 4, 2016 (previous year: profit transfer of €486 million) under the domination and profit and loss transfer agreement. No dividend was therefore distributed.

The volume of transactions with Volkswagen Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart and with other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group is shown in the following overview:

€ million	12/31/2016	12/31/2015
Sales and services to		
Volkswagen Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart[1]	4	4
Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	1,345	1,304
Purchases and services received from		
Volkswagen Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart[1]	68	43
Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	162	144
Receivables from		
Volkswagen Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart[1]	148	70
Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	434	677
Liabilities to		
Volkswagen Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart[1]	1,392	915
Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	2,275	2,082

[1] Porsche Automobil Holding SE, Stuttgart, including its affiliated companies and related parties.

In fiscal year 2016, the receivables from Volkswagen Truck & Bus GmbH include the claim for the absorption of MAN SE's net loss for the fiscal year under German GAAP amounting to €99 million. See note (22) for further information. The liabilities to Volkswagen Truck & Bus GmbH as of December 31, 2015 include the claim for the transfer of MAN SE's net income for the fiscal year under German GAAP amounting to €513 million, see note (28).

The liabilities include loans from Volkswagen AG in the amount of €1,250 million (previous year: €400 million). The liabilities to other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group mainly relate to liabilities to MAN Financial Services. The sale of receivables to subsidiaries of Volkswagen AG that are not part of the MAN Group amounted to €698 million in fiscal 2016 (previous year: €412 million). Furthermore, customer liabilities to MAN Financial Services are covered by standard industry buyback guarantees, see note (31) "Contingencies and commitments."

The following table shows the volume of relationships with unconsolidated subsidiaries, associates, and joint ventures with which goods and services are exchanged as part of normal business transactions.

€ million	12/31/2016	12/31/2015
Revenue and other income generated with		
unconsolidated subsidiaries	54	47
associates and joint ventures	156	91
Goods and services purchased from		
unconsolidated subsidiaries	4	4
associates and joint ventures	222	231
Receivables from		
unconsolidated subsidiaries.	25	17
associates and joint ventures	42	34
Liabilities to		
unconsolidated subsidiaries	27	29
associates and joint ventures	20	18

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to notes (37) and (38) below.

37 Remuneration of the Executive Board

The remuneration of the members of the Executive Board was as follows:

T€	2016	2015
Executive Board members in office as of December 31, 2016 [1]		
Fixed remuneration [2]	1,447	454
Variable remuneration [3, 4]	3,127	1,005
Pension expense	449	145

[1] Joachim Drees (Chief Executive Officer) and Jan-Henrik Lafrentz since October 1, 2015, Josef Schelchshorn since July 1, 2015.
[2] Including fringe benefits.
[3] 2015: Correction following the preparation of the 2015 Annual Report.
[4] 2016: Figures based on information currently available.

A severance payment in the total amount of €892 thousand (including €149 thousand for pensions) was attributable to Dr. Georg Pachta-Reyhofen, who left the Executive Board on September 30, 2015. Payments of €595 thousand were made in fiscal 2016 in relation to this severance payment.

The present value of pension obligations to Joachim Drees was €276 thousand as of December 31, 2016 (previous year: €62 thousand). The total pension expense amounted to €449 thousand in 2016 (previous year: €985 thousand), of which €210 thousand (previous year: €316 thousand) related to current service. The interest component is not reported as part of the pension expense. The pension expense also includes the agreed amounts recharged for Jan-Henrik Lafrentz for pension obligations outside MAN and the pension expense outside MAN for Josef Schelchshorn.

MAN SE reimbursed Volkswagen AG for the remuneration paid to Mr. Schelchshorn, including 10% of the expenses needed to finance the occupational pension plan. MAN Truck & Bus AG reimbursed Volkswagen AG for the remuneration paid to Mr. Schelchshorn, including 65% of the expenses needed to finance the occupational pension plan.

A special arrangement relating to guaranteed variable remuneration was agreed with Mr. Drees, Mr. Lafrentz, and Mr. Schelchshorn.

Pension payments to former Executive Board members, including amounts paid in the first year after the end of their contracts and retirement, and to their surviving dependents amounted to €2,922 thousand as of December 31, 2016 (previous year: €2,734 thousand). A total of €53,089 thousand (previous year: €51,738 thousand) was recognized as of December 31, 2016, for provisions for pension obligations to former Executive Board members and their surviving dependents.

The members of the Executive Board, including their memberships in statutory supervisory boards and comparable supervisory bodies, are listed on page 138, and more detailed information on the remuneration structure and its components is disclosed in the Remuneration Report, which is part of the Combined Management Report.

The individual remuneration of the members of the Executive Board during the term of office at MAN SE is shown in the following table:

Executive Board remuneration 2016/(2015)

€ thousand	Fixed remuneration [1]	Variable remuneration	Pension expense	Total
Executive Board members in office as of December 31, 2016				
Joachim Drees, Chief Executive Officer (since October 1, 2015) [3]	538 (125)	1,170 (255)	210 (20)	1,918 (400)
Jan-Henrik Lafrentz (since October 1, 2015) [2, 3]	441 (98)	757 (150)	96 (21)	1,294 (269)
Josef Schelchshorn (since July 1, 2015) [3]	468 (231)	1,200 (600)	143 (104)	1,811 (936)
Total [3]	**1,447** **(454)**	**3,127** **(1,005)**	**449** **(145)**	**5,022** **(1,604)**

[1] Including fringe benefits.
[2] 2015: Correction following the preparation of the 2015 Annual Report.
[3] 2016: Figures based on information currently available.

Mr. Drees was Chief Executive Officer of MAN Truck & Bus AG from April 1, 2015. In fiscal 2015, total remuneration for his work at MAN Truck & Bus AG and MAN SE amounted to €1,201 thousand (fixed remuneration including fringe benefits of €375 thousand; variable remuneration of €765 thousand; €62 thousand for pensions).

Mr. Lafrentz was a member of the Executive Board of MAN Truck & Bus AG from July 1, 2014. In fiscal 2015, total remuneration for his work at MAN Truck & Bus AG and MAN SE amounted to €1,154 thousand (fixed remuneration including fringe benefits of €470 thousand; variable remuneration of €601 thousand; €83 thousand for pensions).

38 Remuneration of the Supervisory Board

The components of the remuneration of the Supervisory Board are as follows:

€ thousand	2016	2015
Fixed remuneration	525	460
Variable remuneration	–	120
Remuneration for committee membership	178	188
Attendance fees	48	38
	751	**806**

The members of the Supervisory Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on pages 135 f., and more detailed information on the remuneration structure and its components is disclosed in the Remuneration Report, which is part of the Combined Management Report.

