Tomorrow starts with MAN.

2013 Annual Report

Engineering the Future – since 1758.

MAN SE

Going for gas

Tomorrow starts with MAN because we are already thinking about what will drive us in the future today. Natural gas is enjoying growing popularity and could soon surpass oil. As one of the most environmentally friendly fossil fuels around, its efficiency, cost-effectiveness, and diverse use mean that natural gas plays a key role on international transportation and energy markets. MAN's clear strategic focus puts it in a perfect position to offer its customers the best products and services.

We have risen to the challenges that the future presents and honed our natural gas expertise. After all, the increasing importance of natural gas is also leading to growing demand for suitable transportation and energy solutions. We are one of the few companies in the world to offer innovative technologies along the entire natural gas value chain.

01

NATURAL GAS EXPLORATION

Drilling deep for natural gas requires special and heavy equipment. MAN gives the special gear a solid basis.

02

NATURAL GAS EXTRACTION

Compressing the gas as early as down on the seabed and moving it through pipelines are milestones made possible by the technology that MAN provides.

03

NATURAL GAS PRODUCTION

Ingenious technology from MAN transforms green electricity, water, and CO_2 into an energy source with a future: synthetic natural gas.

04

NATURAL GAS TRANSPORT

Powerful liquefied natural gas tankers ensure that gas gets to where it is needed. When it comes to propelling these giants, shippers trust in MAN's expertise.

05

NATURAL GAS USE

Whether it drives a city bus, truck, or gas power plant, MAN engineering is kinder to the environment – but still provides plenty of punch.

01

"Our drilling rigs are mounted on a robust all-wheel MAN chassis and driven by its powerful truck engine – so there's nothing stopping a demanding drilling project!"

Ulrich Pelleter (Dipl.-Ing.), General Manager at PRAKLA Bohrtechnik GmbH.

NATURAL GAS EXPLORATION

Whether it be in Chile or Ethiopia – PRAKLA mobile universal drilling rigs are used on MAN's all-wheel chassis in drilling for natural gas.

WE ARE WHEREVER THE GAS IS.

Strict industry safety and environmental protection measures apply to gas-producing countries. Thanks to global players like MAN in the field of truck engine and chassis production, all the responsibilities and requirements can be met without compromise.

Blazing sun, a humid climate, dizzying heights, strong winds and cold temperatures – natural gas is mostly to be found in regions that are fairly inhospitable. There is no climatic zone on this earth that has not been explored for natural gas. PRAKLA drilling rigs on MAN truck chassis are part of the action. Firstly, wells are needed to supply the drilling camps with water and for the mud conditioning system. Largely-calibrated holes to place the standpipe and the anchor pipes into also have to be drilled. The large natural gas drilling rigs and the very sophisticated equipment that goes with them are only built up once this has happened. Thanks to the maneuverable drilling instruments, drilling can begin immediately even if the drilling sites are not yet fully prepared. This saves both time and money.

Pre-drilling down to a depth of 4,000 meters in the Andes (Chile/South America). A well is set up here first to supply water for the deep drilling to come and for the camp.


PRAKLA
MAN

AN ALL-ROUNDER FOR EVERY FIELD OF APPLICATION

The MAN TGS 33.440 6x6 is in action on every continent: from the Arabian coast through the high mountains of Asia, Africa, and South America. "Truck chassis with all-wheel drive are indispensable, especially in regions that do not exactly have what you would call roads. MAN's technology is cost-effective while also being powerful and reliable," says Ulrich Pelleter, General Manager at PRAKLA Bohrtechnik GmbH.

The drilling rigs sink drills that generally penetrate down between 450 through 600 meters deep. Once all the piping has been put in and cemented, a large oil and gas drilling rig is installed over the hole. It then drills down at least 3,000 meters deep.

QUICK AND COST EFFICIENT

"The operating costs of these venture are huge," explains Ulrich Pelleter. "The high efficiency, low noise level, and eco-friendly technology of the MAN carrier vehicles and mobile drilling rigs mean that we have one less thing to worry about on the sites. All these qualities enable cost savings and lead to the drilling tasks being successfully completed more quickly and safely."

Thanks to the maneuverable drilling equipment and shorter setup times, drilling can begin immediately. This saves both time and money.


PRAKLA
Bohrtechnik

02

"The power of MAN Diesel & Turbo's subsea compressors guarantee accelerated extraction of natural gas from the Åsgard field for Statoil. It also enables exploitation of the field to be increased significantly."

Heinz Zürcher, Head of Marketing/Business Development – Oil & Gas at MAN in Zurich.

NATURAL GAS EXTRACTION

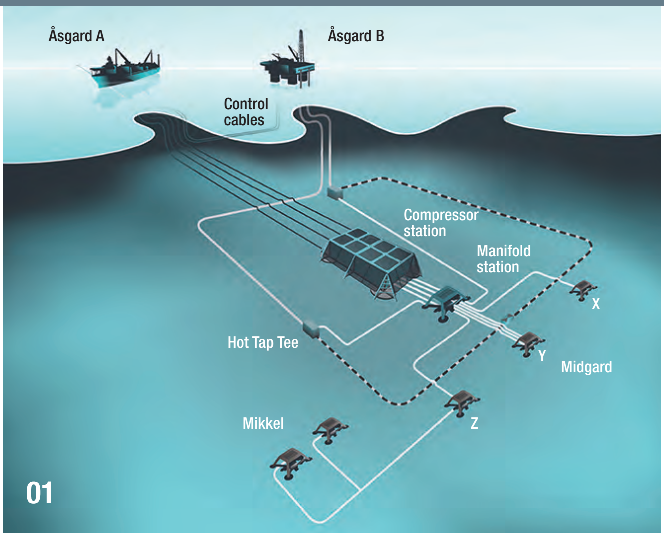
The seabed just off the coast of Norway will soon host a premiere. MAN's sophisticated technology will be attending.

WE GO DOWN WHERE PRESSURE IS HIGH.

The world's first gas compressor station in the deep sea will go into operation in the Åsgard natural gas field. This means one thing for all those involved in the project: entering unknown territory.

There are giant natural gas reserves under the seabed. The accessibility and the nature of the fields present those who run them with new challenges that can often only be overcome economically using new technology. Unconventional extraction methods are set to compensate for dwindling resources worldwide to cover demand. In order to get to the treasure that it has not been possible to extract to date, Norwegian energy company Statoil made it its business a few years ago to come up with a new method of extraction that would enable gas to be compressed below water close to the borehole, overcoming the resistance in the pipeline system. The aim: for the first subsea gas extraction system directly installed on the seabed to be in action in the Åsgard field, around 200 kilometers off the coast of Norway, by the end of 2014.

Natural gas platform in the Åsgard field off the coast of Norway.



01 The subsea station on the seabed is like an industrial park. Subsea stations can completely replace floating rigs which means significant benefits with regard to safety and operating costs. The energy needed for operation is less and the amount of fossil fuels produced overall is higher.

The heart of the station is the compressor (center of figure 1) that compresses the gas. The valuable commodity is then fed through pipelines to the surface where it is received by ships or platforms **(see also figure 2).**

03 The first templates for later installation being "sunk".

The success of this unique project primarily depends on the safety and the reliability of the technology. After all, the equipment has to be able to withstand the extreme conditions under water, like the extreme pressure. As a result, only components that are absolutely suited to the deep sea – robust, resilient, and durable – can be considered. Oslo-based Aker Solutions, the company commissioned with construction of the system, found the perfect partner for such a bold plan in MAN Diesel & Turbo and its corresponding know-how.

The first use of subsea compression technology worldwide is a milestone that is being closely followed by the trade world. After all, the technology opens up completely new prospects, particularly with regard to gas fields that have been considered unprofitable to date because they are difficult to access or the tremendous latent deposits that remain untapped.

YEARS OF DEVELOPMENT

2010 saw Aker Solutions award MAN Diesel & Turbo the contract to supply four subsea compressors for gas extraction directly on the seabed. Following a qualification phase lasting several years, MAN Diesel & Turbo completed a pilot machine in fall 2013. It is currently undergoing rigorous tests so that everything goes smoothly when it is finally installed in the Åsgard field starting from summer 2014.

SWISS PRECISION

The subsea compressors originate from the high-speed oil-free integrated motor (HOFIM) compressor series – developed by MAN Diesel & Turbo in Zurich. This compressor model is equipped with a high-speed motor and its extreme resilience singles it out, making it ideally suited to the specialized demands of undersea gas extraction.

HIGHER OUTPUT

"The estimated market potential for the new technology is enormous," stresses Heinz Zürcher, Head of Marketing / Business Development – Oil & Gas at MAN in Zurich. "Compressing the gas directly under water and close to the borehole significantly increases the output of a gas field." Compared with the construction of traditional platforms and extraction ships, the subsea method also involves substantially lower investment and operating costs.


02


03

03

NATURAL GAS PRODUCTION

The ingredients for synthetic natural gas: green electricity, water, and carbon dioxide – mixed with MAN know-how.

"The e-gas from MAN Diesel & Turbo's methanation reactor enables 1,500 natural gas-powered cars to drive 15,000 kilometers carbon-free every year."

Rolf Bank (Prof.), Head of Process Development at MAN Diesel & Turbo in Deggendorf.

WE KEEP THE NATURAL GAS SUPPLY CARBON NEUTRAL.

Audi AG is ushering in a new era in mobility with the help of MAN Diesel & Turbo – and proving that natural gas does not just have to come from the depths of the earth.

Audi has built an impressive power-to-gas plant near the 10,000-strong municipality of Werlte in Lower Saxony. The automaker produces a sustainable fuel at the facility that covers around 5,000 square meters in the form of its Audi e-gas. Production has been in full swing since summer 2013 – and MAN Diesel & Turbo plays a major part in this. "The methanation reactor that we developed is the heart of the innovative plant," emphasizes Dr. Josef Dachs, Head of MAN Diesel & Turbo's Deggendorf site in Bavaria. "It enables Audi to produce synthetic natural gas on an industrial scale."

Methanation reactor for producing gas. →

01

The gas generated in the e-gas plant is nearly identical to fossil-based natural gas chemically speaking. It can easily be fed into the gas grid and delivered to CNG stations for filling up. Audi's e-gas is a climate-friendly fuel ideal for internal combustion engines.

Prof. Rolf Bank, Head of Process Development at MAN Diesel & Turbo in Deggendorf: "The plant produces a climate-neutral fuel from renewably-generated electricity that is nearly identical to fossil-based natural gas chemically speaking."

NATURAL GAS – SELF-MADE, STORABLE, AND TRANSPORTABLE

So how does the production of e-gas work? There are two main steps in the journey to becoming the end product: First, so-called electrolyzers break water down into oxygen and hydrogen with the help of electricity generated from wind power or solar energy. The hydrogen extracted then reacts with carbon dioxide (CO_2) in the methanation reactor to produce synthetic methane. The CO_2 used is itself a waste product from a nearby biogas plant.

The concept is an answer to the urgent questions of our time: Firstly, the plant enables surplus green electricity to be stored in the form of natural gas in the public grid. It also has the potential to drive the marketability of natural gas as a passenger car fuel – and in this way to help protect the climate: The plant produces about 1,000 metric tons of e-gas per year, chemically binding some 2,800 metric tons of CO_2 that would otherwise escape into the atmosphere.

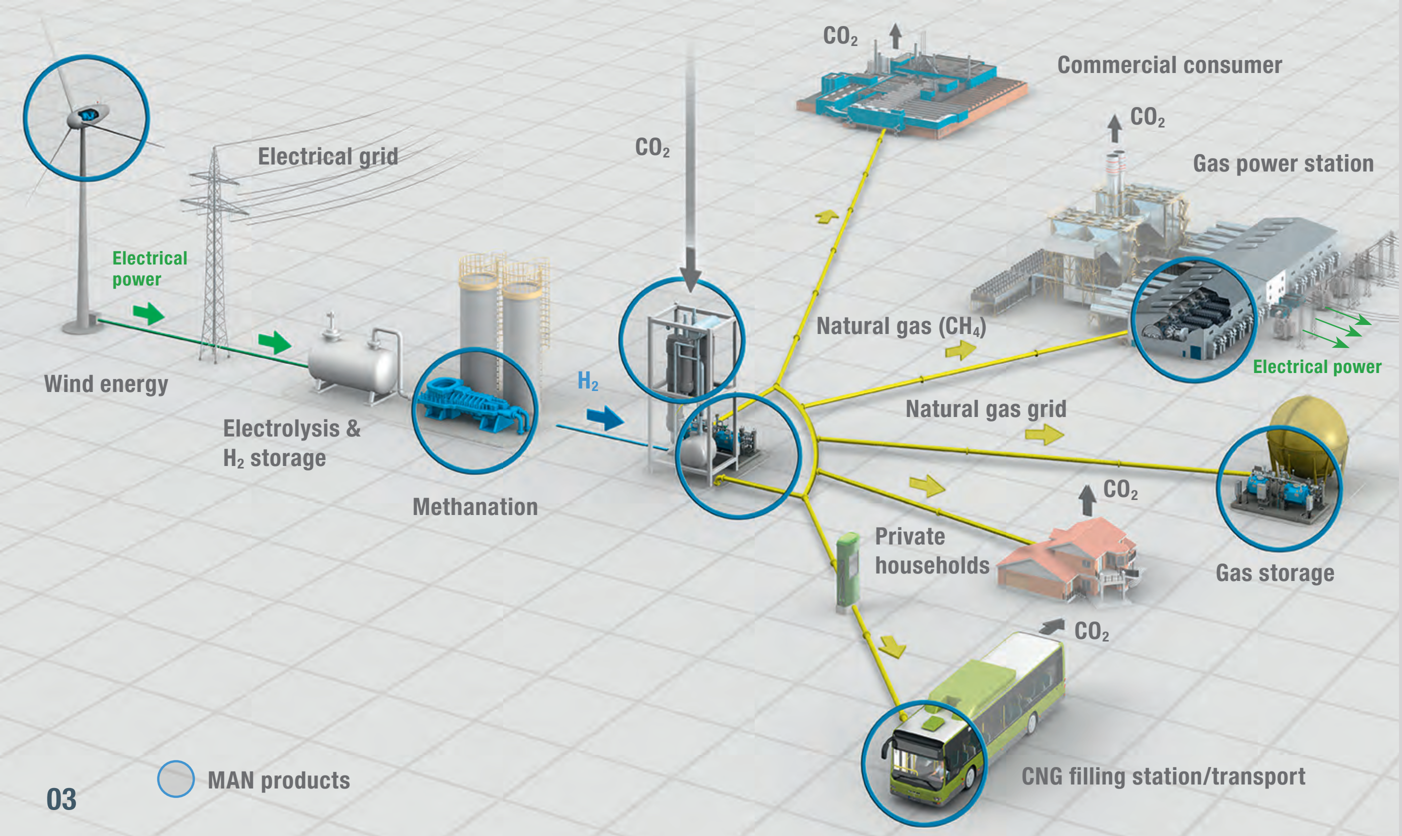
02

01 Heinz Hollerweger, Head of Audi AG's Total Vehicle Development, at the official opening ceremony of the Audi e-gas plant in Werlte (Emsland) – at a "temporary filling station" specially set up for the occasion.

02 Audi A3 g-tron: The natural gas tank is at the back of the vehicle and gives it a range of around 500 kilometers.

03 Power-to-gas process chain. Hydrogen reacts with carbon dioxide in the methanation reactor **(see also figure 04).** The result: synthetic natural gas.

03


CO_2
Commercial consumer
CO_2
Gas power station
Electrical grid
CO_2
Electrical
power
Wind energy
Electrolysis &
H_2 storage
Methanation
H_2
Natural gas (CH_4)
Electrical power
Natural gas grid
CO_2
Private
households
Gas storage
CO_2
CNG filling station/transport
MAN products

04

04

NATURAL GAS TRANSPORT

MAN's dual-fuel engines enable LNG tankers to travel the world seas much more cleanly than with conventional diesel engines.

"Global demand for natural gas is on the rise – as is the need for tankers that can transport it and be powered by LNG themselves. We want to benefit from this growing market segment for many years to come."

Klaus Deleroi, Head of the Medium Speed business unit at MAN Diesel & Turbo in Augsburg.

Natural gas is increasingly covering long distances by ship in liquid form. At the same time, emission limits for maritime shipping are getting stricter and stricter. MAN Diesel & Turbo has the solution: energy-efficient dual-fuel engines.

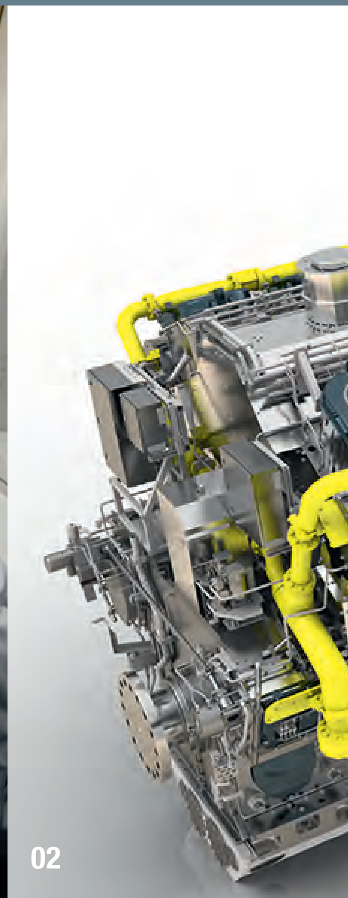
The trend has been evident for some time: liquefied natural gas (LNG) tankers are establishing themselves worldwide as an alternative to natural gas transport through pipelines. Sea routes are especially appealing when it comes to covering long distances and regions that are not connected to pipeline grids. Tankers also offer greater flexibility as they can be steered toward sites where there is a current need. However, the related growth in LNG shipping does not go hand in hand with stricter emission regulations.

The UN's International Maritime Organization is calling for new emission limits for ships. The standards will only apply in so-called emission-controlled areas (ECAs) to begin with, but they will then extend beyond these protection zones starting in 2020. LNG has the potential to oust diesel and heavy oil, the fuels currently used the most to date. MAN Diesel & Turbo already operates successfully in this area: "Our dual-fuel engines are tailored to challenges like environmental protection and increasing fuel costs," says Klaus Deleroi, Head of the Medium Speed business unit at MAN Diesel & Turbo in Augsburg.

Illustration of an LNG tanker powered by five MAN dual-fuel engines. →

WE USE THE FREIGHT TO FUEL.


MAN ENGINE
MAN
MAN
01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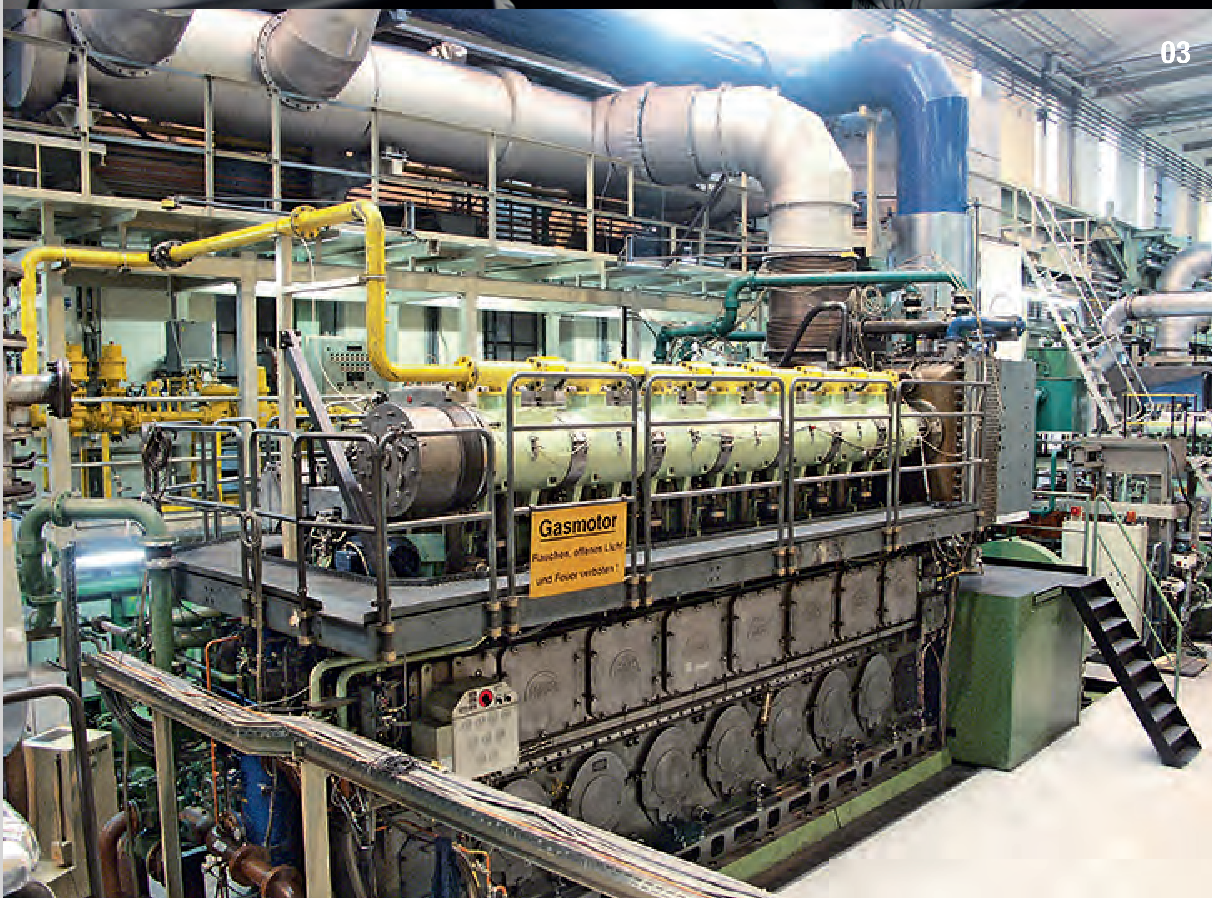
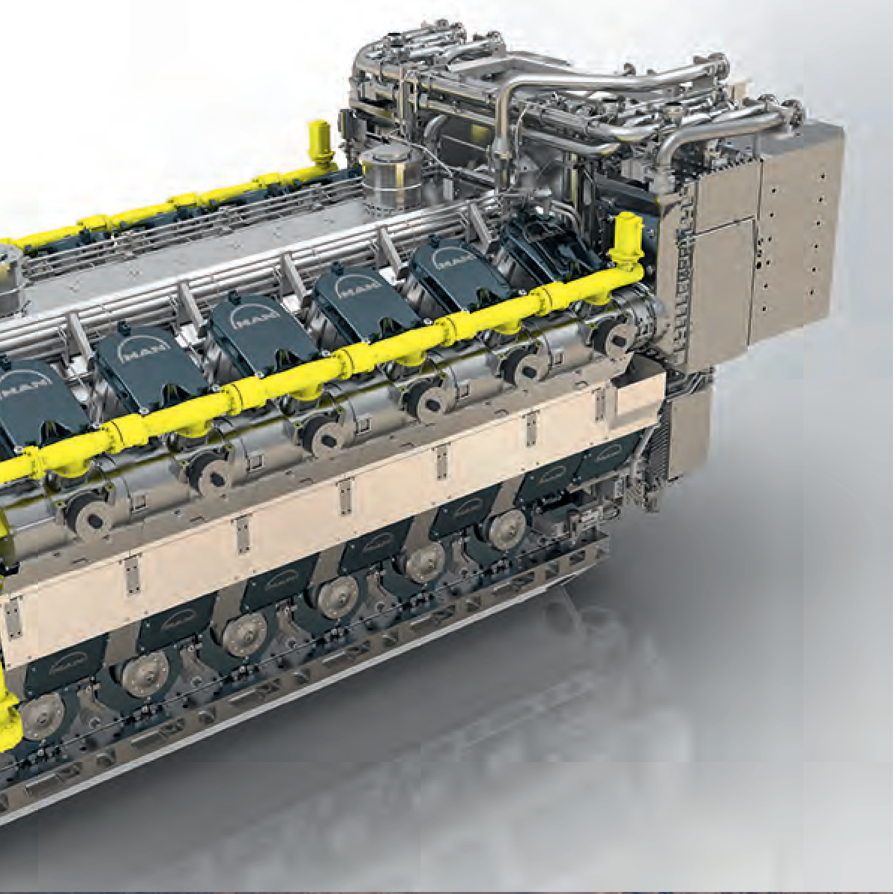

Gasmotor
Rauchen, offenes Licht
und Feuer verboten!
03


04



PREDESTINED FOR USE IN LNG TANKERS

Dual-fuel engines can run on both liquid and gaseous fuels. In gas mode, the emission of CO_2, sulfur, and nitrogen oxide is much lower compared with conventional ship fuels. This is just the technology for LNG tankers since LNG is on board anyway. The gas evaporating from the ship's cargo tanks is not lost but instead used very energy-efficiently to power the engine.

CONTRACTS WORTH AROUND €100 MILLION

Nowadays, many LNG tankers are already equipped with dual-fuel engines. "Our order situation in this segment is still trending upward," says Klaus Deleroi. In 2013 alone, MAN was awarded contracts to supply a total of 35 dual-fuel engines for LNG tankers from China and Japan. 30 of them will power six of a Chinese consortium's ships. The new constructions are the first large LNG tankers with an electric propulsion system based on dual-fuel engines that are built in China. MAN Diesel & Turbo will also deliver five engines to Japan for an LNG tanker belonging to Kawasaki Heavy Industries Ltd.

01 Engineers testing at MAN Diesel & Turbo in Augsburg.

02 Power package 51/60DF. The dual-fuel engine can run on liquid fuel (like diesel) or natural gas.

03 MAN's 51/60DF dual-fuel engine.

04 LNG tanker Castillo de Santisteban. Shipper Empresa Naviera Elcano's 300-meter long tanker transports liquid gas. The five MAN four-strokers on board can run on natural gas.

05

NATURAL GAS USE

MAN's operations in compressed natural gas (CNG) drives have produced clean mobility solutions for transportation and city traffic.

"Göteborg relies on eco-friendly gas drive systems for its public transportation network. We are supporting the new direction that the city bus fleet is taking with our experience and servicing strength."

Rolf Andersson, Operations Manager at NEOPLAN Väst AB in Sweden.

In Sweden's second-largest city, NEOPLAN Väst has set up a city bus depot with a biogas station and a full service package.

A COMFORTABLE HOME FOR GÖTEBORG'S BIOGAS BUS FLEET

The west coast of Sweden has much to offer tourists and inhabitants alike. Anyone travelling on public transport in Göteborg and on the island of Hisingen is most probably sitting in one of the CNG buses, of which there are over 100. MAN has supplied 90 of them.

In order to be able to ideally fill up and maintain the fleet, bus operator Keolis Sverige needed a modern and spacious depot. NEOPLAN Väst – which is responsible in Sweden for the service network and sales of MAN- and NEOPLAN-branded buses – set up a large bus service center for Keolis covering 32,000 square meters that fulfills all the customer's wishes.

"Following a good six months of construction, we handed an efficient, turnkey depot over to Keolis," says Operations Manager Rolf Andersson of NEOPLAN Väst, who is responsible for the service center. "Features include Göteborg's largest biogas station, a two-lane wash facility, and an extra lane for cleaning the interior." The service center currently has space for 125 buses. However, the trend toward quieter, cleaner, and reliable CNG buses has only just begun – which is why expansion to up to 200 buses was planned from the outset.

MAN buses are filled up with biogas in the Keolis Sverige bus service center in Göteborg.

WE PUT NATURAL GAS POWER ON THE ROAD.

"Our customer AmBev will be relying on natural gas-powered trucks for its drinks deliveries during 2014 World Cup. The technology for this comes from MAN."

Gian Marques, Technical Project Manager at MAN Latin America in Resende (Brazil).

100% natural gas power in trucks, too.

A PROTOTYPE WITH POTENTIAL FOR THE FUTURE

Things are warming up for the 2014 FIFA World Cup in Brazil: starting on June 12, the best teams will come together. Fans all around the world can expect the competition to be hot in the true sense of the word. And high temperatures make you thirsty – a thirst that will be quenched by AmBev, among others. Latin America's largest beverage manufacturer has commissioned MAN to develop a truck that is completely powered by natural gas.

01

"We have twelve months of fiddling behind us – but it has been worthwhile," says Gian Marques, who is responsible for providing technical support on MAN Latin America's side for the demanding project. "We will be delivering the prototype after February. AmBev will be able to use the vehicle for its drink deliveries in Rio de Janeiro in time for the World Cup." The innovative vehicle is built on MAN Latin America's VW 24.280 Constellation chassis.

"We have developed a completely new drive for this model based on an MAN natural-gas, six-cylinder engine," explains Marques. MAN was responsible for the entire process – from vehicle integration and performance assessment through analysis of fuel consumption. The lightweight natural gas storage system is also an MAN engineering feat. The truck can do some 200 kilometers on a tank of natural gas.

This technology has a promising future in several respects. The vehicles are more than just kind to the environment – they are also cost-effective. Compressed natural gas (CNG) costs much less than conventional fuels in Brazil. There are also tax benefits for natural gas vehicles. For this reason, using CNG in trucks enables transport costs to be kept low. It can also make vehicle maintenance much more efficient.

200 km

is the distance that a truck can travel on a tank full of natural gas.

Brazil has an extended gas grid – ideal for using natural gas to power trucks on a large scale.

01 The truck's natural gas storage system: The three cylinders made of carbon fibers are very light and hold 150 m³ of gas, giving the truck a range of 200 kilometers.

02 Prototype of the natural gas-driven Constellation for AmBev, the largest beverage manufacturer in Latin America. It is powered by an MAN six-cylinder natural gas engine.

02

Tomorrow starts with MAN.

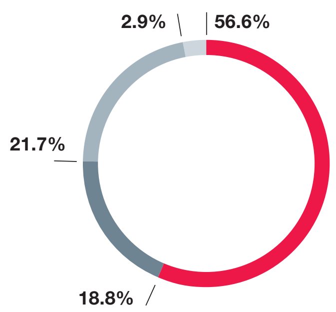
MAN at a Glance

Group key figures (IFRSs)

€ million	2013	2012	Change in %
Order intake	**15,987**	**15,889**	**1**
Germany	3,475	3,252	7
Other countries	12,512	12,637	– 1
Revenue	**15,664**	**15,772**	**– 1**
Germany	3,293	3,170	4
Other countries	12,371	12,602	– 2
Order backlog[1]	**5,776**	**6,094**	**– 5**
Headcount[1,2]	**53,509**	**54,283**	**– 1**
Income statement			**Change in € million**
Operating profit[3]	475	969	– 494
Earnings before tax (EBT)[3]	172	316	– 144
Net income/loss[3]	– 513	192	– 705
ROS (%)	3.0	6.1	–3.1 pts.
ROCE (%)	6.9	13.9	–7.0 pts.
Balance sheet			
Total assets and liabilities[3]	23,018	19,912	3,106
Total equity[1,3]	5,227	5,632	– 405
Equity ratio (%)[3]	22.7	28.3	–5.6 pts.
Net financial debt[1]	– 1,315	– 3,928	2,613
Cash and cash equivalents[1]	1,137	1,366	– 229
Cash flow			
Net cash provided by/used in operating activities	136	– 84	220
Net cash used in investing activities	– 526	–1,233	707
Free cash flow	– 390	–1,317	927
Shares			**Change in €**
Earnings per share from continuing operations in €[3]	–1.47	1.23	– 2.70
Dividend per share in €[4]	0.14	1.00	– 0.86

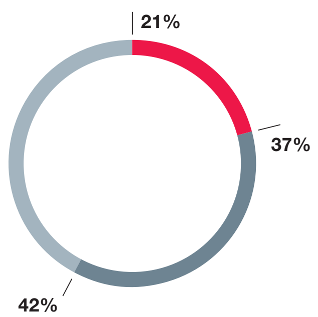
[1] As of December 31, 2013, vs. December 31, 2012.
[2] Including subcontracted employees.
[3] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."
[4] 2013: Proposed dividend of MAN SE and part of the guaranteed dividend in the amount of €3.07.

Revenue distribution by segment



- MAN Truck & Bus
- MAN Latin America
- MAN Diesel & Turbo
- Renk

Revenue distribution by region



- Germany
- Rest of Europe
- Rest of World

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, diesel engines, turbomachinery, and special gear units, we hold leading positions in all our markets.

€16.0 billion
Stable order intake

€15.7 billion
Revenue at prior-year level

€475 million
Operating profit down significantly year-on-year

53,509
Employees worldwide

The MAN Group

Business areas

Commercial Vehicles

Divisions

MAN Truck & Bus

is the largest MAN Group company and is a leading supplier of commercial vehicles and transportation solutions.

- 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	2013	2012
Order intake	9,336	9,150
Revenue	9,054	8,822
Operating profit[1]	228	229
Headcount (as of Dec. 31)[2]	34,533	34,879
ROS (%)	2.5	2.6

[1] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."
[2] Including subcontracted employees.

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MAN Latin America

is the largest truck manufacturer in Brazil. It has been the local market leader in the over 5 t class for eleven years and is a leading 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	2013	2012
Order intake	2,950	2,870
Revenue	2,950	2,870
Operating profit	230	229
Headcount (as of Dec. 31)*	2,008	1,937
ROS (%)	7.8	8.0

* Including subcontracted employees.

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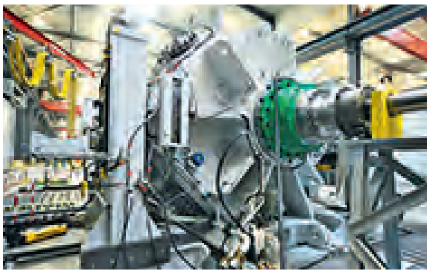
Investments

Sinotruk 25% + 1 share

Scania 17.4% voting rights

Power Engineering



MAN Diesel & Turbo

is one of the world's leading providers of large-bore diesel engines for marine and stationary applications 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	2013	2012
Order intake	3,407	3,510
Revenue	3,396	3,780
Operating profit	–27	437
Headcount (as of Dec. 31)*	14,413	14,863
ROS (%)	–0.8	11.6

* Including subcontracted employees.

More on page 84

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
- Global market leader for slide bearing housings
- Turnkey testing systems for the automotive, rail, and aviation industries as well as for wind power plants

€ million	2013	2012
Order intake	504	525
Revenue	485	476
Operating profit	67	66
Headcount (as of Dec. 31)[1]	2,228	2,245
ROS (%)[2]	13.7	13.9

[1] Including subcontracted employees.
[2] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."

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01/
To Our Shareholders
Letter to Our Shareholders

Dear Shareholders,

The MAN Group was faced with difficult economic circumstances in 2013, like it was last year. The global economy only saw moderate growth again. The investment behavior of our customers was significantly impacted by the European debt crisis, particularly at the start of the year. Fortunately, the economic environment improved considerably over the course of the year. The recession in the euro zone now appears to have been overcome and the reforms in the crisis-hit countries are starting to bear fruit. Consumers and companies are again more optimistic. Pull-forward effects in the second half of 2013 from the introduction of the Euro 6 emission standard on January 1, 2014, resulted in a significant upturn in the European commercial vehicle business. Although slightly weaker than forecast, economic growth in Brazil significantly exceeded the prior-year figure. The Brazilian commercial vehicle market also picked up in the reporting period following the introduction of the Euro 5 emission standard in 2012, driven by more favorable financing terms and higher demand for transportation, among other factors.

By contrast, the situation deteriorated in the Power Engineering business area. As expected, the ongoing crisis in the merchant shipbuilding market brought with it a significant decline in license revenue. Economic uncertainties and financial difficulties again led to customer reluctance in awarding contracts. In addition, very high provisions for a power plant project that has not yet been completed had to be recognized in the first half of 2013. This is also one of the main reasons why the MAN Group did not meet its original goals for fiscal 2013 and had to adjust its outlook accordingly in June.

Dr. Georg Pachta-Reyhofen
Chief Executive Officer of MAN SE

The MAN Group generated revenue of €15.7 billion in fiscal 2013, on a level with the previous year. Annual revenue in the Commercial Vehicles business area rose from €11.7 billion to €12.0 billion, while the Power Engineering business area was down approximately €300 million on the prior-year figure, with revenue of €3.9 billion. Both MAN Truck & Bus and MAN Latin America saw revenue increase year-on-year. MAN Truck & Bus generated revenue of €9.1 billion, up 3% on the previous year. MAN Latin America lifted its revenue by 3% to €3.0 billion. By contrast, MAN Diesel & Turbo recorded a 10% decrease, to €3.4 billion. At €0.5 billion, Renk's revenue was on a level with 2012.