The individual remuneration of the active members of the Supervisory Board is shown in the following table:

Supervisory Board remuneration in € thousand

Name	Period of membership	Fixed remuneration	Variable remuneration	Remuneration for committee membership	Attendance fees	Total 2016	Total 2015
Andreas Renschler, Chairman	Full-year	–	–	–	–	–	–
Jürgen Kerner, Deputy Chairman [1]	Full-year	53	–	35	6	94	106
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz, Deputy Chairman	Full-year	53	–	35	4	92	105
Michael Behrendt	Full-year	35	–	35	6	76	85
Marek Berdychowski [1]	until 6/15/2016	16	–	–	1	17	46
Helmut Brodrick [1]	Full-year	35	–	18	4	56	38
Detlef Dirks [1]	until 3/4/2016	6	–	6	2	14	84
Matthias Gründler	Full-year	–	–	–	–	–	–
Mag. Julia Kuhn-Piëch	Full-year	35	–	–	2	37	10
Nicola Lopopolo [1]	until 6/15/2016	16	–	–	1	17	46
Irmgard Maucher [1]	since 6/15/2016	19	–	–	2	21	–
Angelika Pohlenz	Full-year	35	–	–	3	38	46
Dr. Dr. Christian Porsche	Full-year	35	–	–	3	38	10
Mag. Mark Philipp Porsche	Full-year	35	–	–	3	38	10
Oskar Ritsch [1]	since 3/5/2016	29	–	14	4	47	–
Karina Schnur [1]	Full-year	35	–	–	3	38	46
Erich Schwarz [1]	Full-year	35	–	–	2	37	46
Athanasios Stimoniaris [1]	Full-year	35	–	35	6	76	38
Steffen Zieger [1]	since 6/15/2016	19	–	–	2	21	–
Members who left the Supervisory Board in 2015							90
Total 2016		**525**	**–**	**178**	**48**	**751**	**–**
Total 2015		**460**	**120**	**188**	**38**	**–**	**806**

[1] **The employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the German Confederation of Trade Unions (DGB).**

The employee representatives on the Supervisory Board who are employed by MAN also receive their standard employee remuneration.

For their membership on supervisory boards of other companies in the MAN Group, Mr. Behrendt received €36 thousand (previous year: €26 thousand), Mr. Brodrick received €11 thousand (previous year: €11 thousand), Mr. Dirks received €11 thousand (previous year: €11 thousand), Ms. Kuhn-Piëch received €11 thousand (previous year: €7 thousand), Dr. Dr. Porsche received €11 thousand (previous year: €8 thousand), Mr. Porsche received €10 thousand (previous year: €7 thousand), Mr. Ritsch received €11 thousand (previous year: €11 thousand), Ms. Schnur received €25 thousand (previous year: €27 thousand), Prof. Dr. Schulz received €11 thousand, Mr. Stimoniaris received €11 thousand (previous year: €13 thousand), and Mr. Zieger received €3 thousand (previous year: €3 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €21 thousand in the fiscal year (previous year: €16 thousand).

39 Corporate Governance Code

The Executive Board and Supervisory Board of MAN SE issued their annual declaration of conformity in accordance with section 161 of the AktG in December 2016. The joint declaration of conformity by the Executive Board and the Supervisory Board for MAN SE and for the MAN Group is included in the Corporate Governance Statement as a separate part of the Combined Management Report, and has been published on MAN SE's website at www.corporate.man.eu.

The Executive and Supervisory Boards of Renk Aktiengesellschaft, a listed subsidiary based in Augsburg, have also issued a declaration of conformity for Renk AG and for the Renk group. This is included in the management report and group management report of the company and has been published on its website at www.renk.eu.

40 Events after the reporting period

No events occurred after the reporting period that are material for the MAN Group and that could lead to a reassessment of the Company.

41 Segment reporting

The activities of the MAN Group are classified into the following reportable segments: MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and the Renk industrial subsidiary. In order to make decisions about the allocation of resources and the assessment of performance, the results of these segments are regularly reviewed by MAN SE's Executive Board in its role as chief operating decision-maker. "Others" mainly comprises MAN's Corporate Center. Companies with no operating activities and the Scania and Sinotruk investments are allocated to the Corporate Center. Consolidation adjustments between a business area's segments are presented in the business area itself. Other consolidation adjustments and the earnings effects of purchase price allocations in the event of the acquisition of an individual segment are reported in the "Others" item.

Description of the reportable segments:

MAN Truck & Bus is a leading supplier of commercial vehicles and transportation solutions and is expanding from its core Western European market into the growth markets of Eastern Europe and Asia.

MAN Latin America is one of the largest manufacturers of trucks and buses in Brazil and supplies customers in the Brazilian market as well as other key growth markets.

MAN Diesel & Turbo is a global leader in large marine diesel engines and stationary engines and is also one of the leading suppliers of turbomachinery on the global market.

Renk is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems.

MAN's business activities focus on two business areas: **Commercial Vehicles,** comprising MAN Truck & Bus and MAN Latin America, and **Power Engineering,** featuring MAN Diesel & Turbo and Renk. MAN is a leading provider in the international commercial vehicles industry and offers customer-focused products and services worldwide. Power Engineering is MAN's second strategic business area and provides a suitable counterbalance to Commercial Vehicles.

The segment information represents continuing operations. The segment disclosures for the current and the previous period therefore do not include the corresponding information for discontinued operations, although it is contained in the consolidated financial statements.

Operating profit/loss is the earnings measure for assessing a segment's results of operations. Operating profit/loss is calculated as profit/loss before tax and before the financial result. Earnings effects relating to tangible and intangible assets resulting from the acquisition of an individual segment are eliminated from the operating profit/loss of that segment.

Segment information is presented in accordance with the disclosure and measurement policies applied to preparation of the consolidated financial statements. Sales revenues between the segments are transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to the intangible assets, property, plant, and equipment, other equity investments, and assets leased out allocated to the individual divisions.

The following tables contain segment-related information for fiscal year 2016.