The MAN Group's order intake in fiscal 2013 was also flat compared with the prior-year figure at €16.0 billion. The Commercial Vehicles business area recorded an order intake of €12.3 billion, 2% higher than in the previous year. Order intake in the Power Engineering business area declined by 3% to €3.9 billion.

The MAN Group recorded an operating profit of €475 million in fiscal 2013, down 51% on the prior-year figure (€969 million). This decrease is primarily attributable to the Power Engineering business area, which saw operating profit decline from €503 million in 2012 to €40 million, mainly as a result of the provisions in the Power Plants strategic business unit mentioned above. By contrast, operating profit in the Commercial Vehicles business area in the reporting period was on a level with the previous year, at €458 million. MAN Truck & Bus recorded an operating profit of €223 million. MAN Latin America generated €230 million in the reporting year. In the Power Engineering business area, MAN Diesel & Turbo posted an operating loss of €27 million. Renk recorded an operating profit of €67 million. The MAN Group's return on sales declined to 3.0% in 2013.

For us, 2013 was a year of ups and downs. The past year very clearly revealed the high volatility of the transportation sector. MAN Truck & Bus still had short-time working in place at the beginning of the year as a result of lower capacities, for example, but toward the end of the year, some employees had to work special shifts to meet the high demand for Euro 5 vehicles. While normal economic cycles are usually slower and therefore easier to plan, pull-forward effects like those triggered by new emission standards have a much more sudden impact. Nevertheless, we were able to adapt to these exceptional circumstances extremely well thanks to our expertise and flexibility, which we owe not least to our dedicated employees.

As we have seen, if the economic environment is right, we are still in the best possible position to expand our good market position around the world for the long term with our efficient transportation solutions, reliable and robust products, and innovative technologies. Consolidation and efficiency measures form the basis for profitability and for our future growth strategy. Like us, our customers are entrepreneurs. Just like we depend on our production facilities operating without interruption, our customers have to be able to rely on our products. And they can – MAN stood out in the 2013 TÜV report on commercial vehicles with the highest percentage of complaint-free vehicles, outperforming its competitors in all age categories. 95% of one-year-old vehicles passed the main inspection without significant deficiencies; for five-year-old vehicles, it was around 82%.

Reliability also plays an important role in the Power Engineering business area. As is the case for commercial vehicles, this is a key focus of our research and development work. MAN also aims to make new technologies market-ready to meet the challenges of the future. For example, natural gas as a fuel is driving forward product development at MAN, both in the industrial engineering and commercial vehicle businesses. Increasingly stricter emission standards and the growing availability of natural gas around the world mean that our development work focuses on developing and enhancing products powered by natural gas. This affects both gas engines and gas turbines.

The conclusion of the domination and profit and loss transfer agreement with Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, brings further potential for bundling and synergies for the MAN Group in cooperative arrangements within the Volkswagen Group. The large majority of you, our shareholders, voted in favor of this agreement at our last Annual General Meeting. Anchoring MAN within the Volkswagen Group will open up new opportunities for us, so that we can continue to be successful and grow in the future.

Of course, we still have to meet the challenges posed by the industry: We expect the European commercial vehicle market to decline in 2014 as a result of the high demand for Euro 5 trucks at the end of 2013. These pull-forward effects will dampen the positive impact of an economic upturn in the euro zone and greater confidence among our customers. We expect demand to increase in other markets such as Brazil, Russia, and India. Overall, sales in the Commercial Vehicles business area will be on a level with the previous year in 2014 but its revenue will be down slightly. Operating profit and the return on sales are expected to clearly exceed the prior-year figures despite continued strong competition. In the Power Engineering business area, we expect both order intake and revenue in 2014 to be on a level with the previous year. Operating profit and return on sales will improve significantly but will continue to be impacted by fierce ongoing competition, the slow license business in the marine sector, and customer reticence in the after-sales business. The Power Engineering business area is therefore expected to record a higher single-digit return on sales in 2014.

For the MAN Group as a whole, we are cautiously optimistic about fiscal 2014 and are expecting to see revenue slightly below the previous year but a significantly higher operating profit.

Dr. Georg Pachta-Reyhofen
Chief Executive Officer of MAN SE

Management Board






Dr. Georg Pachta-Reyhofen
Chief Executive Officer

Born in 1955. Studied mechanical engineering at Vienna University of Technology. Joined MAN in 1986. Chief Executive Officer of MAN Diesel SE from 2006 through the end of 2009. Chief Executive Officer of MAN SE since January 1, 2010. Also Chief Executive Officer of MAN Truck & Bus AG from January 2010 through September 2012. Member of the Supervisory Board of MAN Truck & Bus AG since September 1, 2012.

Jochen Schumm
Chief Human Resources Officer

Born in 1948. Completed commercial apprenticeship at Volkswagen AG, Hanover. Various management positions at Volkswagen AG, Wolfsburg. Chief Human Resources Officer and Arbeitsdirektor (member responsible for employee relations) of MAN Truck & Bus AG since June 2012 as well as Chief Human Resources Officer and Arbeitsdirektor of MAN SE since July 2012.

Dr. René Umlauft
Chief Executive Officer of MAN Diesel & Turbo SE

Born in 1964. Studied mechanical engineering and factory planning at the Technical University of Dresden. Joined Siemens AG in 1991. Appointed Chief Executive Officer of the Siemens Renewable Energy division in 2008. Since September 1, 2011, Chief Executive Officer of MAN Diesel & Turbo SE as well as a Deputy Member of the MAN SE Executive Board.

Ulf Berkenhagen
Chief Procurement Officer

Born in 1961. Completed commercial apprenticeship at Volkswagen AG, Wolfsburg. Business administration studies, 1986. Various management positions in procurement. Chief Procurement Officer of both MAN SE and MAN Truck & Bus AG since September 1, 2012.

Antonio Roberto Cortes
President of MAN Latin America

Born in 1955. Studied economics and finance in France, Brazil, and elsewhere. Became Executive Vice President of Volkswagen Commercial Vehicles (South America) and Chief Executive Officer of Volkswagen Trucks and Buses (South America) in 2002. President of MAN Latin America since 2009.

Anders Nielsen
Chief Executive Officer of MAN Truck & Bus AG

Born in 1962. Studied industrial economy at the Linköping Institute of Technology. Joined Scania AB in Sweden in 1987. Appointed to manage production and logistics on its Executive Board in 2010. Chief Executive Officer of MAN Truck & Bus AG since September 2012.

Profiles: → www.man.eu/corporate > Company > Management > Management Board

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board discharged its duties under the law, the Articles of Association, and its Rules of Procedure in the course of fiscal 2013. We regularly advised the Executive Board in its management of the Company and monitored its activities.

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 on the MAN Group's strategy and the implementation status of strategic projects, the MAN Group's risk position and risk management, as well as compliance issues.
The Supervisory Board was involved in an advisory capacity in all matters and decisions of major importance to the MAN Group.

During my 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, corporate planning and strategic projects, the risk position, risk management, and compliance.

The Supervisory Board held five regular meetings in fiscal year 2013. In addition, resolutions on urgent matters were adopted in writing.

Average attendance at Supervisory Board meetings was 97.5%. All members were present at more than half of the meetings.

Key areas of committee work in the year under review

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.

Prof. Rupert Stadler is Chairman of the Audit Committee, while the Presiding Committee is always chaired by the Chairman of the Supervisory Board.
At the Supervisory Board meetings, Prof. Stadler and I provided regular reports on the work of the committees.
A list of the members of the committees as of the end of 2013 is provided on **page 190** of this Annual Report.

The **Presiding Committee** met a total of five times in 2013.
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 **Nomination Committee** met once in 2013.
It recommended that the Supervisory Board nominate Dr. Leif Östling as a candidate for election to the Supervisory Board, and that it nominate Prof. Horst Neumann as a candidate for election as the alternate member for Dr. Östling.

The **Audit Committee** held a total of five 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 regularly discussed the quarterly financial reports with the Executive Board prior to their issue.

PwC reviewed the MAN Group's interim financial statements as of June 30, 2013. 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 2013, 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 Audit Committee regularly discussed internal audit issues in 2013, 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. In addition, it regularly addressed the internal control system, risk management and the risk management system, and the MAN Group's risk position.
The Audit Committee also addressed compliance issues. MAN's Chief Compliance Officer also reported in person to the Committee.
The Audit Committee also discussed business developments in the MAN Group, corporate planning, financial issues, and commercial matters relating to strategic projects.

The Audit Committee regularly addressed MAN Diesel & Turbo SE's turnkey power plant business, which required high provisions in 2013.

Issues addressed by the full Supervisory Board

Topics discussed regularly by the full Supervisory Board included trends with respect to orders, revenue, earnings, and employment within the MAN Group. We addressed in detail the deterioration in MAN Diesel & Turbo SE's earnings expectations a number of times. This was mainly attributable to higher provisions to reflect contractual risks relating to a large order to construct turnkey power plants.
We also regularly addressed key strategic matters and projects. The Supervisory Board also regularly received reports on compliance issues, among other things.

The following additional information relates to the Supervisory Board meetings held in 2013:

Supervisory Board meeting on February 7, 2013

On January 9, 2013, Volkswagen Aktiengesellschaft published an ad hoc disclosure in accordance with section 15 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) and a press release announcing its intention to enter into a domination and profit and loss transfer agreement with MAN SE. The Executive Board informed us of the next steps in this regard on February 7, 2013, such as the required appointment/engagement of valuation experts.
However, our meeting on February 7, 2013, focused solely on the annual financial statements for 2012 and the dependent company report. After detailed examination, we approved the consolidated financial statements prepared by the Executive Board and the annual financial statements of MAN SE for 2012, plus the relevant management reports. Furthermore, we examined the dependent company report submitted by the Executive Board and came to the conclusion that there were no objections to be raised to the declaration by the Executive Board at the end of this report.
We also resolved to grant a performance-related, long-term remuneration component to the Executive Board for fiscal 2013 and to reduce the vesting period for shares received by Executive Board members under the MAN stock program. Further information is provided in the Remuneration Report for fiscal year 2013, which has been published in the combined management report of MAN SE and the MAN Group. See also **page 70 ff.** of this Annual Report, **MAN Group Management Report.**

In February 2013, we resolved by means of a written resolution to terminate Mr. Frank H. Lutz's appointment to the Executive Board of MAN SE by mutual consent, as well as to terminate his contract of service and to additionally transfer Mr. Lutz's responsibilities to Dr. Pachta-Reyhofen.

Supervisory Board meeting on April 22, 2013

The most important agenda item at our meeting on April 22, 2013, was the resolution to approve the domination and profit and loss transfer agreement between our Company and Truck & Bus GmbH. The sole shareholder of Truck & Bus GmbH is Volkswagen Aktiengesellschaft. Before the Supervisory Board voted on the matter, the Executive Board explained the material content of the agreement, including the (ultimate) parent company loan guarantee (Organschaftserklärung) and letter of comfort to be submitted by Volkswagen Aktiengesellschaft, the joint report by the management of Truck & Bus GmbH and the Executive Board of MAN SE submitted in accordance with section 293a of the *Aktiengesetz* (AktG – German Stock Corporation Act), the joint expert report on MAN SE's enterprise value prepared by KPMG and PwC, as well as the draft report of the auditor of the agreement selected and appointed by the court in accordance with section 293b of the AktG.

The Supervisory Board approved the conclusion of the domination and profit and loss transfer agreement following in-depth discussion. In view of my position as Supervisory Board Chairman of Volkswagen Aktiengesellschaft, I handed over the chairmanship of the meeting while the domination and profit and loss transfer agreement was being discussed. In addition, I abstained from voting on the domination and profit and loss transfer agreement, as did Dr. Östling, Mr. Pötsch, Prof. Stadler, and Prof. Winterkorn, who are members of the Board of Management of Volkswagen Aktiengesellschaft.

At our meeting on April 22, 2013, we also addressed the agenda for the Annual General Meeting on June 6, 2013. We resolved, among other things, to propose to the Annual General Meeting that Dr. Östling be elected to the Supervisory Board and that Prof. Horst Neumann be elected as his alternate member. In resolving the agenda and the proposed resolutions for the 2013 Annual General Meeting, Dr. Östling, Mr. Pötsch, Prof. Stadler, Prof. Winterkorn, and I again abstained with respect to agenda item 8 on the approval of the resolution of the domination and profit and loss transfer agreement.

I acted in the same manner as in the Supervisory Board meeting when the domination and profit and loss transfer agreement was addressed in the preceding Presiding Committee meeting.

Supervisory Board meeting on June 6, 2013

The deadline for determining the enterprise value of MAN SE in connection with the conclusion of the domination and profit and loss transfer agreement with Truck & Bus GmbH was June 6, 2013. Therefore, the Supervisory Board again addressed in detail the valuation of MAN SE and the final report by the auditor of the agreement, among other things, in a further meeting on June 6, 2013, before the Annual General Meeting of our Company. The Supervisory Board came to the conclusion that it was not necessary to amend the resolution by the Supervisory Board on the domination and profit and loss transfer agreement dated April 22, 2013, following the final enterprise valuation of MAN SE and the report by the auditor of the agreement as of the June 6, 2013, deadline and confirmed it. We also resolved to engage PwC to audit MAN SE's annual financial statements for 2013 and its risk early recognition system.

Supervisory Board meeting on September 27, 2013

At our meeting on September 27, 2013, we primarily dealt with the MAN Group's strategic focus. We therefore also dealt in detail with strategic matters relating to MAN SE's main Group companies.

Supervisory Board meeting on November 15, 2013

At our meeting on November 15, 2013, we addressed in particular the MAN Group's corporate planning for the years 2014 to 2018.

Another focus was on corporate governance issues.

In addition, we approved up-front financing from Volkswagen Aktiengesellschaft for sales financing purposes. We also resolved to integrate MAN Truck & Bus AG's sales financing into Volkswagen Financial Services AG and to sell all of the shares of MAN Finance International GmbH held by MAN SE to Volkswagen Financial Services AG.

In view of my position as Supervisory Board Chairman of Volkswagen Aktiengesellschaft, I abstained from voting on the up-front financing and on the sale of the shares in MAN Finance International GmbH to Volkswagen Financial Services AG, as did Dr. Östling, Mr. Pötsch, Prof. Stadler, and Prof. Winterkorn. I had also abstained from voting at the preceding Presiding Committee meeting.
There was an age limit of 65 at MAN for members of the Executive Board, whereby Executive Board appointments were only to be extended on an annual basis from the age of 62. On November 15, 2013, we resolved to modify this provision to the effect that appointments of members of the Executive Board 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.

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

Corporate governance and Declaration of Conformity

The current version of the German Corporate Governance Code (the Code) and its implementation at MAN were discussed at the Supervisory Board meeting on November 15, 2013.
In December 2013, the Executive Board and Supervisory Board issued the most recent annual Declaration of Conformity in accordance with section 161 of the AktG. This is permanently available on MAN SE's website at → www.man.eu/corporate.
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 13, 2013, with the exception of section 5.3.2 sentence 3 (independence of the Chairperson of the Audit Committee), section 5.4.1 paragraphs 4–6 (disclosure of election recommendations), section 5.4.6 paragraph 2 sentence 2 (performance-related compensation of the Supervisory Board), and section 5.5.3 sentence 1 (report to the Annual General Meeting on any conflicts of interest that have occurred and their treatment).
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 2013.

Other than the cases mentioned above, no conflicts of interest involving members of the Supervisory Board within the meaning of section 5.5 of the German Corporate Governance Code were notified in the year under review and none have arisen.

Further information on corporate governance at MAN is available in our Corporate Governance report, see **pages 17 ff.** of this Annual Report.

Audit of the 2013 annual and consolidated financial statements

In accordance with our proposal, the Annual General Meeting on June 6, 2013, elected PwC as the auditors for fiscal 2013. 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 previous requirement for the Executive Board of MAN SE to prepare a dependent company report in accordance with section 312 of the AktG ceased to apply in 2013 as a result of the conclusion of the domination and profit and loss transfer agreement between MAN SE and Truck & Bus GmbH and its entry in the commercial register. Therefore, no such dependent company report for 2013 had to be submitted to the Supervisory Board for review.

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 6, 2014, and February 7, 2014, 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 documents for our own examination of the consolidated financial statements, the annual financial statements of MAN SE, and the combined management report for MAN SE and for the Group, and reported on them in our meeting on February 7, 2014. After this, it recommended that we 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 7, 2014, and approved the annual financial statements prepared by the Executive Board and the consolidated financial statements. The annual financial statements are thus adopted.
We examined the Executive Board's proposal on the appropriation of the net profit with particular reference to the interests of the Company and its shareholders, and concurred with the recommendation.

Changes to the composition of the Supervisory Board and the Executive Board

Mr. Wilfrid Loos stepped down from the Supervisory Board on his retirement on March 31, 2013, after 40 years with the Company. He was replaced on the Supervisory Board by Mr. Nicola Lopopolo, who had already been elected as his alternate member, with effect from April 1, 2013.

The Annual General Meeting on June 6, 2013, elected Dr. Leif Östling as a member of the Supervisory Board and Prof. Dr. Horst Neumann as his alternate member. Dr. Östling had previously been appointed to the Supervisory Board by way of a resolution by the registry court in Munich dated October 18, 2012.

Mr. Thomas Otto, who held the position of deputy chairman of the Supervisory Board, among other roles, resigned from the Supervisory Board effective June 30, 2013. The MAN SE works council appointed Ms. Karina Schnur to the Supervisory Board as his successor effective September 10, 2013, for the Supervisory Board's remaining period of office.
The Supervisory Board elected Mr. Jürgen Kerner as its new deputy chairperson on September 27, 2013.

Changes were also made to the composition of the Executive Board.
Mr. Frank H. Lutz's appointment to the Executive Board was terminated by mutual consent effective the end of February 18, 2013. Mr. Lutz's responsibilities were assumed by Dr. Pachta-Reyhofen on February 19, 2013, in addition to his duties as Chief Executive Officer.

Our thanks go to all of the members who stepped down from the Supervisory Board and the Executive Board in the year under review for their dedication.
The Supervisory Board would also 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 7, 2014

Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch
Supervisory Board Chairman

Corporate Governance

Corporate management and supervision at MAN 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 with Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, as the controlling company. Profit transfer will occur 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, Truck & Bus GmbH is authorized to issue instructions to the Executive Board of MAN SE.

These instruments are supplemented by MAN's "Industrial Governance" management principle, which defines MAN SE's responsibilities for Group management and the responsibilities of the divisions in more detail. It is presented on our website at → www.man.eu/corporate under the "Investor Relations" heading. The ethical guidelines that apply to the MAN Group are laid out in our Code of Conduct, which is also available on our website → www.man.eu/corporate under the "Company" heading. The Group's management principles are formalized in Group policies.

Corporate governance at MAN*

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.

Declaration of Conformity

In December 2013, the Executive and Supervisory Boards 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 13, 2013, published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 10, 2013, were complied with except for section 5.3.2, sentence 3 (independence of the Chairman of the Audit Committee), section 5.4.1, paragraphs 4 through 6 (disclosure in the case of election recommendations), section 5.4.6, paragraph 2, sentence 2 (performance-related Supervisory Board compensation), and section 5.5.3, sentence 1 (report to the General Meeting about any conflicts of interest and treatment of them).

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, Prof. Rupert Stadler, cannot be considered "independent" within the meaning of section 5.4.2, sentence 2 of the Code in view of his functions within the VW Group.*
   This departure from the above-mentioned Code recommendation is for the following reasons:
   Prof. Stadler has been Chairman of the Audit Committee since the middle of 2007 and is exceptionally suitable and qualified for this position, particularly given his expert and industry knowledge. We see continuity in chairmanship of the Audit Committee as a significant advantage to the body's work and to the Company's interests. Furthermore, it is not clear why an appointment at a controlling shareholder should rule out a position as Chairman of the Audit Committee.

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 therefore assume that the variable compensation component will be oriented toward the sustainable growth of the enterprise within the meaning of section 5.4.6, paragraph 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.*

* 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 13, 2013.

3. *With regard to the recommendation in section 5.4.1, paragraphs 4 through 6 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 4 through 6 of the Code.*

4. *In its verdict of July 5, 2011, (file number 5U 104/10), the Higher Regional Court of Frankfurt am Main ruled that the approval of the actions of the executive and supervisory boards of a listed company by the General Meeting was invalid due partly to the fact that the report to the General Meeting concerning conflicts of interest and their treatment was not detailed enough. As a result of this verdict, there is now some uncertainty with regard to the scope of reporting required by the Code, particularly within the context of the non-disclosure obligations relating to stock corporations pursuant to sections 93 and 116 of the AktG. As a precautionary measure, we therefore declare an exception to section 5.5.3, sentence 1 of the Code. Notwithstanding the above, we will continue to report any conflicts of interest that have occurred and their treatment in the same scope as before.*

The Executive and Supervisory Boards further declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 15, 2012, published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 15, 2012, were complied with in the period from December 2012 through June 10, 2013, except for section 5.3.2, sentence 3 (independence of the Chairman of the Audit Committee), section 5.4.6, paragraph 2, sentence 2 (performance-related Supervisory Board compensation), and section 5.5.3, sentence 1 (report to the General Meeting about any conflicts of interest and treatment of them). The grounds for these exceptions can be found in the above explanations.

From June 10, 2013, until this Declaration of Conformity was issued, the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 13, 2013, published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 10, 2013, were complied with except for section 4.2.2, paragraph 2, sentence 3 (vertical comparison of compensation), section 5.3.2, sentence 3 (independence of the Chairman of the Audit Committee), section 5.4.6, paragraph 2, sentence 2 (performance-related Supervisory Board compensation), and section 5.5.3, sentence 1 (report to the General Meeting about any conflicts of interest and treatment of them). For section 5.3.2, sentence 3, section 5.4.6, paragraph 2, sentence 2, and section 5.5.3, sentence 1, the grounds for these exceptions can be found in the above explanations. The new recommendation included with effect as of June 10, 2013, in section 4.2.2, paragraph 2, sentence 3, does not indicate the extent to which this recommendation requires the Supervisory Board to make stipulations and observations, even if no decisions are made regarding the compensation of the Executive Board. For this reason, we have declared a departure as a precaution. This recommendation has been complied with since November 15, 2013, on which date the Supervisory Board held the necessary consultations and made the corresponding decision."

The Executive and Supervisory Boards of RENK Aktiengesellschaft, a listed subsidiary based in Augsburg, have also issued a declaration of conformity. This is published 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 via 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 four members. Please refer to the "Governing Bodies" section on pages 188 ff. 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 target-driven, active management and the central financing of the Group, the development and deployment of managers, and the preparation of the quarterly 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 at least once a month 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.

In light of the purpose and size of the Company and the proportion of its international business activities, MAN SE's Supervisory Board aims 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;
- reserving at least two Supervisory Board positions for women, at least one of which is on the shareholder side;
- 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.

The first three goals have been met. The third goal, that of reserving at least two Supervisory Board positions for women, has been met since Ms. Karina Schnur was appointed to the Supervisory Board with effect from September 10, 2013. Proposals for electing members to the Supervisory Board do not, as a rule, include any persons who have reached the age of 70 at the time of the election. Only the Chairman of the Supervisory Board and one other Supervisory Board member are older than 70.

Please refer to the "Report of the Supervisory Board" on pages 12 ff. and the "Governing Bodies" section on pages 188 ff. for further information on the composition of the Supervisory Board and its committees.

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

MAN complied with the age limit previously set by the Supervisory Board for members of the Executive Board, which stipulates retirement from office at the age of 62 with the option for an annual extension up to a maximum age of 65 years. At its meeting on November 15, 2013, the Supervisory Board resolved new rules to be followed in the future, under which appointments of members of the Executive Board 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.

The Supervisory Board approved the secondary activities of Executive Board members falling within the scope of section 4.3.5 of the Code only where these involved management activities at Group companies and serving on other companies' supervisory boards. The Supervisory Board also gave its consent for Dr. Pachta-Reyhofen to serve as a member of the Volkswagen Group Management alongside his role on the Executive Board of MAN SE, and for Mr. Berkenhagen and Mr. Schumm each to become members of the Volkswagen Group's central coordination committee for the Commercial Vehicles business area alongside their roles on the Executive Boards of MAN SE and MAN Truck & Bus AG.

Remuneration system for the Executive and Supervisory Boards

Please refer to the "Remuneration Report" on **pages 70 ff.** for information on the remuneration system for the Executive and Supervisory Boards.

Compliance/risk management

MAN SE's Executive Board established a Compliance function as part of its responsibility for compliance as defined by the Code. This function, which reports to the Chief Compliance Officer (CCO), is responsible for developing and implementing a uniform Group integrity and compliance program, focusing on fighting corruption, infringements of antitrust law, data protection, and preventing money laundering. The Compliance function consists of MAN SE's central Corporate Compliance Office and the compliance organization at the subgroups. The central compliance measures developed by the Corporate Compliance Office are implemented locally and in a uniform manner by the compliance staff at the subgroups worldwide. All compliance organization staff are answerable to the CCO, who regularly reports to MAN SE's Executive Board and to the Audit Committee of the Supervisory Board.

The key compliance measures developed and implemented by the Compliance function in the reporting period include the following:

- The third Group-wide compliance risk assessment was conducted in the period under review. This involved over 100 organizational units around the world. The aim of this measure was to identify potential compliance risks affecting the Group's business models. Among other things, the results of the compliance risk assessment are used to determine measures to prevent compliance risks and conduct preventative compliance audits at selected Group companies.

- The Compliance function operates the Compliance Helpdesk, which all employees can contact with compliance-relevant questions. The Compliance Helpdesk answered 638 employee questions in the reporting period.

- The Compliance function held compliance awareness training for 1,138 employees around the world in the year under review. These on-site training sessions focus on providing basic knowledge on combating corruption and on antitrust law. The Compliance function also conducted special classroom sessions on antitrust law and combating corruption for employees who are particularly exposed to risks from these areas. As part of these training sessions, 3,275 employees received in-depth instruction. Finally, the Compliance function provided training to 22,296 employees in the period under review as part of the first module of the e-learning compliance program. This training covers the fundamentals of the MAN Code of Conduct and combating corruption, antitrust law, and data protection as addressed in the Code. In addition, a special e-learning module on combating corruption was introduced for the first time in Q4 2013 for employees who may be particularly exposed to corruption risk.

- The Business Partner Approval Tool is used to check and approve the integrity of business partners active in the area of sales support.

- The Continuous Controls Monitoring (CCM) electronic monitoring system was further expanded in the period under review. The CCM system ensures that potential compliance risks and policy violations in purchasing and payment processes are detected at an early stage.

- The Speak up! whistleblower portal again served to detect and prevent material risks to MAN in the reporting period. Speak up! is used to receive and analyze information relating to serious compliance violations, especially in the area of white collar crime (e.g., corruption offenses), antitrust law, data protection, and suspected money laundering activities.

- MAN does not tolerate compliance violations under any circumstances. Reports of possible violations are 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, the World Economic Forum (WEF) Partnering Against Corruption 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, Deutsche Gesellschaft für Internationale Zusammenarbeit, Bundesverband der Deutschen Industrie, as well as a large number of German companies to promote economic integrity.

A detailed description of MAN's compliance organization and the compliance measures implemented in the reporting period can be found in the Group Management Report.

Risks resulting from compliance violations and other business risks were assessed under the risk management system and addressed in detail by the Executive Board and Supervisory Board, and in particular by the Audit Committee. Please refer to the description of MAN's risk management system and the risk report 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.man.eu/corporate 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.man.eu/corporate 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:

- Section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) requires individuals with management tasks and certain related parties to report dealings in MAN shares and related financial instruments to the issuer and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – German Federal Financial Supervisory Authority). No transactions were reported in fiscal 2013. According to the reports received, the Executive 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.

- Section 15 of the WpHG requires domestic issuers of financial instruments to publish all inside information that directly affects them without undue delay.

- Section 26 of the WpHG requires domestic issuers to publish 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 and quarterly financial reports with the Executive Board prior to their issue. The Group complies with the deadlines laid down in section 7.1.2 sentence 4 of the Code for the publication of the consolidated financial statements and the interim reports.

MAN Shares

Stock markets in Europe and the USA reached historic highs in 2013. The price of MAN shares also recorded year-on-year growth

Key indicators for MAN common shares

	2013	2012
Earnings per share in €[1]	–1.47	1.23
Cash dividend per share in €[2]	0.14	1.00
Market capitalization (as of Dec. 31)[3] in € million	13,119	11,842
Closing price in €	89.25	80.75
High in €	89.74	102.45
Low in €	82.35	70.76
Dividend yield[4] in %	3.4	1.2
Total return[5] in %	11.8	20.4
Number in thousands[6]	140,974	140,974
Dax yield in %	25.5	29.1
MDax yield in %	39.1	33.9
Euro Stoxx yield in %	23.7	19.3

1 Earnings per share excluding nonrecurring items and the effects from purchase price allocations: €–0.86.
2 2013: Proposed dividend of MAN SE and part of the guaranteed dividend in the amount of €3.07.
3 Basis: 140,974,350 common shares and 6,065,650 preferred shares.
4 2013: Guaranteed dividend in the amount of €3.07 based on the closing price on December 31.
5 Assumes reinvestment of the cash dividend on the last trading day of the month in which the Annual General Meeting was held.
6 Only common shares.

Source: Bloomberg

Stock markets reach historic highs

The equity markets were lifted by various factors in 2013, reaching record highs in Europe and the USA.

This trend was supported in particular by the predominantly expansionary monetary policies at central banks around the world and the resulting hopes for global economic recovery.

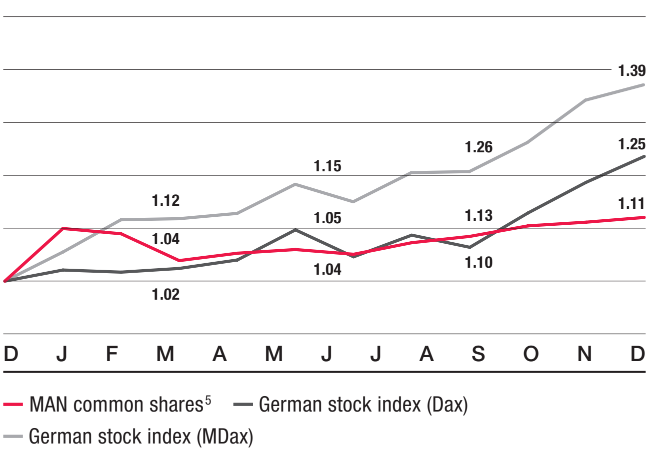
Uncertainties surrounding future developments in the euro zone, discussions about tapering the ultra-loose US monetary policy, and the federal budget fight between Democrats and Republicans in the United States only had a transient impact on the equity markets.

The Euro Stoxx, the index of Europe's most important stocks, rose by 23.7% in full-year 2013. The German benchmark index, the Dax, recorded significant growth of 25.5% in the same period, closing at 9,552 points at the end of the year.

Performance of MAN shares

In this positive stock market environment, MAN common shares also gained ground in full-year 2013. In addition to the trend in the operating business, investors were focused on the public offer of Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen Aktiengesellschaft, to the free float shareholders of MAN SE related to the domination and profit and loss transfer agreement (DPLTA) concluded between Truck & Bus GmbH and MAN SE.

MAN common shares vs. Dax and MDax December 2012 to December 2013



Indexed values, December 31, 2012 = 1.00

Source: Bloomberg

During the period from January to December 2013, the price of MAN common shares rose by around 11% from a closing price of €80.75 on December 31, 2012, to €89.25 on December 31, 2013. The German benchmark index, the Dax, grew by approximately 25% in the same period, while the MDax gained 39% to 16,574 points.

MAN's market capitalization tracked the better share price performance in fiscal 2013, increasing from just under €12 billion to approximately €13 billion.

At around €3.1 billion, the trading volume of MAN common shares in 2013 was significantly lower than in the previous fiscal year (€8.3 billion).

Within the MDax, MAN common shares are among the largest, closing 2013 in 13th place by free float market capitalization and 8th place by trading volume.

Investment by Volkswagen AG in MAN SE

On April 16, 2013, Volkswagen Aktiengesellschaft contributed its entire investment in MAN SE to the capital reserves of Truck & Bus GmbH in accordance with section 272 (2) no. 4 of the *Handelsgesetzbuch* (HGB – German Commercial Code). Truck & Bus GmbH then notified MAN SE on April 18, 2013, in accordance with section 21 (1) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) that its share of the voting rights in MAN SE had exceeded the limit of 75% on April 16, 2013, and amounted to 75.03% (corresponding to 105,769,788 voting rights) on that date. Its interest in the share capital on April 16, 2013, amounted to 73.72%.

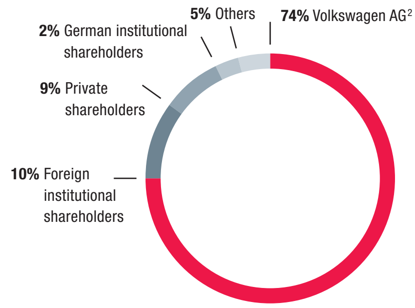
A domination and profit and loss transfer agreement (DPLTA) between Truck & Bus GmbH and MAN SE was entered in MAN SE's commercial register on July 16, 2013, and has been effective since that date. Under the DPLTA, Truck & Bus GmbH agrees to pay a cash settlement of €80.89 per common or preferred share, or an annual guaranteed dividend or annual cash compensation of €3.07 per common or preferred share for the full fiscal year. The period for tendering shares is limited. It began when the entry in the commercial register was officially announced by the Munich Local Court and ends two months after the date on which the decision on the application most recently decided on in the award proceedings is announced in the Federal Gazette. 289,665 common shares and 88,643 preferred shares were tendered to Truck & Bus GmbH in the period up to December 31, 2013.

On December 31, 2013, Truck & Bus GmbH held 75.23% of MAN SE's voting rights and 73.98% of its share capital.

International investor base

The free float for MAN's common shares amounts to 24.77%. Apart from its largest single shareholder, Truck & Bus GmbH, MAN SE still has an international investor base. The most recent shareholder analysis, in October 2013, was able to identify approximately 91% of the holders. According to this survey, around 12% of the share capital is held by institutional investors; an additional 9% is held by private investors. As in previous years, the institutional investors are predominantly based in Germany, the United Kingdom, and the United States.

Shareholder structure[1]



[1] Basis: 147,040,000 shares, as of October 2013.
[2] Shares in MAN SE are held by Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG.

Source: IPREO

Dividend

Under the DPLTA, Truck & Bus GmbH guarantees that it will pay appropriate compensation to the free float shareholders of MAN SE in the form of a guaranteed dividend in the amount of €3.07 per common or preferred share for MAN's fiscal year 2013.

The Executive and Supervisory Boards of MAN are proposing to this year's Annual General Meeting that a dividend of €0.14 per no-par value share be paid for fiscal 2013. As this dividend will be lower than the guaranteed dividend, Truck & Bus GmbH will pay every MAN free float shareholder the corresponding difference between it and the guaranteed dividend.

Based on the closing price of MAN common shares as of December 31, 2013 (€89.25), the guaranteed dividend corresponds to a dividend yield of 3.4%.

In addition, Truck & Bus GmbH agrees under the DPLTA to make annual cash compensation payments of €3.07 per common or preferred share for the full year as reasonable compensation to MAN free float shareholders, starting in MAN's fiscal 2014, in place of a dividend for the duration of the DPLTA. The compensation payment is due on the first bank working day after MAN's Annual General Meeting for the past fiscal year, but no later than eight months after the end of MAN's fiscal year in each case.

In-depth, trust-based dialog with the capital markets

Continuous and transparent communication with all capital market participants remains very important to MAN even after the majority takeover by the Volkswagen Group.

In fiscal year 2013, Management and the Investor Relations team promptly informed analysts, institutional investors, and private investors about business developments, earnings expectations, and the MAN Group's strategic focus as part of discussions at the Corporate Center in Munich and at conferences in European financial centers.

MAN strengthened its contacts with analysts and investors at the Capital Market Day held in Munich, which provided an opportunity for in-depth discussions with management about the activities, strategies, and products of the MAN Group's divisions.

In addition to financial reports, presentations, and publications, the broadcast of our Annual General Meeting, the annual earnings press conference, as well as the conference calls on quarterly reporting are accessible on our website at → www.man.eu/ir.

The "MAN Factbook" on the website offers interested members of the public comprehensive information above and beyond this; for example, it gives a detailed overview of the MAN Group as well as products, markets, and innovations in the individual business areas. The book also presents facts about MAN shares and key financial figures.

Transparency, reliability, and early information for all of our shareholders will remain at the heart of our Investor Relations activities in 2014.