Segment information (1/3)

Reporting period from January 1 to December 31 and as of December 31

	Commercial Vehicles					
	MAN Truck & Bus		MAN Latin America		Commercial Vehicles	
€ million	2016	2015	2016	2015	2016	2015
Segment sales revenue	**9,243**	**8,997**	**861**	**1,047**	**10,002**	**9,954**
Intersegment sales revenue	–126	–102	–6	–14	–30	–28
Group sales revenue	9,117	8,894	855	1,033	9,972	9,926
Segment profit or loss (operating profit or loss)	**416**	**20**	**–190**	**–120**	**209**	**–101**
of which: depreciation and amortization	–839	–824	–34	–35	–871	–856
of which: impairment losses	–	–37	–1	0	–1	–37
Capital expenditures	**577**	**405**	**89**	**86**	**666**	**491**

Segment information (2/3)

Reporting period from January 1 to December 31 and as of December 31

	Power Engineering					
	MAN Diesel & Turbo		Renk		Power Engineering	
€ million	2016	2015	2016	2015	2016	2015
Segment sales revenue	**3,113**	**3,305**	**496**	**487**	**3,593**	**3,775**
Intersegment sales revenue	–5	–4	–14	–14	–3	–2
Group sales revenue	3,108	3,301	482	472	3,590	3,773
Segment profit or loss (operating profit or loss)	**–29**	**216**	**67**	**68**	**39**	**283**
of which: depreciation and amortization	–93	–89	–19	–16	–112	–105
of which: impairment losses	–3	–5	–2	–5	–5	–10
Capital expenditures	**164**	**177**	**26**	**41**	**189**	**218**

Segment information (3/3)

Reporting period from January 1 to December 31 and as of December 31

	Others						Group	
	Corporate Center [1]		Cons./Reconcil.		Total			
€ million	2016	2015	2016	2015	2016	2015	2016	2015
Segment sales revenue	**11**	**13**	**–43**	**–41**	**–32**	**–28**	**13,564**	**13,702**
Intersegment sales revenue	–10	–11	43	41	33	30	–	–
Group sales revenue	1	2	–	–	1	2	13,564	13,702
Segment profit or loss (operating profit or loss)	**–18**	**–55**	**–27**	**–35**	**–45**	**–90**	**204**	**92**
of which: depreciation and amortization	–8	–8	–18	–30	–26	–38	–1,008	–999
of which: impairment losses	0	0	–	–	0	0	–6	–47
Capital expenditures	**154**	**1**	**–149**	**–1**	**5**	**0**	**861**	**708**

[1] Corporate Center: MAN SE, Shared Services companies, and equity investments held directly by MAN SE.

The reconciliation of total profit of the segments to the MAN Group's profit before tax and discontinued operations is presented in the following:

€ million	2016	2015
Total profit of the segments (operating profit of the segments)	**264**	**184**
Corporate Center operating loss	–18	–55
Earnings effects from purchase price allocations not attributed to the segments	–18	–30
Consolidation within business areas and within the MAN Group	–24	–8
Operating profit (MAN Group)	**204**	**92**
Financial result	–155	3
Profit before tax and discontinued operations (MAN Group)	**49**	**95**

Segment information by region

Reporting period from January 1 to December 31 and as of December 31

€ million	Germany	Rest of Europe	Rest of World [1]	Total
2016				
Noncurrent assets (excl. financial instruments, equity investments, and deferred taxes) at December 31	3,795	2,560	2,190	8,545
Sales revenue [2]	3,273	5,720	4,571	13,564
2015				
Noncurrent assets (excl. financial instruments, equity investments, and deferred taxes) at December 31	3,451	2,324	1,483	7,258
Sales revenue [2]	3,252	5,195	5,254	13,702

[1] Detailed segment information relating to MAN Latin America is contained in the "Segment information" table.
[2] Allocation of sales revenue to the regions follows the destination principle.

List of Shareholdings as of December 31, 2016

Name and domicile of the company	Equity interest
I. PARENT	
MAN SE, Munich, Germany	
II. SUBSIDIARIES	
A. Consolidated companies	
1. Germany	
MAN HR Services GmbH, Munich	100.00%
GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal	100.00%
GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal	100.00%
GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal	100.00%
MAN GHH Immobilien GmbH, Oberhausen	100.00%
HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG, Pullach i. Isartal	100.00%
MAN Truck & Bus AG, Munich	100.00%
MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich	100.00%
MAN Truck & Bus Deutschland GmbH, Munich	100.00%
TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal	100.00%
TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal	100.00%
M A N Verwaltungs-Gesellschaft mbH, Munich	100.00%
MAN Service und Support GmbH, Munich	100.00%
KOSIGA GmbH & Co. KG, Pullach i. Isartal	94.00%
MAN Diesel & Turbo SE, Augsburg	100.00%
GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal	100.00%
GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal	100.00%
Renk Aktiengesellschaft, Augsburg	76.00%
RENK Test System GmbH, Augsburg	100.00%
2. Other countries	
MAN Finance and Holding S.A., Luxembourg, Luxembourg	100.00%
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	100.00%
MAN Truck & Bus Mexico S.A. de C.V., El Marques, Mexico	100.00%
MAN Capital Corporation, Pompano Beach, Florida, U.S.A.	100.00%
MAN Trucks Sp. z o.o., Niepolomice, Poland	100.00%
MAN Accounting Center Sp. z o.o., Poznań, Poland	100.00%
MAN Truck & Bus Vertrieb Österreich GmbH, Vienna, Austria	100.00%
MAN Hellas Truck & Bus A.E., Aspropygros, Greece	100.00%
MAN Truck & Bus Schweiz AG, Otelfingen, Switzerland	100.00%
MAN Truck & Bus Slovenija d.o.o., Ljubljana, Slovenia	100.00%
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100.00%
MAN Truck & Bus Asia Pacific Co. Ltd., Bangkok, Thailand	99.99%
MAN Bus Sp. z o.o., Tarnowo Podgórne, Poland	100.00%
MAN Truck & Bus (M) Sdn. Bhd., Rawang, Malaysia	70.00%
MAN Truck & Bus (Korea) Ltd., Seoul, South Korea	100.00%
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn, Poland	100.00%
MAN Trucks India Pvt. Ltd., Pune, India	100.00%
ERF Ltd., Swindon, UK (inactive)	100.00%
MAN Truck & Bus Trading (China) Co., Ltd., Beijing, China	100.00%
MAN Truck & Bus France S.A.S., Evry, France	100.00%
MAN Truck & Bus Danmark A/S, Greve, Denmark	100.00%

Name and domicile of the company	Equity interest
MAN Truck & Bus N.V., Kobbegem, Belgium	100.00%
TOV MAN Truck & Bus Ukraine, Kiev, Ukraine	100.00%
MAN Automotive (South Africa) (Pty) Ltd., Isando, South Africa (inactive)	100.00%
MAN Truck & Bus (S.A.) (Pty) Ltd., Isando, South Africa	100.00%
Centurion Truck & Bus (Pty) Ltd. t/a, Centurion, South Africa	70.00%
MAN Bus & Coach (Pty) Ltd., Olifantsfontein, South Africa	100.00%
MAN Engines & Components Inc., Pompano Beach, Florida, U.S.A.	100.00%
MAN Truck & Bus Italia S.p.A, Dossobuono di Villafranca, Italy	100.00%
MAN Truck & Bus Iberia S.A., Coslada, Spain	100.00%
MAN Truck & Bus Portugal S.U. Lda., Lisbon, Portugal	100.00%
Ipecas - Gestao de Imoveis S.A., Lisbon, Portugal	100.00%
MAN Truck & Bus UK Ltd., Swindon, UK	100.00%
MAN Truck & Bus Norge A/S, Lorenskog, Norway	100.00%
MAN Truck & Bus Österreich AG, Steyr, Austria	99.99%
MAN Nutzfahrzeuge Immobilien GmbH, Steyr, Austria	100.00%
MAN Truck & Bus Czech Republic s.r.o., Cestlice, Czech Republic	100.00%
MAN Truck & Bus Sverige AB, Kungens Kurva, Sweden	100.00%
MAN Türkiye A.S., Ankara, Turkey	99.99%
MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey	100.00%
MAN Truck & Bus Middle East and Africa FZE, Dubai, United Arab Emirates	100.00%
MAN Truck & Bus Slovakia s.r.o., Bratislava, Slovakia	100.00%
OOO MAN Truck and Bus RUS, Moscow, Russian Federation	100.00%
OOO MAN Truck & Bus Production RUS, St. Petersburg, Russian Federation	100.00%
MAN Diesel & Turbo Schweiz AG, Zurich, Switzerland	100.00%
MAN Diesel & Turbo South Africa (Pty) Ltd., Elandsfontein, South Africa	100.00%
MAN Diesel & Turbo China Production Co., Ltd., Changzhou, China	100.00%
MAN Diesel & Turbo Australia Pty. Ltd., North Ryde, Australia	100.00%
MAN Diesel & Turbo UK Ltd., Stockport, UK	100.00%
MAN Diesel & Turbo India Pvt. Ltd., Aurangabad, India	100.00%
MAN Diesel ve Turbo Satis Servis Ltd. Sti., Istanbul, Turkey	100.00%
MAN Diesel & Turbo Canada Ltd., Vancouver, British Columbia, Canada	100.00%
MAN Diesel & Turbo Pakistan Pvt. Ltd., Lahore, Pakistan	100.00%
MAN Diesel & Turbo Operations Pakistan Pvt. Ltd., Lahore, Pakistan	100.00%
MAN Diesel & Turbo España S.A., Madrid, Spain	100.00%
MAN Diesel & Turbo Brasil Ltda., Rio de Janeiro, Brazil	100.00%
MAN Diesel & Turbo Italia S.r.l., Genoa, Italy	100.00%
MAN Diesel & Turbo Chile Ltda., Valparaíso, Chile	100.00%
MAN Diesel & Turbo France S.A.S., Villepinte, France	100.00%
Société de Mécanique de Précision de l'Aubois, Jouet-sur-l'Aubois, France	100.00%
MAN Diesel & Turbo Singapore Pte. Ltd., Singapore, Singapore	100.00%
MAN Diesel & Turbo Hong Kong Ltd., Hong Kong, China	100.00%
MAN Diesel & Turbo Hellas E.P.E., Piraeus, Greece	100.00%
MAN Diesel & Turbo Benelux B.V., Schiedam, Netherlands	100.00%
MAN Diesel & Turbo Benelux N.V., Antwerp, Belgium	100.00%
MAN Diesel & Turbo North America Inc., Houston, Texas, U.S.A.	100.00%
MAN Diesel & Turbo Panama Enterprises Inc., Panama City, Panama	100.00%
MAN Diesel & Turbo Korea Ltd., Busan, South Korea	100.00%
PBS Turbo s.r.o., Velká Bítes, Czech Republic	100.00%

Name and domicile of the company	Equity interest
MAN Diesel & Turbo Middle East LLC, Dubai, United Arab Emirates	100.00%
MAN Diesel & Turbo Saudi Arabia LLC, Jeddah, Saudi Arabia	100.00%
MAN Diesel & Turbo Qatar Navigation LLC, Doha, Qatar	49.00%
MAN Diesel & Turbo Shanghai Co., Ltd., Shanghai, China	100.00%
MAN Diesel & Turbo Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100.00%
Gulf Turbo Services LLC, Doha, Qatar	55.00%
Renk Corp., Duncan, South Carolina, U.S.A.	100.00%
RENK-MAAG GmbH, Winterthur, Switzerland	100.00%
Renk Systems Corp., Camby, Indiana, U.S.A.	100.00%
Renk France S.A.S., Saint-Ouen-l'Aumône, France	100.00%
MECOS AG, Winterthur, Switzerland	100.00%
MAN Diesel & Turbo Shanghai Logistics Co., Ltd., Shanghai, China	100.00%
MAN Finance Luxembourg S.A., Luxembourg, Luxembourg	100.00%
MAN Diesel & Turbo Fujairah FZC, Fujairah Free Zone, United Arab Emirates	100.00%
MAN Truck & Bus Middle East FZE, Dubai, United Arab Emirates	100.00%
B. Unconsolidated companies	
1. Germany	
MAN Grundstücksgesellschaft mbH, Oberhausen	100.00%
MAN-Unterstutzüngskasse GmbH, Munich	100.00%
MAN Grundstücksgesellschaft mbH & Co. Gamma KG, Munich	100.00%
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal	100.00%
MAN Personal Services GmbH, Dachau	100.00%
tcu Turbo Charger GmbH, Augsburg	100.00%
MAN Erste Beteiligungs GmbH, Munich	100.00%
LoadFox GmbH, Munich	100.00%
2. Other countries	
MBC Mobile Bridges Corp., Houston, Texas, U.S.A. (inactive)	100.00%
MAN Truck & Bus India Pvt. Ltd., Mumbai, India (inactive)	100.00%
ERF (Holdings) plc, Swindon, UK (inactive)	100.00%
MAN Properties (Midrand) (Pty) Ltd., Isando, South Africa (inactive)	100.00%
MAN Properties (Pinetown) (Pty) Ltd., Isando, South Africa (inactive)	100.00%
MAN Properties (Pty) Ltd., Isando, South Africa (inactive)	100.00%
LKW Komponenten s.r.o., Bánovce nad Bebravou, Slovakia	100.00%
MAN Turbo (UK) Ltd., London, UK (inactive)	100.00%
MAN Diesel Turbochargers Shanghai Co., Ltd., in liquidation, Shanghai, China	100.00%
Mirrlees Blackstone Ltd., Stockport, UK (inactive)	100.00%
Fifty Two Ltd., Stockport, UK (inactive)	100.00%
Ruston & Hornsby Ltd., Stockport, UK (inactive)	100.00%
Paxman Diesels Ltd., Stockport, UK (inactive)	100.00%