MAN again in the Dow Jones Sustainability World and Europe Indices

The sustainable rating agency RobecoSam again admitted MAN to the Dow Jones Sustainability World and Europe indices, helping MAN achieve an important sustainability goal for 2013. After MAN qualified for the prominent sustainability rating for the first time in 2012, the Company improved its overall results this year, with 83 out of 100 points (2012: 78 points). MAN thus remains the only German company in the industrial engineering sector represented in the indices, and also closed the gap to the industry group leader. In the 2013 assessment, MAN gained ground particularly in the areas of Environmental Management, Water-related Risks, and Occupational Safety.

In the assessment for the Dow Jones Sustainability World and Europe indices, companies are compared with the best-in-class company within their sector. The assessment of sustainability performance is based on three areas – economic, environmental, and social factors.

		Common shares	Preferred shares	MAN SE 2015 bond	MAN SE 2016 bond	MAN SE 2017 bond
ISIN code		DE0005937007	DE0005937031	XS0831383194	XS0429612566	XS0756457833
German securities code number (WKN)		593700	593703	A1PG4J	A0ZQPH	A1ML0A
Reuters code	Xetra trading	MANG.DE	MANG_p.DE	0#DE083138319=	0#DE042961256=	0#DE075645783=
	Frankfurt Exchange	MANG.F	MAN_p.F			
Bloomberg code	Xetra trading	MAN GY	MAN3 GY	EJ3636655 Corp	EH8294256 Corp	EJ0543029 Corp
	Frankfurt Exchange	MAN GR	MAN3 GR			

Analyst recommendations

Financial analysts regularly publish studies on MAN. At the end of 2013, 72% of the analysts issued a hold recommendation for our shares. A sell recommendation was issued by 22% of the analysts and a buy recommendation was issued by 6%. Analysts estimated that MAN shares had an average target price of €83 on December 31, 2013.

Basic information about MAN shares

MAN SE shares are traded on Xetra, the German electronic stock exchange trading platform, as well as on all seven German stock exchanges.

MAN SE's share capital consists of 147,040,000 no-par value shares, of which 140,974,350 (96%) are common shares and 6,065,650 (4%) are preferred shares.

MAN is a member of the MDax index, which measures the performance of 50 companies from traditional sectors ranked immediately below the Dax stocks and thus tracks the German mid-cap market segment.

MAN shares are listed in other prominent stock market indices, including the HDax, CDax, Euro Stoxx, Stoxx Europe 600, and Euro Stoxx TMI Industrial.

More detailed information about MAN's shares and its Investor Relations activities is available at → **www.man.eu/ir** or via e-mail by contacting **investor.relations@man.eu**. You can of course also contact us by phone on **+49 89 36098-334**.

Overview of the Fiscal Year

The methanation reactor at the Audi e-gas plant in Werlte enables synthetic natural gas to be produced.

MAN in Singapore: MAN has supplied SMRT Buses Ltd with 200 bus chassis.

MAN supplies turbomachinery trains for a major Chinese project, making it possible to produce synthetic fuels from coal.

1st quarter

January 25, 2013

Methanation reactor from MAN produces Audi e-gas

A cooperation within the Volkswagen Group shows the potential of this renewable fuel on an industrial scale for the first time.

March 27, 2013

MAN steam turbine generates electricity in the world’s largest solar thermal power plant

The 100-megawatt solar thermal power plant “Shams 1” officially began operating in Abu Dhabi in January. A steam turbine supplied by MAN Diesel & Turbo is the heart of the plant.

2nd quarter

April 22, 2013

200 bus chassis to Singapore

The order expands the MAN fleet of Singapore Mass Rapid Transit (SMRT) Buses Ltd to 400 vehicles.

April 24, 2013

MAN supplies compressor technology for major project in China

Eleven turbomachinery trains will be used in coal liquefaction production plants, making it possible to produce synthetic fuels from coal.

April 29, 2013

Voith opts for MAN engines

The Heidenheim technology company places a follow-up order with MAN for 68 rail engines. They will be used in the major Brazilian cities of Fortaleza and Recife to power light rail vehicles operating locally.

May 8, 2013

Cities now blueprinting tomorrow’s mobility

The study “What Cities Want” by the Technical University of Munich and MAN maps strategies for modern city planning and innovative traffic solutions around the world.

June 2, 2013

Showing the whole of Europe who’s wearing the Lederhosen? We are your MAN.

FC Bayern Munich celebrates its treble triumph on a specially-designed, convertible MAN truck.

3rd quarter

July 16, 2013

MAN to supply eco-friendly engines for LNG carriers

Leading shippers from China and Japan order a total of 35 dual-fuel engines to power tankers transporting gas between Australia and China.

An award winner: the Brazil-built MAN TGX is voted Truck of the Year in 2013.

MAN supplies eco-friendly dual-fuel engines to power tankers transporting gas.

An MAN TGM — just one of MAN's vehicles for the construction industry that it showcased at bauma, the world's largest construction machinery trade fair.

July 17, 2013
Domination and profit and loss transfer agreement with Truck & Bus GmbH entered in the commercial register
MAN SE shareholders approve the agreement by a large majority at the Annual General Meeting held on June 6, 2013.

August 1, 2013
MAN delivers 440 trucks to Saudi Arabia and expands service network
MAN TGS trucks are specially designed for use in the desert. As a result of growing demand, MAN expands its service network in the region.

September 17, 2013
120 MAN TGS trucks for major construction project in Lagos
Construction company Chagoury Group orders MAN tipper semitrailer tractors for the EKO Atlantic City urban development project off the coast of Nigeria.

September 17, 2013
MAN in the Dow Jones Sustainability World and Europe Indices again
MAN further improves on its overall result in the ranking, achieving one of its key sustainability objectives for 2013.

September 30, 2013
MAN Latin America supplies 5,200 vehicles to the Brazilian government
The major contract is for around 2,600 school buses and 2,600 trucks for the transportation of drinking water and for the Army.

4th quarter

October 16, 2013
MAN clearly ahead again in TÜV Report 2013
MAN trucks pass the annual roadworthiness inspection without a hitch the most – in all age categories and for the second year in a row.

October 17, 2013
MAN at Busworld 2013
MAN showcases its entire bus range meeting the low emission Euro 6 standard in the Belgian city of Kortrijk.

October 24, 2013
MAN Latin America invests in Rio de Janeiro
Production capacity at the Resende plant is boosted in order to be able to cope with increasing demand.

October 30, 2013
MAN delivers 106 city buses to Budapest
The low-floor MAN Lion's City model is driven by a 280-hp common-rail diesel engine.

November 27, 2013
Carnival Cruise Lines selects MAN engines
Five engines with an electronically controlled injection system are to power a new Carnival Cruise liner, creating a completely new class of ship.

2013 at a Glance

€16.0 billion
Stable order intake

€15.7 billion
Revenue at prior-year level

€475 million
Operating profit down significantly year-on-year

3.0%
Return on sales well below target range

€ –390 million
Free cash flow negative due to earnings-related factors

02/ Combined Management Report

The combined management report describes the business developments and the position of the MAN Group and MAN SE in fiscal 2013.

The MAN Group's Business Activities and Strategy

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 focuses on activities in the areas of transportation and energy and is one of Europe's leading commercial vehicle and mechanical engineering players. The Group aims to grow profitably around the world in its two business areas, Commercial Vehicles and Power Engineering, and to increase the value of the Company. Customer orientation, the ongoing expansion of after-sales services, and technology leadership are key to achieving these goals.

MAN companies MAN Truck & Bus, MAN Diesel & Turbo, MAN Latin America, and Renk hold leading market positions and rank in the top three in their respective markets. With around 53,500 employees, the Group operates in over 150 countries. In 2013, the MAN Group generated revenue of €15.7 billion and an operating profit of €475 million. As a result, return on sales declined from 6.1% in the previous year to 3.0%.

Overview of the business areas

Commercial Vehicles business area

MAN Truck & Bus is one of Europe's leading manufacturers of commercial vehicles and has production facilities in four European countries, Russia, South Africa, and India. 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 on- and off-road uses. To complement this, MAN Truck & Bus offers customers an extensive range of services from a single source. MAN and NEOPLAN customers worldwide benefit from 1,478 locations offering service and vehicle maintenance. MAN Truck & Bus sold 76,268 trucks, 5,294 buses, and 9,752 engines in the 2013 reporting period. Revenue amounted to €9.1 billion, while operating profit was €228 million.

MAN Latin America is Brazil's largest truck manufacturer and also the country's market leader for trucks with a permissible gross vehicle weight of more than 5 t. 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. Its vehicles are primarily sold in the Latin American and African markets. It delivered a total of 60,357 trucks and buses in 2013. Revenue amounted to €3.0 billion, while its operating profit was €230 million.

Since 2009, MAN SE has held a strategic interest of 25% plus one share in Sinotruk Ltd., Hong Kong/China (Sinotruk). In addition, it has a long-term strategic partnership agreement with Sinotruk. The key feature of the partnership is the combination of the advanced technology and expertise offered by MAN and Sinotruk's local knowledge, existing production facilities, and extensive sales network in China. As part of the agreement, MAN licenses its TGA truck technology, including engines, chassis, and axles, to Sinotruk as the basis for producing a new heavy truck series. Sinotruk and MAN presented their new joint truck brand, SITRAK, at the "Auto Shanghai 2011" show. Sinotruk started sales in China in 2013 as planned.

Power Engineering business area

MAN Diesel & Turbo is one of the world's leading developers and manufacturers of large-bore diesel engines, turbo compressors, 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 diesel engines as well as complete and efficient power plants which supply useful heat from cogeneration. The company manufactures four-stroke engines at its sites in Germany, France, and India. Two-stroke engines are built by licensees. Moreover, as one of the leading manufacturers worldwide, MAN Diesel & Turbo also 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. A comprehensive after-sales business covers the company's entire product range. MAN Diesel & Turbo generated revenue of €3.4 billion in 2013; the operating loss was €27 million.

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 the global market leader in different sizes of tracked vehicle transmissions as well as in 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. Renk's revenue amounted to €0.5 billion in 2013 and its operating profit was €67 million.

The MAN Group's strategy and strengths

Focus on transportation and energy

The MAN Group's strategic focus is on transportation and energy. Megatrends such as globalization, the rise in global trade, global population growth, and urbanization mean that these are forward-looking, high-growth sectors. MAN offers customers on all continents tailored solutions, in particular to reduce emissions and fuel consumption, in its Commercial Vehicles and Power Engineering business areas.

A global presence and broad portfolio of advanced products and services are the cornerstone of MAN's corporate strategy. These give the MAN Group the necessary stability to largely absorb fluctuations in individual markets and to be prepared for increasing global competition. Customers and their needs are at the heart of all of the Company's business activities. The continuous expansion of the after-sales business and the Group's efficiency, technology, and quality leadership are important success factors. These success factors are fundamental and firmly established elements in the MAN Group strategy and pave the way for sustainable value creation – the MAN Group's primary objective.

Profitable international growth

MAN's primary objective – sustainable value creation – can only be achieved by generating profitable international growth. This enables the Group to leverage market opportunities and better offset regional market fluctuations. The MAN Group as well as its divisions operate on this basis.

With its products and strong brands, MAN Truck & Bus has clearly positioned itself in the premium segment. The aim is to leverage potential in the core European market as well as, in increasing measure, outside of Europe. Efficient transportation solutions, reliable and robust vehicles, and satisfied customers continue to be the foundation for globally expanding the good market position in the long term. Consolidation and efficiency measures form the basis for profitability and for the future growth strategy.

Outside of Europe, the primary focus is on markets in the BRIC countries. With over 50,000 vehicles in Russia, MAN already commands the highest number of vehicles by far among western European commercial vehicle manufacturers. After running in test mode from the beginning of the year under review, the truck plant in St. Petersburg officially started production in July 2013 after obtaining its operating license. This now makes it possible to offer localized vehicles which are optimized for the Russian market. In India, on taking over the joint venture with FORCE Motors Limited, Akurdi/India, MAN Truck & Bus had already stabilized the business in 2012. The MAN CLA, which is manufactured at the MAN site in India, offers tried and tested technology at competitive prices, and meets the requirements for a robust, reliable truck for the Asian and African target markets. In China, MAN is represented by its investment in Sinotruk. The joint truck brand, SITRAK, started being sold here in 2013.

In Brazil, MAN Latin America has already led the market for trucks over 5 t for eleven years with the Volkswagen brand, offering products tailored to emerging economies in the budget market. This leadership claim is being extended continuously across the whole of Latin America. The MAN TGX series, introduced in the previous year, was specifically expanded, and more heavily localized, to meet the needs of customers in Latin America. The truck, which is marketed under the MAN brand, won the “Truck of the Year” award in 2013.

For MAN Diesel & Turbo too, trends such as global population growth and the steady rise in global trade are leading to an increase in the demand for energy and transportation services. In many regions of the world, demand for decentralized power plants is increasing due to the lack of nationwide power grids. The increase in world trade is accompanied by a rise in marine transportation volumes, from which MAN Diesel & Turbo is benefiting with its comprehensive marine engine portfolio. At the same time, rising prosperity is leading to increased consumption of gas- and oil-based products such as plastics and fertilizers. MAN Diesel & Turbo offers a broad product portfolio in the area of industrial plants to meet this demand. With the strengthening of its global organization, MAN Diesel & Turbo is pursuing the goals of being able to act on a local level to meet specific market requirements and of optimizing production and development networks around the world.

Expanding its international presence and activities remains a key issue for Renk as well. In this fiscal year, Renk opened an after-sales center in Shanghai which caters optimally for the growing demand for service in China. International demand for marine gear units continues unchanged at a high level. Renk meets this demand with a comprehensive portfolio of technical solutions, coupled with in-depth advisory services for customers. Opportunities are arising as a result of the comparatively low price of gas in the USA, which is leading to a strengthening of industry there. Renk can benefit from this recovery with gear units, for example for the plastics industry.

Customer orientation

Globally, MAN stands for high-quality products and closeness to its customers. Rising diesel prices, increased competitive pressure and tougher environmental standards present big challenges for fleet operators. Customers have to increase their cost-effectiveness and reduce their total cost of ownership (TCO). MAN responds to customer needs and is continually developing innovations so as to be able to service the changing requirements in the best possible way. Maximum efficiency in its transportation solutions is ensured by absolute reliability. These solutions are tailored exactly to the needs of individual customers and markets.

For example, MAN Truck & Bus’s long-haul EfficientLine models are specifically designed for fuel efficiency. Equipping these vehicles with engines that comply with the Euro 6 emission standards allows for a more environmentally-friendly operation, together with markedly lower fuel consumption. Compared with a standard vehicle, savings in consumption of up to 3 liters per 100 km are achieved. This success in the market is underlined by impressive sales figures. Overall, more than 15,000 Euro 5 and Euro 6 MAN EfficientLine models have now been sold. In addition, the new TGX EfficientLine with Euro 6 technology is fitted as standard with MAN TeleMatics – the efficient fleet management and logistics solution. The hardware is already pre-installed.

From a driver's perspective, MAN products also stand up very convincingly. MAN Truck & Bus had three winners in the "Best Commercial Vehicles of 2013" reader poll by publisher ETM with the new Euro 6 emission standard TGL and TGS, and the NEOPLAN Starliner, and was able to secure 14 podium places overall. The NEOPLAN Starliner won the high-deck touring coach category. In the up to 32 t tipper truck class, the MAN TGS occupied first place. The MAN TGL also won in the up to 7.5 t transporter/truck category.

The TGL and TGX models, as well as the NEOPLAN Starliner, were again awarded prizes in independent tests and surveys in the year under review. These attest to the successful design and configuration of these MAN Truck & Bus products in line with customer requirements.

A further example of customer orientation, and therefore of benefits provided to customers, is the fact that MAN has for decades been working with scientists on research into the causes of commercial vehicle accidents. One important finding from this has been that 32% of all truck accidents are collisions with the vehicle in front. MAN developers therefore focused on the further optimization of active truck and bus safety, and had already introduced emergency brake assist (EBA) in series production in 2013 before the official legal deadline. If the driver does not react to the system warnings, EBA initiates an emergency stop by itself so as to avoid or lessen a collision.

In Brazil, the VW Constellation, Worker and Delivery stand for a high level of robustness and cost-effectiveness. As part of its customer orientation strategy, MAN Latin America offers customers products that are specially tailored to the demands of the Brazilian market under the motto "Less you don't want, more you don't need." It can also develop and implement custom solutions at a special vehicle modification center. Every year, the company is recognized for its innovative concepts and close proximity to customers.

MAN Diesel & Turbo conducts regular customer surveys every two years so as to optimize its products and services to meet customer requirements. Driving forward regionalization so as to be close to customers and to be able to build up solid, sustainable customer relationships is also extremely important. The MAN PrimeServ brand's 116 locations in over 50 countries ensure a comprehensive service on the ground, 24 hours a day, 365 days a year. Customers are trained in the products at twelve PrimeServ academies. The global service network is constantly being expanded. Moreover, the order processing process is being automated and optimized on an ongoing basis so that customer needs can be met even better, more quickly and more efficiently.

Renk's activities are also centered on its customers. A majority of the products are developed together with them. The optimal solution in each case is as individual as the goals and requirements of the customers themselves. The projects draw on many years of experience and comprehensive expertise. Customer support is provided from the initial idea through detailed planning phases, production and assembly down to delivery. Additionally, experienced fitters are made available to the customer for servicing products in operation.

Continuous expansion of after-sales area

The continuous expansion of after sales is a high priority for all of the MAN Group's divisions. This firstly allows the Group to leverage previously unexploited potential, which contributes considerably to earnings. Secondly, it plays a key role in increasing customer orientation and satisfaction.

Ongoing investments in the after-sales business allow MAN Truck & Bus to continue to reduce customer vehicle downtime. The ever-increasing availability of spare parts and the optimization of uniform workshop processes result in a sustainable increase in the operational usage periods of vehicles. Focusing on total cost of ownership (TCO), MAN Truck & Bus offers service packages that are designed to meet customer needs, consisting for example of long-term maintenance and repair agreements, and the MAN ServiceCard. In addition, in most of Europe, the company offers its customers a comprehensive portfolio of exchange parts, and a market-driven price structure for spare parts. These are important competitive elements which allow customers to optimize their repair costs. MAN Truck & Bus will in future open up another sales channel for its spare parts portfolio and will also increase its offering of original MAN parts for independent workshops.

MAN Latin America has set itself the goal of consolidating its leading customer support position. The company boasts a strong dealer network in Brazil with 156 exclusive sales and service partners. Most of these have already been awarded the status of MAN brand partners. MAN Latin America offers after-sales services on the customer's own premises through a special maintenance agreement.