Name and domicile of the company	Equity interest
Ruston Diesels Ltd., Stockport, UK (inactive)	100.00%
MAN Diesel & Turbo Kenya Ltd., Nairobi, Kenya	100.00%
Dencop A/S, Copenhagen, Denmark	100.00%
MAN Diesel & Turbo Poland Sp. z o.o., Gdansk, Poland	100.00%
MAN Diesel & Turbo Sverige AB, Gothenburg, Sweden	100.00%
MAN Diesel & Turbo Portugal, Unipessoal, Lda., Setúbal, Portugal	100.00%
MAN Diesel & Turbo Bulgaria EOOD, Varna, Bulgaria	100.00%
MAN Diesel & Turbo Costa Rica Ltda., San José, Costa Rica (inactive)	100.00%
Centrales Diesel Export S.A.S., Villepinte, France	100.00%
MAN Diesel & Turbo Philippines Inc., Manila, Philippines	100.00%
MAN Diesel & Turbo Japan Ltd., Kobe, Japan	100.00%
MAN Diesel & Turbo Norge A/S, Oslo, Norway	100.00%
MAN Iran Power Sherkate Sahami Khass, Tehran, Iran	100.00%
OOO MAN Diesel & Turbo Rus, Moscow, Russian Federation	100.00%
MAN Diesel Shanghai Co., Ltd., Shanghai, China (inactive)	100.00%
MAN Diesel & Turbo Canarias S.L., Las Palmas, Spain	100.00%
MAN Diesel & Turbo Guatemala Ltda., Guatemala City, Guatemala	100.00%
MAN Diesel & Turbo Argentina S.A., Buenos Aires, Argentina	100.00%
PT MAN Diesel & Turbo Indonesia, Jakarta, Indonesia	92.62%
Renk (UK) Ltd., London, UK (inactive)	100.00%
Cofical Renk Mancais do Brasil Ltda., Guaramirim, Brazil	98.00%
Renk Transmisyon Sanayi A.S., Istanbul, Turkey	55.00%
MAN Diesel & Turbo Jordan LLC, in liquidation, Aqaba, Jordan	100.00%
MAN Latin America Importacao, Industria e Comércio de Veículos Ltda., São Paulo, Brazil (inactive)	100.00%
MAN Diesel & Turbo Mexico, S. de R.L. de C.V., Mexico City, Mexico	100.00%
MAN Diesel & Turbo Lanka Pvt. Ltd., Colombo, Sri Lanka	100.00%
Renk Shanghai Service and Commercial Co., Ltd., Shanghai, China	100.00%
MAN Diesel & Turbo Sénégal SARL, Dakar, Senegal	100.00%
MAN Diesel & Turbo Perú S.A.C., Lima, Peru	100.00%
MAN Diesel & Turbo Bangladesh Ltd., Dhaka, Bangladesh	100.00%
MAN Diesel & Turbo Egypt LLC, Cairo, Egypt	100.00%
MAN Diesel & Turbo Nigeria Pvt. Ltd., Lagos, Nigeria	100.00%
S.A. Trucks Ltd., Bristol, UK (inactive)	100.00%
MAN Financial Services Administrators (S.A.) (Pty) Ltd., Isando, South Africa	100.00%
MAN Diesel & Turbo Taiwan Ltd., Kaohsiung, Taiwan	100.00%
MAN Diesel & Turbo New Zealand Ltd., Auckland, New Zealand	100.00%
MAN Diesel & Turbo Malaysia Oil & Gas Sdn. Bhd., Kuala Lumpur, Malaysia	55.00%
MAN Diesel & Turbo Muscat LLC, Muscat, Oman	100.00%
MAN Turbomachinery India Pvt. Ltd., Bangalore, India	100.00%
MAN Diesel & Turbo (Gibraltar) Ltd., Gibraltar, Gibraltar	100.00%
MDT CH International GmbH, Zurich, Switzerland	100.00%

Name and domicile of the company	Equity interest
III. JOINT VENTURES	
1. Germany	
2. Other countries	
OOO Truck Production RUS, St. Petersburg, Russian Federation	50.00%
Scania-MAN Administration ApS, Copenhagen, Denmark	50.00%
IV. ASSOCIATES	
1. Germany	
Hörmann Automotive Gustavsburg GmbH, Ginsheim-Gustavsburg	40.00%
Rheinmetall MAN Military Vehicles GmbH, Munich	49.00%
2. Other countries	
Sinotruk (Hong Kong) Ltd., Hong Kong, China	25.00%
JV MAN AUTO - Uzbekistan LLC, Samarkand City, Uzbekistan	49.00%
V. OTHER EQUITY INVESTMENTS	
1. Germany	
Roland Holding GmbH, Munich	22.83% [1]
Verwaltungsgesellschaft Wasseralfingen mbH, Aalen	50.00%
FFK Fahrzeugservice Förtsch GmbH Kronach, Kronach	30.00%
Coburger Nutzfahrzeuge Service GmbH, in liquidation, Dörfles-Esbach (inactive)	30.00%
MTC Marine Training Center Hamburg GmbH, Hamburg	24.83%
2. Other countries	
Scania AB, Sødertalje, Sweden	13.35% [2]
Renk U.A.E. LLC, Abu Dhabi, United Arab Emirates	49.00%

[1] Share of voting rights: 32.82%
[2] Share of voting rights: 17.37%

Governing Bodies

Members of the Supervisory Board and their appointments

Andreas Renschler
Stuttgart,
Member of the Board of Management of Volkswagen AG

Chairman of the Supervisory Board

[1] Deutsche Messe AG
[2] MAN Truck & Bus AG (Chairman)
[3] Sinotruk (Hong Kong) Ltd., China
[4] MAN Latin America Indústria e Comércio de Veículos Ltda., Brazil
Scania AB, Sweden (Chairman)

Jürgen Kerner*
Frankfurt,
Executive Board Member of IG Metall

Deputy Chairman of the Supervisory Board

[1] Airbus Operations GmbH
Premium Aerotec GmbH (Deputy Chairman)
Siemens AG

Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Krefeld,
Former Chief Executive Officer of ThyssenKrupp AG

Deputy Chairman of the Supervisory Board

[1] MAN Truck & Bus AG

Michael Behrendt
Hamburg,
Supervisory Board Chairman of Hapag-Lloyd AG

[1] Barmenia Allgemeine Versicherungs-AG (Deputy Chairman)
Barmenia Krankenversicherung a. G. (Deputy Chairman)
Barmenia Lebensversicherung a. G. (Deputy Chairman)
Esso Deutschland GmbH
ExxonMobil C. E. Holding GmbH
Hapag-Lloyd AG (Chairman)
MAN Diesel & Turbo SE
MAN Truck & Bus AG
Renk Aktiengesellschaft