At MAN Diesel & Turbo, the MAN PrimeServ brand offers customers the service expertise of an original manufacturer with a global presence whose extensive network means that it is represented in all key markets and major ports. This minimizes downtime. The full range of services comprises much more than simply supplying spare parts, though. Personnel training sessions and long-term maintenance and operator agreements are offered, as are extensive services such as upgrades to increase efficiency and reduce resource consumption for diesel engines, compressors, and turbines. In line with this strategy, MAN Diesel & Turbo now has 116 MAN PrimeServ locations around the world.

Tailored advice and customized products are one of Renk's core competencies. This applies in particular to the after-sales business. Maximum reliability and low frequency maintenance are key development goals from product design onwards. The accessibility of components for which wear cannot be avoided also has to be taken into account. Long-term maintenance concepts are created together with customers to ensure that operations run as smoothly as possible. The service team offers flexible assistance in the event of an unexpected malfunction. Activities in the integrated logistic support (ILS) area were strengthened for marine gear units, for example to secure the supply of spare parts and the availability of training for the coming decades.

Technology and quality leadership

Alternative drives, among other things, demonstrate the core technology and quality leadership factors required for success. These drives continue to gain in significance, especially in local public transport. Natural gas in particular represents an environmentally-friendly type of fuel for this sector. MAN Truck & Bus has over 40 years' experience in the development and production of natural gas-powered buses. The company is the market leader for natural gas-powered city buses and offers the Lion's City CNG in many variants as solo and articulated buses with lengths of 12 to 18.75 meters. In addition, the portfolio also includes bus chassis for city and intercity buses, as well as CNG engines ranging from 162 to 228 kW (220 to 310 horsepower) for external customers. MAN Latin America is developing a truck with an MAN E08 six-cylinder natural gas engine for AmBev, Brazil's largest beverage producer. The truck will supply the Maracanã stadium in Rio de Janeiro during the soccer world championship, among other venues.

MAN stood out in the 2013 TÜV report on commercial vehicles with the highest percentage of complaint-free vehicles, and a better performance in all age categories than its competitors. 95% of one-year-old vehicles passed the main inspection without significant deficiencies; for five-year-old vehicles, it was around 82%. Here too, the MAN brand is ahead of the competition.

Natural gas as a fuel is also a significant driver for MAN Diesel & Turbo's product development. Due to the stricter IMO Tier III emissions regulations originally, as well as the increasing global availability of natural gas, MAN Diesel & Turbo's development work focuses on developing new products and enhancing existing products which are powered by natural gas, such as gas engines and turbines. In the area of gas-powered large bore power plant engines, MAN Diesel & Turbo is setting new standards with the 35/44G. With an electrical efficiency of 47.3%, the 10.6 MW engine is the most efficient engine in its class. The new generation of MGT gas turbines is not only highly efficient, but also particularly low in pollution. During test bed runs, exhaust nitrogen oxide emissions were reduced to an extremely low level.

Building on the expertise of its highly-specialized engineers, Renk has been the technology leader for tracked vehicle transmissions, marine applications, and E Standard slide bearings for many years.

See "Research and Development" for further information.

Sustainable value creation

The strategic focus of the MAN Group serves its primary objective of sustainable value creation and is thus the foundation for its business success. Profitability, growth, and sustainable corporate governance enable the Company to increase its long-term value. The basis for this is comprehensive and strategic management of all economic, environmental, and social demands placed on the Company. We identify future developments at an early stage and anchor these in our corporate strategy. Our product strategy revolves around customer needs and meeting ecological and economic requirements. The Company's employees are the foundation for this. MAN knows this and has set itself the goal of being a top employer. Responsible human resources development and compliance are firmly established at the Company.

Financial control system and value management

The key financial control measures in the MAN Group are defined as return on sales (ROS), which is the ratio of operating profit to revenue, and return on capital employed (ROCE), which is the ratio of operating profit to annual average capital employed. These primary indicators are used to assess the performance goals of the Group as a whole and its divisions.

In addition to these control measures, return on equity before tax (ROE) is used as a further profitability indicator. It is only calculated at Group level and is included in the determination of the variable remuneration of MAN SE's Executive Board. Return on equity before tax is calculated by dividing earnings before tax by the MAN Group's average equity.

In addition to ROS, the delta to the cost of capital (ROCE – WACC) is used in the MAN Group as a component of performance-related remuneration for managers. It corresponds to the difference between ROCE and the weighted average cost of capital (WACC).

The members of MAN SE's Executive Board receive a performance-related annual bonus. Target achievement is benchmarked by reference to ROE and the delta to the cost of capital. For Executive Board members, an average figure over two (variable remuneration) and three years (long-term remuneration component) is used to determine whether the targets based on the delta to the cost of capital factor have been reached. For further information, see the "Remuneration report for fiscal year 2013."

Target returns

The MAN Group aims for an ROS of 8.5% over an operating cycle and an ROCE that exceeds the weighted cost of capital of 10%. The target return on sales is 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 ROS figures.

Operating profit

The earnings measure for calculating ROS and thus for assessing and managing the performance of a division is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). When calculating operating profit, adjustments are made for earnings effects from purchase price allocations and, in individual cases, nonrecurring items. Nonrecurring items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. In 2013, MAN recorded losses from nonrecurring items totaling €38 million, which are reflected in EBIT, but not in operating profit. In the previous year, the Group reported losses from nonrecurring items amounting to €231 million.

ROS

%	2013	2012
Commercial Vehicles	3.8	3.9
Power Engineering	1.0	11.8
MAN Group	**3.0**	**6.1**

The MAN Group's return on sales declined to 3.0% in 2013 (previous year: 6.1%). Profitability declined in the Power Engineering business area in particular, impacted by very high project-related provisions and the decline in license revenue. MAN Truck & Bus recorded an ROS of 2.5% (previous year: 2.6%), while the figure for MAN Latin America was 7.8% (previous year: 8.0%). MAN Diesel & Turbo's return on sales was –0.8% (previous year: 11.6%). Renk recorded a ROS of 13.7% (previous year: 13.9%).

ROCE

€ million	2013	2012
Equity[1]	**5,227**	**5,632**
Pensions and other post-employment benefits[2]	452	591
Financial liabilities[2]	3,627	5,299
	9,306	**11,522**
Business volume not funded by equity of MAN Finance	–	–3,243
Marketable securities, cash and cash equivalents, and loans to Group companies[2]	–2,312	–1,367
Capital employed by the MAN Group at December 31[1]	**6,994**	**6,912**
Annual average capital employed by the MAN Group[1]	**6,903**	**6,948**
Operating profit[1]	**475**	**969**
ROCE (%)	**6.9**	**13.9**

[1] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."
[2] MAN Group after presentation of MAN Finance as an asset held for sale. Definition of capital employed adjusted: loans to Group companies deducted from 2013.

The return on capital employed (ROCE) is the ratio of operating profit to annual average capital employed.

The MAN Group's capital employed is derived from the capital side. It comprises the Group's total equity, pensions and other post-employment benefits, and financial liabilities, less marketable securities, cash and cash equivalents, loans to Group companies, and in the previous year, less the financing business (leasing) not covered by the equity of MAN Finance. MAN Finance is presented as held for sale in the 2013 consolidated financial statements. MAN Finance is therefore no longer included in the recognized pensions and other post-employment benefits or financial liabilities. As a result, no deductions are necessary. MAN Finance comprises MAN Finance International GmbH, Munich, and the national companies assigned to it. For further information on the sale of MAN Finance, see the section entitled "Divestments."

The divisions' capital employed is derived from the asset side. For the Industrial Business, it comprises total assets excluding certain liquid assets and tax assets, less all provisions and liabilities with the exception of financial liabilities, pensions and other post-employment benefits, and income taxes. Effects from acquisitions relating to finite-lived tangible and intangible assets are also eliminated when calculating capital employed. Prepayments received are only deducted if they have already been used in order processing.

The MAN Group's ROCE declined from 13.9% in the previous year to 6.9%.

WACC

The weighted average cost of capital (WACC) represents the minimum return expected by investors on the capital provided and for the investment risk. It is calculated as the weighted average cost of equity and debt. The cost of equity is determined on the basis of the capital asset pricing model (CAPM) using an interest rate for long-term, risk-free investments plus a premium for the specific investment risk. The cost of debt is also based on an interest rate for risk-free investments plus a risk premium for long-term investments in industrial corporations.

MAN uses WACC together with other control parameters as a basis for setting ROCE requirements. The cost of capital for fiscal 2013 remained unchanged at 10.0%. The "delta to the cost of capital" measure is calculated as the difference between ROCE and WACC and was –3.1% in 2013 (previous year: 3.9%).

ROE

Return on equity (ROE) is the ratio of earnings before tax to annual average equity.

€ million	2013	2012
MAN Group equity on December 31[1]	5,227	5,632
Annual average MAN Group equity[1]	5,110	5,647
Earnings before tax (EBT)[1,2]	–136	316
ROE (%)[1]	**–2.7**	**5.6**

[1] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."
[2] Earnings before tax additionally including earnings effects of discontinued operations.

The MAN Group's ROE declined from 5.6% to –2.7% in fiscal 2013.

Key performance indicators in the outlook

In the "Outlook" section of its annual and interim reports, MAN forecasts the development of the most important financial key performance indicators – revenue, operating profit, and the return on sales. For the first time, MAN is also forecasting the two most important nonfinancial key performance indicators for fiscal 2014. These are vehicle sales in the Commercial Vehicles business area and order intake in the Power Engineering business area. As a technology company, MAN voluntarily provides additional information on expected future research and development expenditures, capital expenditures, as well as disclosures on cash flows.

Upcoming changes to financial reporting

MAN will adapt its reporting to the definitions and structures used in the Volkswagen Group's financial reporting in fiscal 2014. In particular, MAN will calculate operating profit/loss as EBT and before the financial result in the future. As a result, net investment income in particular will no longer be part of operating profit. This has no material effect on the management of the Company. MAN will also present prior-period figures for comparison purposes starting with the interim report for Q1 2014.

The target returns specified for performance-related remuneration continue to apply unchanged in fiscal 2014. MAN will also report the actual ROS and ROCE values according to the logic used to date on a voluntary basis in 2014.

Divestments

Effective January 1, 2014, Volkswagen Financial Services AG, Braunschweig (VWFS), acquired the shares of MAN Finance International GmbH, Munich. The bundling of the infrastructure, resources, and expertise of VWFS and MAN Finance facilitates the development of integrated transportation solutions for MAN Truck & Bus's customers, including in other markets. MAN Finance will remain MAN Truck & Bus's exclusive sales support organization. For further information, see the "Notes to the Consolidated Financial Statements."

Business Developments and Results of Operations in 2013

MAN Group's order intake and revenue on a level with the prior year, significant decline in operating profit in ongoing difficult market environment

Economic environment

As in the previous year, the global economy only saw moderate growth in 2013. According to its winter report, the *Institut für Weltwirtschaft* (IfW – Institute for the World Economy) at the University of Kiel is anticipating global growth of 2.9% for 2013, down on 3.1% in the previous year. The debt crisis in Europe continued to have a negative effect.

The outlook for the advanced economies in particular improved significantly over the course of the year.

The recession in the euro zone appears to have been overcome and the reforms in the crisis-hit countries are making progress. Sentiment indicators suggest that both consumers and companies are much more optimistic. However, growth was slow since the necessary structural adjustments continued to impact economic growth in some countries. The IfW is expecting GDP in the euro zone to decline by 0.4% in the year as a whole, after a decrease of 0.7% in the previous year. Most southern European countries saw negative GDP growth. The IfW is predicting GDP growth of 0.4% for Germany in 2013 (previous year: 0.7%).

Economic growth continued to slow in Russia. Growth in 2013 is forecast at 1.5%, compared with 3.4% in the previous year. The downward revision is primarily due to stagnating and even declining commodity prices and lower capital expenditures.

The United States saw lackluster economic growth in the reporting period. The weak growth rates were due in particular to uncertainties surrounding the political conflict over fiscal policy and its resulting significant tightening. The IfW is forecasting a 1.6% increase in gross domestic product in 2013 as against 2.8% in the previous year.

The Brazilian economy – a key market for MAN – experienced stronger growth compared with the previous year. The depreciation of the real increased the competitiveness of the Brazilian economy. Domestic demand was negatively impacted by less favorable financing conditions, uncertainties surrounding economic policy, and continued inflation. The International Monetary Fund (IMF) is forecasting growth of 2.5% for full-year 2013, after 0.9% in the previous year. Most other Latin American countries saw stable economic growth over the course of the year, despite weak demand from the industrialized countries.

Asia was still the largest growth driver in the world in 2013, although the pace of expansion slowed here as well. At 7.5%, the Chinese economy grew at a slightly slower pace than in the prior-year period (7.8%). Indian GDP rose by 4.0% in 2013 as against 3.7% in the previous year, which was negatively impacted by lower investment. The IfW expects the remaining East Asian emerging economies to record growth of 4.9% in 2013.

Overall assessment by the Executive Board: market environment remains difficult; significant decrease in operating profit primarily due to the Power Engineering business area

The MAN Group's market environment remained difficult in fiscal 2013. As in the previous year, the global economy only saw moderate growth. The MAN Group's order intake and revenue were on a level with the previous year in the period under review. Operating profit declined significantly to €475 million (previous year: €969 million). This decrease is almost solely attributable to the Power Engineering business area. At 3.0%, the return on sales was well below the prior-year figure (6.1%) and outside the target bandwidth of 2 percentage points above/below the long-term target of 8.5%. Management is not content with this performance and has stepped up the existing measures to improve profit.

As forecast in the 2012 Annual Report, the European commercial vehicle market contracted significantly in the first six months of 2013. It picked up again considerably in the second half of the year due to pull-forward effects from the Euro 6 emission standard. As a whole, the market performed better than expected and clearly exceeded the prior-year level. Economic growth in Brazil was slightly weaker than forecast. The recovery in the commercial vehicle market following the changeover to the Euro 5 emission standard in 2012 was however buoyed by the extension of a government investment program. Overall, revenue in the Commercial Vehicles business area was up slightly year-on-year. It was slightly better than expected in the 2012 Annual Report, which forecast a slight decline. Operating profit in the Commercial Vehicles business area matched the prior-year figure. As forecast, the return on sales was roughly on a level with the previous year, at 3.8% (3.9%).

By contrast, the situation in the Power Engineering business area deteriorated over the course of the year. Overall, order intake in the Power Engineering business area was again down on the prior-year figure. As expected, the ongoing crisis in the merchant shipbuilding market brought with it a significant decline in license revenue. Economic uncertainties and financial difficulties again led to customer reluctance in awarding contracts in fiscal 2013. The after-sales business performed significantly worse than expected as customers pushed back maintenance work due to the crisis or had less maintenance performed. As forecast in the 2012 Annual Report, revenue was down year-on-year and margins came under pressure. In addition, very high provisions had to be recognized in the first half of 2013 for a project in the Power Plants strategic business unit that has not yet been completed. Operating profit in the Power Engineering business area therefore declined significantly as against the previous year. The return on sales was only slightly positive, at 1.0%. This was well below the single-digit return on sales forecast in the 2012 Annual Report, compared with the prior-year figure of 11.8%.

As a result, the MAN Group was unable to meet its original earnings goals for fiscal 2013 and had to adjust its outlook accordingly in June. The 2012 Annual Report had forecast a slight decline in revenue, a disproportionately large drop in operating profit, and a return on sales below the 2012 figure. Starting in June 2013, MAN continued to expect a very pronounced decline in operating profit and a return on sales well below the 2012 figure. At the same time, its revenue expectations improved slightly. Since then, the MAN Group has forecast revenue on a level with the previous year. The revenue, operating profit, and return on sales for 2013 correspond to the outlook as updated in June.

Order situation

The MAN Group's order intake and revenue were on a level with the previous year in the period under review.

Stable order intake

At €16.0 billion, the MAN Group's order intake in fiscal 2013 was roughly on a level with the previous year (€15.9 billion). The Commercial Vehicles business area recorded an order intake of €12.3 billion, 2% higher than in the previous year (€12.0 billion). Order intake in the Power Engineering business fell just short of the prior-year figure, at €3.9 billion (previous year: €4.0 billion).

Overall, the European commercial vehicle market clearly outperformed the previous year in 2013. Following declines in the first half of the year, the second half of the year saw significant pull-forward effects as a result of the introduction of the Euro 6 emission standard in Europe. Against this backdrop, MAN Truck & Bus recorded an order intake of €9.3 billion, an increase of 2%. At €3.0 billion, MAN Latin America's order intake rose by 3% year-on-year despite a 7% increase in unit terms. Growth was driven by the market recovery following the introduction of the Euro 5 emission standard in Brazil in 2012, stronger economic growth in the year under review, the more favorable financing terms offered by the Brazilian Development Bank, and the high demand for transportation due to the record grain harvest. However, the depreciation of the Brazilian real had an offsetting effect.

The Power Engineering business area recorded an order intake of €3.9 billion in the reporting period (previous year: €4.0 billion). The continued difficult situation in the shipping industry, ongoing economic uncertainties, and tougher financing conditions led to delays in awarding contracts. MAN Diesel & Turbo's orders declined to €3.4 billion (previous year: €3.5 billion). Renk recorded an order intake of €504 million, down almost €20 million on the prior-year figure.

The MAN Group received major orders in the amount of €0.9 billion in fiscal 2013 (previous year: €1.1 billion).

The proportion of international orders was 78%, as against 80% in the prior year.

Orders in Europe were up slightly by 2% year-on-year, driven by Germany (€3.5 billion), Russia (€0.8 billion), and the United Kingdom and France (approximately €0.6 billion each). While orders in Germany and France rose by 7% and 8% respectively, order intake in Russia and the United Kingdom declined by 8% and 16%, respectively, compared with the previous year. Europe remains the MAN Group's most important region, accounting for 58% of its total order intake (previous year: 57%), followed by the Americas at 21%, and Asia at 16%.

At €3.3 billion, order intake in the Americas was down 11% on the previous year (€3.7 billion). Brazil accounted for 80% of this amount, or €2.7 billion (previous year: 76% or €2.8 billion). Orders in Asia grew by 14% to €2.5 billion. Two-thirds of this was attributable to MAN Diesel & Turbo, which lifted order intake in Asia by 30% year-on-year.

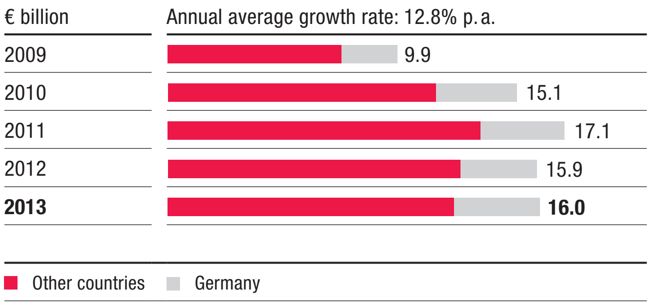
Order intake by business area

€ million	2013	%	2012	%
Commercial Vehicles	12,286	77	12,020	76
Power Engineering	3,911	24	4,035	25
Others/Consolidation	–210	–1	–166	–1
MAN Group	**15,987**	**100**	**15,889**	**100**

Order intake by region

€ million	2013	%	2012	%
Federal Republic of Germany	3,475	22	3,252	20
Other EU countries	4,194	26	3,987	25
Other European countries	1,632	10	1,846	12
Asia	2,529	16	2,218	14
Americas	3,325	21	3,734	24
Africa	723	4	698	4
Australia and Oceania	109	1	154	1
MAN Group	**15,987**	**100**	**15,889**	**100**

Five-year order intake trend

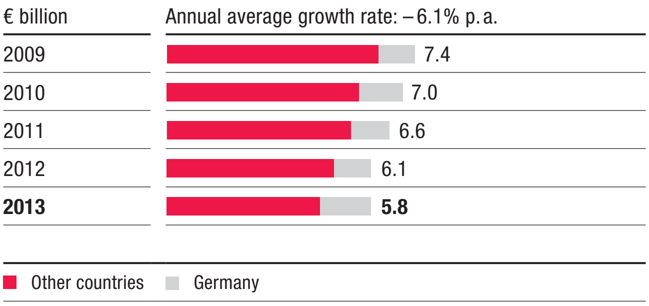


Like-for-like data for all years, excluding discontinued operations.

Decline in order backlog

The MAN Group's year-end order backlog in fiscal 2013 was down on the prior-year figure, at €5.8 billion (€6.1 billion). The order backlog in the Commercial Vehicles business area declined by 11% to €1.9 billion at the end of the year. At €3.9 billion, the Power Engineering business area recorded a 3% decrease in its order backlog as against the previous year. The business area's order backlog was roughly on a level with its annual revenue in fiscal 2013 and therefore spans approximately one year.

Five-year order backlog trend



Like-for-like data for all years, excluding discontinued operations.

Revenue up in the Commercial Vehicles business area, down in Power Engineering

The MAN Group generated revenue of €15.7 billion in fiscal 2013, on a level with the previous year.

Annual revenue in the Commercial Vehicles business area amounted to €12.0 billion (previous year: €11.7 billion). Both MAN Truck & Bus and MAN Latin America saw revenue increase by 3% year-on-year. MAN Truck & Bus generated revenue of €9.1 billion. MAN Latin America lifted its revenue to €3.0 billion.

The Power Engineering business area generated revenue of €3.9 billion in 2013, down 9% on the previous year (€4.3 billion). At €3.4 billion, MAN Diesel & Turbo recorded a 10% decrease in revenue following weak order intake in the previous year. This is mainly attributable to the continued weakness in the shipping industry. At €0.5 billion, Renk's revenue was on a level with the previous year.

The MAN Group's domestic revenue rose by 4% year-on-year to €3.3 billion. Approximately 86% of domestic revenue was again accounted for by MAN Truck & Bus, which generated 31% of its revenue in Germany. The Power Engineering business area is much more internationally oriented and generated 87% of its revenue outside Germany.

Compared with the previous year, international revenue in the entire MAN Group decreased by 2% in 2013 to €12.4 billion. The proportion of total revenue generated outside Germany was therefore roughly on a level with the previous year, at 79% (80%).

At €9.0 billion, revenue in the European markets was roughly on a level with the previous year in 2013. The proportion of total revenue generated in Europe was 57%. The share attributable to the Americas amounted to 23% or €3.6 billion. €2.9 billion or 80% of this was attributable to MAN Latin America, which generated 88% of its revenue in the Brazilian market (previous year: 87%). In Asia, the MAN Group's revenue declined to approximately €2.2 billion (previous year: €2.3 billion). Of this figure, China accounted for €0.6 billion and South Korea for €0.4 billion. The Power Engineering business area is very strongly represented in both markets. Asia generated 14% of the MAN Group's total revenue (previous year: 15%).

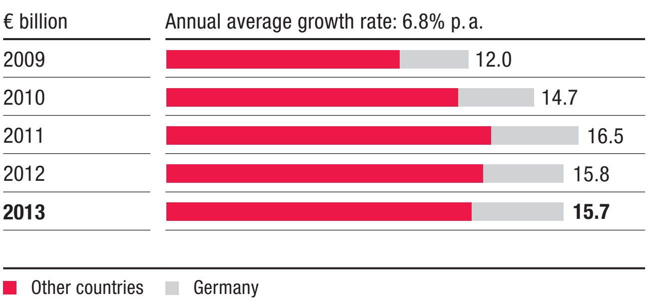
Revenue by business area

€ million	2013	%	2012	%
Commercial Vehicles	12,004	77	11,692	74
Power Engineering	3,881	24	4,256	27
Others/Consolidation	– 221	– 1	– 176	– 1
MAN Group	**15,664**	**100**	**15,772**	**100**

Revenue by region

€ million	2013	%	2012	%
Federal Republic of Germany	3,293	21	3,170	20
Other EU countries	4,060	26	4,153	27
Other European countries	1,673	10	1,744	11
Asia	2,170	14	2,335	15
Americas	3,610	23	3,510	22
Africa	737	5	696	4
Australia and Oceania	121	1	164	1
MAN Group	**15,664**	**100**	**15,772**	**100**

Five-year revenue trend



Like-for-like data for all years, excluding discontinued operations.

Operating profit

The MAN Group recorded an operating profit of €475 million in fiscal 2013, down approximately 50% on the prior-year figure (€969 million). This decrease is primarily attributable to the Power Engineering business area, which saw operating profit decline to €40 million (previous year: €503 million). At €458 million, operating profit in the Commercial Vehicles business area in the reporting period was on a level with the previous year (€458 million).

MAN Truck & Bus recorded an operating profit of €228 million (previous year: €229 million) and a return on sales of 2.5% (previous year: 2.6%). MAN Latin America generated an operating profit of €230 million (previous year: €229 million). At 7.8%, the return on sales was down slightly on the prior-year figure (8.0%).

In the Power Engineering business area, MAN Diesel & Turbo posted an operating loss of €27 million (previous year: operating profit of €437 million). This was largely due to very high provisions recognized in the first half of 2013 for a major project in the Power Plants strategic business unit that has not yet been completed, as well as to lower revenue in the license business. MAN Diesel & Turbo's return on sales declined significantly to –0.8%, compared with 11.6% in the previous year. Renk recorded an operating profit of €67 million (previous year: €66 million) and a return on sales of 13.7% (previous year: 13.9%).

In addition to MAN SE and its Shared Services companies, the figure for Others/Consolidation includes the net income/losses of equity investments held directly by MAN SE, as well as the consolidation adjustments between the MAN Group's divisions. The operating loss attributable to Others/Consolidation was €23 million in fiscal 2013 (previous year: operating profit of €8 million).

The MAN Group's return on sales in the past fiscal year was 3.0%, after 6.1% in the prior year. The MAN Group's profitability in the year under review was therefore outside the target range of the long-term target of 8.5% +/– two percentage points. The return on sales for the Power Engineering business area dropped significantly from 11.8% to 1.0%, whereas the Commercial Vehicles business area recorded a return on sales of 3.8% (previous year: 3.9%).

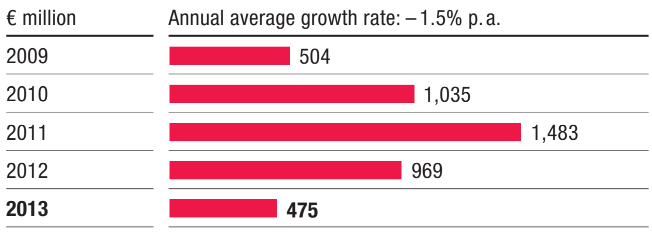
Operating profit/loss by business area

€ million	2013	2012
Commercial Vehicles*	458	458
Power Engineering	40	503
Others/Consolidation*	–23	8
MAN Group*	**475**	**969**

* 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."

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."

Five-year operating profit trend



Like-for-like data for all years, excluding discontinued operations.

Income statement

€ million	2013	%	2012	%
Revenue	15,664	100.0	15,772	100.0
Cost of goods sold and services rendered	–12,760	–81.5	–12,499	–79.2
Gross margin	2,904	18.5	3,273	20.8
Other operating income	540	3.4	540	3.4
Selling expenses[1]	–1,072	–6.8	–1,091	–6.9
General and administrative expenses[1]	–841	–5.4	–949	–6.0
Other operating expenses[2]	–1,120	–7.1	–872	–5.5
Income from investments[1,3]	64	0.4	68	0.4
Operating profit[2]	475	3.0	969	6.1

1 Amount after reclassification of selling expenses/general and administrative expenses and net investment income of €–76 million (previous year: selling expenses/general and administrative expenses and net investment income of €–110 million) to earnings effects from purchase price allocations.

2 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."

3 Amount after reclassification of net investment income of €–38 million (previous year: €–231 million) to gains/losses from nonrecurring items.

Revenue declined by €108 million year-on-year in 2013, while the cost of goods sold and services rendered rose by €261 million. As a result, the gross margin was down €369 million on the prior-year figure; profitability declined from 20.8% in the previous year to 18.5%. This was largely due to the decrease in the license business and very high provisions recognized in the first half of 2013 for a major project at MAN Diesel & Turbo that has not yet been completed, which negatively impacted the gross margin. These were partially offset by improved margins in the Trucks business at MAN Truck & Bus. Selling and general and administrative expenses declined by 6.2% to €1,913 million, mainly as a result of lower personnel and non-personnel expenses.

At €540 million, other operating income was on a level with the previous year. Other operating expenses amounted to €1,120 million, €248 million higher than in the previous year (€872 million). This was largely due to the year-on-year increase in recognized research and development expenses.

Net investment income was on a level with the previous year and primarily comprises the dividend from Scania AB, Södertälje/Sweden (Scania), and income from the equity-method investments in Sinotruk and Rheinmetall MAN Military Vehicles GmbH, Munich (RMMV).

Reconciliation to net income/loss

€ million	2013	2012
Operating profit[1]	**475**	**969**
Earnings effects from purchase price allocations	– 76	– 110
Losses from nonrecurring items	– 38	– 231
Net interest expense	– 189	– 312
Earnings before tax (EBT)[1]	**172**	**316**
Income taxes	– 377	– 124
Loss from discontinued operations, net of tax	– 308	–
Net income/loss	**– 513**	**192**
Earnings per share from continuing operations in €[1]	– 1.47	1.23
Dividend per share in €[2]	0.14	1.00

[1] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."
[2] 2013: Dividend proposed by MAN SE and part of the guaranteed dividend of €3.07.

The MAN Group's earnings before tax amounted to €172 million in 2013, well below the prior-year figure (€316 million).

Effects from purchase price allocations totaled € – 76 million in the year under review. Of this figure, € – 71 million relates to MAN Latin America and € – 5 million to the investment in RMMV. To enhance long-term comparability, the effects from purchase price allocations are not included in operating profit.

Losses from nonrecurring items, which are also not included in operating profit, totaled €38 million in fiscal 2013 (previous year: €231 million). This reflects two nonrecurring items in connection with the investment in RMMV – the recognition of proportionate restructuring expenses in the amount of €12 million and an impairment loss of €26 million on the carrying amount of the investment.

The net interest expense improved considerably to €189 million (previous year: €312 million). In addition to interest on bank balances and bank liabilities, this includes net interest on pensions and interest payable on tax liabilities. The high net interest expense in the previous year was mainly due to interest expenses relating to additional tax payments arising from the tax audit for the years 2002 to 2005, as well as other existing provisions.

The MAN Group's tax expense rose by €253 million to €377 million. The increase was primarily attributable to provisions for prior-period taxes and valuation allowances on deferred tax assets in respect of tax loss carryforwards. The loss from discontinued operations (€308 million) mainly comprises provisions for prior-period taxes for a former tax group subsidiary, including interest. The tax rate rose to 219.4% (39.2%).

The MAN Group recorded a net loss of €513 million, down approximately €700 million on the prior-year figure (net income of €192 million). Earnings per share from continuing operations declined from €1.23 to € – 1.47. Adjusted for losses from nonrecurring items and excluding purchase price allocations, earnings per share amounted to € – 0.86 (previous year: €3.34).

The Executive and Supervisory Boards of MAN SE will propose a dividend of €0.14 per share carrying dividend rights to the Annual General Meeting (previous year: €1.00). As this dividend per no-par value share will be lower than the guaranteed dividend (€3.07), Truck & Bus GmbH, Wolfsburg (Truck & Bus GmbH), will pay every MAN free float shareholder the corresponding difference between it and the guaranteed dividend.

Financial Position

Free cash flow negative due to earnings-related factors

Principles and objectives of financial management

Financial management in the MAN Group is handled centrally by MAN SE, which makes available financial resources within the Group, safeguards its financial independence and liquidity at all times, and communicates with the capital markets on behalf of the entire MAN Group. MAN SE's Executive Board is responsible for the proper conduct of all financial transactions for the MAN Group and for the deployment of an appropriate financial risk management system.

The tasks and objectives of financial management are to safeguard liquidity at all times, to mitigate financial risks, and to increase MAN's enterprise value.

Suitable financing instruments, guarantee commitments, and other master agreements that enable reliable access to debt and equity markets, as well as financial institutions are used to safeguard liquidity at all times. The prime objective in this context is to ensure that the MAN Group has the necessary financial scope at all times to finance its operating business, investments, and targeted growth plans.

The focus of efforts to mitigate financial risks to enterprise value and earnings power is on the efficient hedging of risks – mainly through the financial markets – and especially those risks relating to exchange rate and commodity price movements, and interest rate changes. Additionally, counterparty and country risks, as well as collateral received, are actively managed.

Overall, central financial management helps increase MAN SE's enterprise value by proactively matching the Group's liquidity supply and capital structure to changing requirements and ensuring the optimum, cost-effective transfer of financial risk.

Cash flow

The MAN Group's statement of cash flows is presented in the financial statements (see "MAN Consolidated Statement of Cash Flows"). To obtain a more meaningful analysis of the Group's financial position, the figures are classified into the Industrial Business and Financial Services. Financial Services relates to MAN Finance's sales financing activities, primarily involving the leasing of commercial vehicles to customers.

Free cash flow from the MAN Group's operating activities and investing activities attributable to operating activities amounted to €–390 million in fiscal 2013 (previous year: €–1,317 million). Of this amount, €–171 million (previous year: €–990 million) was attributable to the Industrial Business. Free cash flow in the Financial Services business amounted to €–219 million (previous year: €–327 million). The Group recorded a positive free cash flow of €348 million in the second half of 2013, after a clearly negative figure in the first half of the year.

The comparative prior-year period was impacted by three nonrecurring items totaling €981 million – additional tax payments for the years 2002 to 2005 (€472 million), payments in connection with the divestment of Ferrostaal (€345 million), and the acquisition of subsidiaries (€164 million). After accounting for these effects, free cash flow in 2013 was slightly below the prior-year level.

Free cash flow by business area

€ million	2013	2012
Commercial Vehicles	–106	–512
Power Engineering	–150	168
Others/Consolidation	–134	–973
MAN Group	**–390**	**–1,317**

Free cash flow in the Commercial Vehicles business area totaled €–106 million. Although the operating commercial vehicle business at MAN Truck & Bus recorded a positive free cash flow of €225 million (previous year: €–205 million), the expansion in financing negatively impacted this figure by €219 million (previous year: €327 million). MAN Latin America's free cash flow was €–111 million (previous year: €21 million). In the Power Engineering business area, free cash flow declined to €–150 million (previous year: €168 million), mainly due to the deterioration in earnings. Free cash flow from Others/Consolidation amounted to €–134 million (previous year: €–973 million); the prior-year figure included the divestment of Ferrostaal and additional tax payments.

The analysis shows the development of net liquidity/net financial debt. Net liquidity/net financial debt is a Group financial control measure that is calculated as cash and cash equivalents, loans to Group companies, and marketable securities, less financial liabilities.

The MAN Group's cash earnings declined to €204 million (previous year: €980 million) in full-year 2013 due to earnings-related factors and in particular high current income taxes. In addition, lower noncash losses from nonrecurring items were recorded in the year under review compared with the previous year (see "Reconciliation to net income").

The MAN Group's net capital employed rose by €68 million (previous year: €1,064 million), mainly due to the €311 million increase in trade receivables (previous year: decrease of €44 million) as a result of high revenue in the fourth quarter, especially the significant increase in vehicle sales at the end of the year. This was partially offset by higher tax liabilities and other liabilities, which rose by a total of €526 million (previous year: decrease of €625 million). The prior-year decrease was impacted by additional tax payments of €472 million for the years 2002 to 2005. In addition, provisions increased by €141 million (previous year: decrease of €202 million).

€ million	MAN Group 2013	MAN Group 2012	Industrial Business 2013	Industrial Business 2012	Financial Services 2013	Financial Services 2012
Net liquidity/net financial debt at beginning of period	**–3,928**	**–2,212**	**–998**	**42**	**–2,930**	**–2,254**
Cash earnings	204	980	166	978	38	2
Change in net capital employed in continuing operations	–68	–1,064	179	–778	–247	–286
Net cash provided by/used in operating activities attributable to operating activities	**136**	**–84**	**345**	**200**	**–209**	**–284**
Net cash flows from investing activities of continuing operations	–526	–888	–516	–845	–10	–43
Net cash flows from investing activities of discontinued operations	–	–345	–	–345	–	–
Net cash used in investing activities	**–526**	**–1,233**	**–516**	**–1,190**	**–10**	**–43**
Free cash flow	**–390**	**–1,317**	**–171**	**–990**	**–219**	**–327**
Cash flow from financing activities and investments in loans to third parties	**–143**	**–348**	**–143**	**–362**	**–**	**14**
Net change in net liquidity/net financial debt	**–533**	**–1,665**	**–314**	**–1,352**	**–219**	**–313**
Other changes in net liquidity/net financial debt	7	–51	–3	312	10	–363
Net liquidity/net financial debt at end of period	**–4,454**	**–3,928**	**–1,315**	**–998**	**–3,139**	**–2,930**
Net liquidity/net financial debt reported separately in the balance sheet as "assets held for sale"	–3,139	–	–	–	–3,139	–
Net liquidity/net financial debt at end of period (consolidated balance sheet)	**–1,315**	**–3,928**	**–1,315**	**–998**	**0**	**–2,930**

The net cash provided by operating activities of the Industrial Business amounted to €345 million (previous year: €200 million), and the MAN Group as a whole recorded net cash provided by operating activities of €136 million (previous year: net cash used of €84 million).