Marek Berdychowski*
Tarnowo Podgórne/Poland,
Production technologist, Starachowice site, Poland
(Member of the Supervisory Board until June 15, 2016)

Helmut Brodrick*
Oberhausen,
Works Council Chairman of MAN Diesel & Turbo SE, Oberhausen plant

[1] MAN Diesel & Turbo SE

Detlef Dirks*
Diedorf,
Works Council Chairman of MAN Diesel & Turbo SE, Augsburg plant
(Member of the Supervisory Board until March 4, 2016)

[1] MAN Diesel & Turbo SE

Matthias Gründler
Albershausen,
Member of the Management of Volkswagen Truck & Bus GmbH

[2] MAN Truck & Bus AG
[3] Sinotruk (Hong Kong) Ltd., China
[4] MAN Latin America Indústria e Comércio de Veículos Ltda., Brazil
Scania AB, Sweden

Mag. Julia Kuhn-Piëch
Salzburg/Austria,
Real estate manager

[1] AUDI AG
MAN Truck & Bus AG

Nicola Lopopolo*
Hanover,
Chairman of the Works Council of Renk Aktiengesellschaft, Hanover plant
(Member of the Supervisory Board until June 15, 2016)

Irmgard Maucher*
Munich,
Member of the Works Council of MAN Truck & Bus AG
(Member of the Supervisory Board since June 15, 2016)

Angelika Pohlenz
Wiesbaden,
Former Secretary General of the International Chamber of Commerce (ICC), Berlin

Dr. Dr. Christian Porsche
Salzburg/Austria,
Neurologist

[1] MAN Truck & Bus AG
[3] Scania AB, Sweden

Mag. Mark Philipp Porsche
Salzburg/Austria,
Director of F.A. Porsche Beteiligungen GmbH

[1] MAN Truck & Bus AG
[3] Familie Porsche AG Beteiligungsgesellschaft, Austria
FAP Beteiligungen AG, Austria
SEAT S.A., Spain

Oskar Ritsch*
Diedorf,
Chairman of the General Works Council of MAN Diesel & Turbo SE and Deputy Chairman of the Group Works Council of MAN SE
(Member of the Supervisory Board since March 5, 2016)

[1] MAN Diesel & Turbo SE

Karina Schnur*
Reichertshofen,
Labor Union Secretary of IG Metall

[1] MAN Diesel & Turbo SE
MAN Truck & Bus AG
MAN Truck & Bus Deutschland GmbH

Erich Schwarz*
Steyr/Austria,
Chairman of the Works Council of MAN Truck & Bus Österreich GesmbH

[3] MAN Truck & Bus Österreich GesmbH, Austria

Athanasios Stimoniaris*
Munich,
Chairman of the Group Works Council of MAN SE, the SE Works Council, and the General Works Council of MAN Truck & Bus AG

[1] MAN Truck & Bus AG (Deputy Chairman)
Rheinmetall MAN Military Vehicles GmbH
[3] Volkswagen Truck & Bus GmbH (Deputy Chairman)

Steffen Zieger*
Leipzig,
Chairman of the General Works Council of MAN Truck & Bus Deutschland GmbH
(Member of the Supervisory Board since June 15, 2016)

[1] MAN Truck & Bus Deutschland GmbH (Deputy Chairman)

Supervisory Board committees of MAN SE

(as of December 31, 2016)

Presiding Committee
Andreas Renschler (Chairman)
Michael Behrendt
Jürgen Kerner
Oskar Ritsch
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Athanasios Stimoniaris

Audit Committee
Matthias Gründler (Chairman)
Michael Behrendt
Helmut Brodrick
Jürgen Kerner (Deputy Chairman)
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Athanasios Stimoniaris

Nomination Committee
Andreas Renschler (Chairman)
Michael Behrendt
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz

* Elected by the workforce
As of December 31, 2016, or date of departure
[1] Membership of statutory German supervisory boards
[2] Membership of statutory German supervisory boards, Group appointments
[3] Membership of comparable German or foreign governing bodies
[4] Membership of comparable German or foreign governing bodies, Group appointments

Members of the Executive Board and their appointments

Joachim Drees
Stuttgart,
Chairman of the Executive Board

[1] Veritas AG
[3] Sinotruk (Hong Kong) Ltd., China

Jan-Henrik Lafrentz
Munich,
Chief Financial Officer

[1] Rheinmetall MAN Military Vehicles GmbH
[2] MAN Diesel & Turbo SE
MAN Truck & Bus Deutschland GmbH
[4] MAN Truck & Bus Österreich GesmbH, Austria

Josef Schelchshorn
Ingolstadt,
Chief Human Resources Officer and *Arbeitsdirektor* (Executive Board member responsible for employee relations)

[4] MAN Truck & Bus Österreich GesmbH, Austria

As of December 31, 2016
[1] Membership of statutory German supervisory boards
[2] Membership of statutory German supervisory boards, Group appointments
[3] Membership of comparable German or foreign governing bodies
[4] Membership of comparable German or foreign governing bodies, Group appointments

Executive and management boards of Group companies

MAN Truck & Bus AG
Munich

Joachim Drees, Chief Executive Officer
Ulf Berkenhagen
Dr. Carsten Intra
Jan-Henrik Lafrentz
Heinz-Jürgen Löw
Josef Schelchshorn

MAN Latin America Indústria e Comércio de Veículos Ltda.
São Paulo

Antonio Roberto Cortes, Chairman
Helmut Dieter Hümmerich (until November 10, 2016)

MAN Diesel & Turbo SE
Augsburg

Dr. Uwe Lauber, Chairman of the Executive Board
Frank Burnautzki
Wayne Jones
Arnd Löttgen
Dr. Peter Park
Wilfried von Rath

Renk Aktiengesellschaft
Augsburg

Dipl.-Ing. (FH) Florian Hofbauer,
Spokesman of the Executive Board
Christian Hammel

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FURTHER INFORMATION

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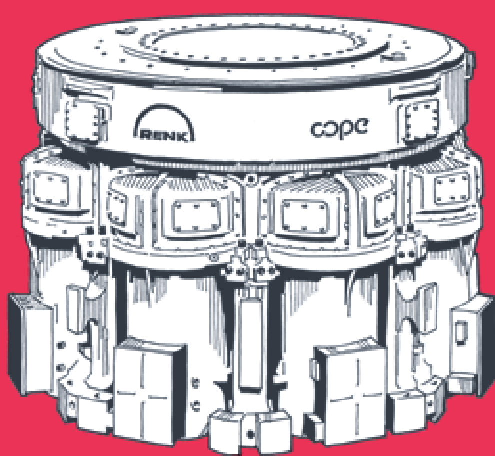

COPE DRIVE

This drive from Renk is the world's most powerful for driving vertical mills with an output of 9.6 megawatts for cement and of 7.5 megawatts for raw limestone. The integration of an engine into the drive creates new potential for compactness and reliability.

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FURTHER INFORMATION

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RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the MAN Group, together with a description of the material opportunities and risks associated with the expected development of the MAN Group.

Munich, February 6, 2017

MAN SE

The Executive Board

Joachim Drees

Jan-Henrik Lafrentz

Josef Schelchshorn

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by MAN SE, Munich — comprising the income statement, reconciliation of comprehensive income for the period, balance sheet, statement of cash flows, statement of changes in equity, and the notes — together with the Group management report of MAN SE, which is combined with the management report of MAN SE, Munich, for the fiscal year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the *Handelsgesetzbuch* (HGB — German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements, complies with the statutory provisions, as a whole provides a suitable understanding of the Group's position, and suitably presents the opportunities and risks of future development.

Munich, February 6, 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Frank Hübner
Wirtschaftsprüfer

Petra Justenhoven
Wirtschaftsprüferin

GLOSSARY

Committee of Sponsoring Organizations of the Treadway Commission (COSO): Internationally recognized framework for enterprise risk management and internal control.

Compliance: Adherence to statutory provisions, internal corporate policies, and ethical principles.

Contractual trust arrangement (CTA): Trust arrangement for funding pension provisions under which a company assigns assets to an autonomous and legally independent trustee as security that it will meet its pension funding obligations.

Derivatives/derivative financial instruments: Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e.g., stocks, foreign currency, interest-bearing securities).

Equity method: Method of including investments that are not consolidated in the investor's consolidated financial statements in cases where the investor has significant influence over the investment's financial and operating policy decisions. The carrying amount of the investment is adjusted for any changes in the investor's share of the investment's equity. These changes are usually reported in the owner's income statement.

Equity ratio: Indicates the ratio of total equity to total capital.

Equity-to-assets ratio: Indicates the extent to which non-current assets (intangible assets, property, plant, and equipment, and investments) are covered by equity.

Fair value: Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Function expenses: Function expenses comprise the cost of sales, distribution expenses, and general and administrative expenses.

International Financial Reporting Standards (IFRSs): Internationally applicable accounting standards that are designed to ensure comparability of financial accounting and reporting. They are issued by the International Accounting Standards Board (IASB), an international private body. IFRSs also comprise those International Accounting Standards (IASs) that are still effective.

Invested capital: Invested capital is calculated as total operating assets (intangible assets, property, plant, and equipment, assets leased out, inventories, and receivables) less non-interest-bearing liabilities (trade payables, prepayments received, and payments received from customers for assets leased out). Prepayments received are only deducted if they have already been used in order processing.

Net cash flow: Net cash flow represents the excess funds from operating activities. It is calculated as cash flows from operating activities less cash flow from investing activities attributable to operating activities.

Net liquidity/net financial debt: Net liquidity/net financial debt comprises cash and cash equivalents, loans to Group companies, and marketable securities, less financial liabilities.

Operating profit: Earnings measure for calculating operating return on sales and thus for assessing and measuring the performance of MAN Group divisions. Operating profit reflects the Company's actual business activity and documents economic output in the core business.

Operating profit after tax: Earnings measure for calculating return on investment. Using various international income tax rates, an overall average tax rate of 30% is assumed when calculating the operating profit after tax.

Operating return on sales: Ratio of operating profit to sales revenue.

$$\textit{Operating return on sales} = \frac{\textit{Operating profit}}{\textit{Sales revenue}}$$

Option: Agreement under which the purchaser is entitled, but not obligated, to acquire (call option) or sell (put option) the underlying asset at a future date for a predefined price. By contrast, the seller of the option is obligated to sell or purchase the asset and usually receives a premium for granting the option rights.

Other comprehensive income (OCI): OCI is a separate category within total equity. It comprises gains and losses that are recognized in the balance sheet but not in the income statement, in particular from the fair value measurement of marketable securities, financial investments, and hedging transactions, from the translation of the financial statements of foreign Group companies and from remeasurements of pension plans, after adjustment for deferred taxes.

Percentage of completion (PoC) method: Revenue and profit recognition method that is based on the stage of completion in accordance with IAS 11. This method is applicable to dedicated construction contracts for which the total revenue, total costs, and stage of completion can be reliably determined. Earnings contributions are recognized in accordance with the stage of completion even if the contract has not yet been completed in full and invoiced to the customer.

Projected unit credit method: Method used to measure pension obligations in accordance with IAS 19 that reflects expected future pay and pension increases in addition to the vested pension rights and entitlements existing at the end of the reporting period.

Return on Investment (ROI): Ratio to calculate the return on invested capital for a particular period by calculating the ratio of operating profit after tax to invested capital.

$$\textit{ROI} = \frac{\textit{Operating profit after tax}}{\textit{Invested capital}}$$

Swap: Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

Total cost of ownership (TCO): Sum of all incurred costs, for the acquisition, its use, and potential disposal of an asset.

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THE MAN GROUP: SEVEN-YEAR OVERVIEW

€ million	2016	2015	2014	2013[1]	2012	2011	2010
Order intake	**14,357**	**14,381**	**15,332**	**16,207**	**15,889**	**17,145**	**15,072**
of which: Germany	3,677	3,486	3,267	3,570	3,252	3,646	3,489
of which: other countries	10,680	10,895	12,066	12,637	12,637	13,499	11,583
Order intake by division							
MAN Truck & Bus	10,342	10,059	9,269	9,551	9,150	9,514	8,023
MAN Latin America	861	1,047	2,253	2,955	2,870	3,579	3,140
MAN Diesel & Turbo	2,808	2,949	3,280	3,407	3,510	3,692	3,475
Renk	486	483	666	504	525	456	525
Others/Consolidation	–139	–157	–135	–210	–166	–96	–91
Sales revenue	**13,564**	**13,702**	**14,286**	**15,861**	**15,772**	**16,472**	**14,675**
of which: Germany	3,273	3,252	2,906	3,388	3,170	3,515	3,058
of which: other countries	10,290	10,449	11,380	12,472	12,602	12,957	11,617
Sales revenue by division							
MAN Truck & Bus	9,243	8,997	8,412	9,251	8,822	8,984	7,446
MAN Latin America	861	1,047	2,253	2,955	2,870	3,579	3,140
MAN Diesel & Turbo	3,113	3,305	3,273	3,390	3,780	3,610	3,766
Renk	496	487	480	485	476	389	403
Others/Consolidation	–150	–134	–133	–221	–176	–90	–80
Order backlog at December 31	**5,641**	**6,037**	**6,244**	**5,776**	**6,094**	**6,640**	**7,025**
of which: Germany	1,280	1,164	1,216	1,114	1,067	1,172	1,264
of which: other countries	4,360	4,872	5,028	4,662	5,027	5,468	5,761
Headcount at December 31	**53,824**	**55,030**	**55,903**	**56,102**	**56,513**	**53,792**	**49,155**
of which: German companies	31,444	31,720	32,309	32,430	32,272	31,302	28,610
of which: companies outside Germany	22,380	23,310	23,594	23,672	24,241	22,490	20,545
Permanent employees at December 31	**49,982**	**51,234**	**51,995**	**52,182**	**52,481**	**50,178**	**45,693**
Subcontracted employees at December 31	**1,562**	**802**	**879**	**1,327**	**1,802**	**2,364**	**1,976**
Annual average headcount	**54,135**	**55,267**	**55,587**	**55,999**	**55,963**	**52,283**	**49,019**
MAN share data							
Common shares at December 31 (in €)	94.33	92.70	92.16	89.25	80.75	68.70	88.99
Common shares, high (in €)	95.69	99.02	93.80	89.74	102.45	98.72	96.44
Common shares, low (in €)	90.51	90.20	87.99	82.35	70.76	52.51	47.99
Common shares, price/earnings ratio at December 31 [2]	–762.5	90.9	104.7	–	65.7	14.9	16.8
Preferred shares at December 31 (in €)	93.15	91.90	91.31	88.56	75.50	48.35	58.21
Preferred shares, high (in €)	94.50	97.70	93.25	88.95	85.51	69.94	62.24
Preferred shares, low (in €)	90.30	89.13	87.70	75.35	50.54	37.02	38.02
Preferred shares, price/earnings ratio at December 31 [2]	–753.0	90.1	103.8	–	61.4	10.5	11.0
Dividend per share (in €) [3]	3.07	3.07	3.07	3.07	1.00	2.30	2.00
Earnings per share (IAS 33) (in €) [2]	–0.12	1.02	0.88	–1.47	1.23	4.62	5.30
Equity per share (in €)	38.2	37.0	35.9	36.4	37.7	39.0	37.4

[1] 2013: Adjusted to reflect the retrospective application of the income statement, balance sheet, and statement of cash flows structure used by Volkswagen.
[2] For continuing operations.
[3] MAN SE will not distribute any further dividends from 2014 onwards as a result of the DPLTA. Instead, Volkswagen Truck & Bus GmbH agreed to make annual cash compensation payments of €3.07 per common or preferred share for the full fiscal year to MAN SE free float shareholders for the duration of the DPLTA, starting in fiscal 2014.

€ million	2016	2015	2014	2013[1]	2012	2011	2010
Noncurrent assets	12,795	11,203	10,534	9,949	11,746	10,623	10,046
Inventories	3,246	3,058	3,095	3,112	3,373	3,513	2,852
Other current assets	2,602	3,070	3,384	8,338	3,426	3,576	3,462
Marketable securities and cash and cash equivalents	796	779	525	1,138	1,367	958	1,071
Total equity	5,850	5,565	5,485	5,227	5,632	5,590	5,990
Pension obligations	624	496	603	452	591	378	226
Noncurrent and current financial liabilities	2,995	2,515	2,485	3,627	5,299	3,170	2,849
Prepayments received	705	789	819	852	908	823	762
Other liabilities and provisions	9,264	8,745	8,145	12,379	7,482	8,709	7,604
Total assets/capital employed	**19,438**	**18,110**	**17,538**	**22,537**	**19,912**	**18,670**	**17,431**
Sales revenue	**13,564**	**13,702**	**14,286**	**15,861**	**15,772**	**16,472**	**14,675**
Cost of sales	–11,033	–11,107	–11,695	–13,101	–12,499	–12,791	–11,400
Gross profit	**2,531**	**2,594**	**2,591**	**2,760**	**3,273**	**3,681**	**3,275**
Other income and expenses	–2,327	–2,502	–2,207	–2,451	–2,304	–2,198	–2,240
Operating profit	**204**	**92**	**384**	**309**	**969**	**1,483**	**1,035**
Earnings effects from purchase price allocations	–	–	–	–	–110	–109	–109
Gains/losses from nonrecurring items	–	–	–	–	–231	–118	357
Net interest expense	–	–	–	–	–312	–134	–158
Financial result	–155	3	–142	–137	–	–	–
Profit before tax	**49**	**95**	**242**	**172**	**316**	**1,122**	**1,125**
Income taxes	–55	64	–100	–377	–124	–434	–338
Profit/loss from discontinued operations, net of tax	–	–10	124	–308	–	–441	–65
Profit/loss after tax	**–7**	**150**	**267**	**–513**	**192**	**247**	**722**
Noncontrolling interests	–12	–10	–13	–11	–12	–9	–9
Withdrawal from/transfer to reserves	–	–	–	545	–33	100	–419
Total dividend paid by MAN SE[2]	**–**	**–**	**–**	**21**	**147**	**338**	**294**
Depreciation and amortization of, and impairment losses on noncurrent assets (from 2013 including assets leased out)	–1,014	–1,047	–905	–980	–706	–1,129	–467
Capital expenditures and financing							
Property, plant, and equipment, and intangible assets	854	688	605	558	754	601	391
Equity investments	6	20	5	4	175	70	5
Research and development costs	881	791	718	635	–	–	–
Research and development expenditures	–	–	–	–	830	740	626
Net cash provided by/used in operating activities	833	1,162	–695	136	–84	518	1,427
Net cash used in investing activities attributable to operating activities	–831	–667	–154	–526	–1,233	–637	–374
Net cash flow (free cash flow until 2013)	2	495	–849	–390	–1,317	–119	1,053
Key performance indicators							
Operating return on sales (%)	1.5	0.7	2.7	1.9	–	–	–
ROS (%)	–	2.9	3.0	3.0	6.1	9.0	7.1
ROCE (%)[3]	–	5.1	5.8	6.9	13.9	24.4	17.4

[1] 2013: Adjusted to reflect the retrospective application of the income statement, balance sheet, and statement of cash flows structure used by Volkswagen.
[2] MAN SE will not distribute any further dividends from 2014 onwards as a result of the DPLTA. Instead, Volkswagen Truck & Bus GmbH agreed to make annual cash compensation payments of €3.07 per common or preferred share for the full fiscal year to MAN SE free float shareholders for the duration of the DPLTA, starting in fiscal 2014.
[3] CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made in 2009).

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