At €526 million, net cash used in investing activities attributable to operating activities improved significantly year-on-year (previous year: €1,233 million). The prior-year period was however impacted by the divestment of Ferrostaal (€345 million) and the acquisition of subsidiaries (€164 million). In particular, the latter includes the acquisition of the remaining shares of the former joint venture MAN FORCE TRUCKS Private Limited, Akurdi/India (MAN FORCE TRUCKS). In 2013, the MAN Group invested €558 million in property, plant, and equipment, and intangible assets – significantly less than in the previous year (€754 million). Of this decline, €138 million is attributable to MAN Truck & Bus.

Cash flow from financing activities and investments in loans to third parties mainly includes dividend payments of €151 million (previous year: €342 million).

The MAN Group's net financial debt narrowed by €2,613 million to €–1,315 million (previous year: €–3,928 million). MAN Finance's net liquidity of €–3,139 million (previous year: €–2,930 million) is no longer included in the Group's net liquidity due to its presentation as held for sale. Net liquidity in the Industrial Business deteriorated by €317 million to €–1,315 million.

The MAN Group's net financial debt was composed of cash and cash equivalents of €1,137 million (previous year: €1,366 million), marketable securities of €1 million (€1 million), and loans to Group companies of €1,174 million (€4 million), less financial liabilities of €3,627 million (€5,299 million). Please refer to "MAN Group funding" and the "Notes to the Consolidated Financial Statements" for further information on financial liabilities.

MAN Group funding

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

The €1.5 billion syndicated credit line, which had been provided by a syndicate of 23 banks until December 2015 and had not been drawn down, was terminated regularly by MAN SE as of December 2013. This was replaced by a credit facility from Volkswagen AG in the same amount that expires in December 2016 and is not currently drawn down. The credit facility is thus available as a liquidity reserve.

The EMTN program launched by MAN SE in 2009 has a volume of up to €5 billion, of which €2,730 million has currently been utilized through bond issues. MAN SE has issued both publicly offered bonds with a fixed interest rate and privately placed notes with a variable interest rate, all of which are denominated in euros. The privately placed notes had a total volume of €980 million as of December 31, 2013, and mature between January 2014 and April 2015. Details of the MAN Group's outstanding publicly offered bonds are provided below.

The MAN Group's publicly offered bonds

Principal amount (€ million)	Term from	to	Interest rate p.a.
500	May 20, 2009	May 20, 2016	7.250%
750	March 13, 2012	March 13, 2017	2.125%
500	Sept. 21, 2012	Sept. 21, 2015	1.000%

In addition, the Group has issued two promissory note loans totaling €22.5 million that expire in 2019 (amortizing) and bear a fixed interest rate of 6.76%.

The MAN Group also used asset-backed financing arrangements to finance its financial services business.

After Moody's linked the MAN Group's rating to that of Volkswagen AG in June 2013, MAN decided to end the cooperation with the rating agency as of the end of March 2014 for commercial reasons. Moody's most recently confirmed MAN's A3 long-term rating in September 2013 and lifted its outlook from "stable" to "positive" in line with Volkswagen AG's rating in June 2013.

With respect to equity-based financing, the Executive Board has been granted several authorizations by MAN SE's Annual General Meeting, subject to the consent of the Supervisory Board. These include authorized capital of €188 million, corresponding to 50% of the share capital, which enables the Executive Board to implement a capital increase against cash and/or noncash contributions. Additionally, the Executive Board can issue convertible bonds or bonds with warrants up to an aggregate principal amount of €2.5 billion. For further information on the authorizations, see "Share capital, authorized and contingent capital, purchase of own shares."

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

The promissory note loans issued in the amount of €22.5 million can be terminated with immediate effect if one or more persons acting in concert acquire the majority of voting rights in MAN SE. The arranging banks notified the creditors about Volkswagen AG's acquisition of a majority stake in MAN SE. None of the creditors exercised their call rights.

Repayment of the publicly offered bonds (€1.75 billion) and the privately placed notes (€980 million) 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. The acquisition by Volkswagen AG of a majority stake in MAN SE did not lead to the Company's rating being downgraded to noninvestment grade.

Asset and capital structure

€ million	2013	MAN Group 2012	Industrial Business 2013	2012	Financial Services 2013	2012
Property, plant, and equipment, and intangible assets	4,098	4,385	4,098	4,347	–	38
Investments	1,984	2,223	1,984	2,221	–	2
Assets leased out	2,483	2,501	2,483	1,183	–	1,318
Income taxes*	1,086	1,387	1,086	1,220	–	167
Inventories	3,112	3,373	3,112	3,311	–	62
Trade receivables	2,346	2,141	2,346	2,011	–	130
Financial services receivables	–	1,646	–	–	–	1,646
Assets held for sale	3,986	–	–	–	3,986	–
Other noncurrent and current assets	2,785	889	2,785	791	–	98
Cash and cash equivalents	1,138	1,367	1,138	1,331	–	36
Total assets*	**23,018**	**19,912**	**19,032**	**16,415**	**3,986**	**3,497**
Total equity*	5,227	5,632	4,766	5,379	461	253
Pensions and other post-employment benefits	452	591	452	588	–	3
Financial liabilities	3,627	5,299	3,627	4,148	–	1,151
Intragroup financing	–	–	–	–1,815	–	1,815
Provisions*	2,698	1,972	2,698	1,968	–	4
Prepayments received	852	908	852	907	–	1
Income taxes*	833	964	833	871	–	93
Trade payables	1,922	2,006	1,922	1,905	–	101
Liabilities associated with assets held for sale	3,525	–	–	–	3,525	–
Other noncurrent and current liabilities	3,882	2,540	3,882	2,464	–	76
Total equity and liabilities*	**23,018**	**19,912**	**19,032**	**16,415**	**3,986**	**3,497**

* 2012: adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."

Industrial Business

Property, plant, and equipment, and intangible assets declined to €4,098 million as of December 31, 2013, compared with €4,347 million in the previous year. The decrease, which was due to depreciation, amortization, and impairment losses, and in part to currency effects, was partially offset by capital expenditure in fiscal 2013 below the prior-year level. Alongside replacement and modernization measures, capital expenditure in all divisions mainly focused on enhancing the product portfolio. MAN Truck & Bus also invested in the expansion of the sales and service network.

The decrease in investments over the course of the year (€237 million) is attributable to the lower fair value of the investment in Scania and the lower carrying amount of the investment in RMMV. The decrease in the carrying amount was largely due to proportionate negative earnings effects in connection with restructuring measures, as well as the impairment loss recognized on the investment.

Assets leased out rose to €2,483 million as of December 31, 2013 (previous year: €1,183 million). This increase in the Industrial Business is attributable to the presentation of MAN Finance as held for sale as of December 31, 2013 (for further information, see "Divestments" and the "Notes to the Consolidated Financial Statements"), and also reflects the increase in sales with buyback obligations at MAN Truck & Bus.

The €199 million year-on-year decline in inventories primarily relates to inventory reductions at MAN Diesel & Turbo and in the Commercial Vehicles business area. Trade receivables rose by €335 million over the course of the year. This was mainly due to the increase in business volumes thanks to higher vehicle sales in the Commercial Vehicles business area, in particular by MAN Truck & Bus in the fourth quarter of 2013.

The significant increase in other noncurrent and current assets to €2,785 million as of December 31, 2013 (previous year: €791 million) is due firstly to the unconsolidated presentation of the intragroup financing of MAN Finance following the transaction with VWFS. This line item also rose by €724 million as of December 31, 2013, as a result of the claim against Truck & Bus GmbH for absorption of the net loss of MAN SE under German GAAP.

Trade payables remained almost unchanged over the course of the year and amounted to €1,922 million as of December 31, 2013 (previous year: €1,905 million). The slight declines recorded by MAN Latin America and MAN Diesel & Turbo were offset by a similarly moderate increase at MAN Truck & Bus.

Pension obligations declined to €452 million as of December 31, 2013, due in particular to remeasurement effects (previous year: €588 million). This decrease primarily resulted from the use of a higher discount rate. Financial liabilities declined by €521 million over the course of the year.

Provisions rose by €730 million over the course of the year, largely due to provisions for prior-period taxes. Prior-period taxes were significantly impacted by tax risks for the past relating to Ferrostaal. The increase in other noncurrent and current liabilities to €3,882 million as of December 31, 2013, (previous year: €2,464 million) is attributable to the reclassification of MAN Finance as held for sale and the simultaneous increase in sales of vehicles with buyback obligations.

Equity in the Industrial Business decreased to €4,766 million as of December 31, 2013, compared with €5,379 million in the previous year, mainly due to the negative overall result for fiscal 2013. This was primarily offset by the loss absorption by Truck & Bus GmbH, less the dividend payment on June 7, 2013. Despite the decline in noncurrent assets (intangible assets, property, plant, and equipment, and investments), the lower equity led to a drop in the ratio of equity to noncurrent assets by four percentage points (from 82% to 78%). The MAN Group's overall equity-to-assets ratio was 86% (85%). The equity ratio of the Industrial Business decreased to 25.0% (previous year: 32.8%), while the Group's overall equity ratio declined from 28.3% to 22.7%. This was also significantly influenced by the separate presentation of MAN Finance as a disposal group as of December 31, 2013.

Financial Services

The assets and liabilities of MAN Finance were presented as held for sale as of December 31, 2013. For further information, please refer to the sections entitled "Divestments" and "Notes to the Consolidated Financial Statements."

Unrecognized assets

As part of the Group's off-balance sheet financing instruments, MAN used receivables programs to refinance the Financial Services business in particular. For further information, see "Divestments," "MAN Group funding," and the "Notes to the Consolidated Financial Statements."

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.

Share capital, authorized and contingent capital, purchase of own shares

MAN SE's share capital is unchanged at €376,422,400. It is composed of 147,040,000 no-par value bearer shares, divided into 140,974,350 common shares and 6,065,650 nonvoting preferred shares.

Further information on the subscribed capital, the classes of shares, the authorizations of the Annual General Meeting to create Authorized Capital 2010 and to issue convertible bonds and bonds with warrants, together with the contingent capital created in this context (Contingent Capital 2010), and on the authorization to purchase own shares granted on April 1, 2010, is contained in the following section.

Disclosures in accordance with sections 289 (4) and 315 (4) of the *Handelsgesetzbuch* (HGB – German Commercial Code) and explanatory report in accordance with section 176 (1) sentence 1 of the *Aktiengesetz* (AktG – German Stock Corporation Act)

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 Truck & Bus GmbH and MAN SE on April 26, 2013, which came into effect on its entry in the relevant 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 AktG. This supplements the dividend rights attached to common and preferred shares described above.

The common shares are voting shares, while preferred shares do not generally carry voting rights. Under section 140 (2) of the *Aktiengesetz* (AktG – German Stock Corporation Act), this does not apply if the preferred dividend is not paid in a given year, or is not paid in full, and the shortfall is not made good in the following year in addition to the full preferred dividend for that year. In such cases, holders of preferred shares 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 the law or the Articles of Association. In light of the domination and profit and loss transfer agreement between 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, will not actually be 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. The exception for shares received by members of the Executive Board, certain managing directors, and other beneficiaries at MAN companies under the MAN Stock Program (MSP), which were subject to lockups (vesting periods), ceased to apply when the latter were revoked effective February 7, 2013.

Significant shareholdings in MAN SE

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 Truck & Bus GmbH had exceeded the limit of 75% on April 16, 2013, and amounted to 75.03% at that time. Volkswagen Aktiengesellschaft 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 Aktiengesellschaft had exceeded the limit of 75% on June 6, 2012, and amounted to 75.03% at that time. Volkswagen Aktiengesellschaft contributed the relevant shares to Truck & Bus GmbH, Wolfsburg, on April 16, 2013. The relevant shares are now attributable to Volkswagen Aktiengesellschaft via 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 Aktiengesellschaft's interest – now 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, or of any changes in the above-mentioned interests.

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, in particular to issue and repurchase shares

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.

The powers of the Executive Board to utilize the contingent and authorized capital and to issue or repurchase shares are presented in the following. The corresponding authorizations were not exercised in the reporting period.

Authorized Capital 2010

The resolution dated June 3, 2005, authorizing the creation of Authorized Capital 2005, supplemented by a resolution of the Annual General Meeting on April 3, 2009, was superseded when the authorizing resolution of the Annual General Meeting dated April 1, 2010, to create Authorized Capital 2010 took effect.

The Annual General Meeting on April 1, 2010, resolved to authorize the Executive Board of the Company to increase the share capital, with the consent of the Supervisory Board, by up to €188,211,200 (= 50%) by issuing common bearer shares on one or more occasions against cash contributions and/or noncash contributions in the period up to March 31, 2015 (Authorized Capital 2010).

The shareholders must generally be granted preemptive rights. However, the Executive Board is authorized, with the consent of the Supervisory Board, to disapply preemptive rights when shares are issued against noncash contributions for the purpose of acquiring companies, investments in companies, or significant assets of companies. In the case of cash capital increases, the Executive Board is also authorized, with the consent of the Supervisory Board, to disapply preemptive rights

(i) to the extent necessary to grant the holders of convertible bonds or bonds with warrants that were or will be issued by the Company or its Group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their conversion rights or options if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation (antidilution provision); and/or

(ii) if the issue price of the new shares is not more than 5% lower than the quoted market price and the shares issued in accordance with section 186 (3) sentence 4 of the AktG do not in the aggregate exceed 10% of the share capital. Shares issued or sold by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations in issue at the time of utilization in accordance with this provision shall also count towards the above-mentioned 10% limit; and/or

(iii) to settle any fractions needed to round the share capital; and/or

(iv) to issue new shares against cash contributions to employees with managerial responsibility (managers) of the Company and/or of Group companies in respect of a proportion of Authorized Capital 2010 of up to €4,000,000. It may also be stipulated that the contribution to be paid must be covered in accordance with section 204 (3) of the AktG.

Apart from the issue of shares to employees with managerial responsibility while disapplying preemptive rights, the authorization is restricted to the extent that, after the authorization is exercised, the total shares issued under Authorized Capital 2010 and/or under Contingent Capital 2010 while disapplying preemptive rights may not exceed 20% of the share capital existing at the time the authorization took effect (= €75,284,480) or – if lower – the share capital existing at the time the authorization was utilized. Further details are governed by Article 4 (4) of the Articles of Association.

Issuance of convertible bonds and/or bonds with warrants, Contingent Capital 2010

The resolution dated June 3, 2005, authorizing the creation of Contingent Capital 2005, supplemented by a resolution of the Annual General Meeting on May 10, 2007, was superseded when the authorizing resolution of the Annual General Meeting dated April 1, 2010, to create Contingent Capital 2010 to issue convertible bonds and/or bonds with warrants took effect.

By way of a resolution of the Annual General Meeting dated April 1, 2010, the Company's Executive Board was authorized, with the consent of the Supervisory Board, to issue convertible bonds and/or bonds with warrants – hereinafter referred to collectively as "bonds" – of MAN SE in the aggregate principal amount of up to €2.5 billion on one or more occasions until March 31, 2015, and to grant the bondholders options or conversion rights or to establish conversion obligations on new common bearer shares of MAN SE with a notional interest in the share capital of up to €76,800,000 (approximately 20%) as specified in greater detail by the option or conversion terms. The bonds are issuable against cash contributions.

The authorization also includes the option to guarantee bonds issued by other Group companies and to grant shares of MAN SE to settle the conversion rights or options or conversion obligations conveyed by these bonds. Furthermore, the authorization allows the Executive Board, with the consent of the Supervisory Board, to define the additional terms of the bonds, in particular the interest rate, issue price, duration and denomination, the subscription or conversion ratio, the option or conversion price, and the option or conversion period, or to do so in consultation with the governing bodies of the issuing Group companies.

The bonds must be offered for subscription by the shareholders. However, the Executive Board is also authorized, with the consent of the Supervisory Board, to disapply preemptive rights

(i) to the extent that the issue price of the bond is not materially lower than its theoretical market value calculated by recognized financial techniques. In addition, the disapplication of preemptive rights within the meaning of section 86 (3) sentence 4 of the AktG only applies to bonds with rights to shares with a notional interest in the share capital that does not in the aggregate exceed 10% of the share capital. Shares issued, sold, or issuable by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization;

(ii) to the extent that this is necessary to settle fractions that result from the subscription ratio;

(iii) to grant the bondholders with existing conversion rights/options on, or obligations to convert bonds to, shares of the Company, preemptive rights to the extent to which they would be entitled if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation, in order to prevent dilution of the economic value of these rights.

The authorization to issue convertible bonds or bonds with warrants or with conversion obligations is restricted to the extent that, after the conversion rights/options or the conversion obligations are exercised, the total shares issuable while disapplying preemptive rights under Contingent Capital 2010 and/or issued under Authorized Capital 2010 – apart from the issue of shares to employees with managerial responsibility while disapplying preemptive rights – may not exceed 20% of the share capital existing at the time the authorization took effect (= €75,284,480) or – if lower – the share capital existing at the time the authorization was utilized.

At the same time, the Annual General Meeting on April 1, 2010, resolved to contingently increase the share capital by up to €76,800,000, composed of up to 30,000,000 common bearer shares. The contingent capital increase will only be implemented to the extent that the holders of convertible bonds or bonds with warrants or of conversion obligations issued for cash consideration by MAN SE or its Group companies by virtue of the authorizing resolution of the Annual General Meeting on April 1, 2010, exercise their conversion rights or options or settle their conversion obligations, and provided that other forms of settlement are not used. The new shares carry dividend rights for the first time for the fiscal year in which they are issued (Contingent Capital 2010).

Share repurchase

The resolution dated April 3, 2009, to purchase the Company's own shares was superseded when the authorizing resolution of the Annual General Meeting on April 1, 2010, to purchase the Company's own shares took effect.

The resolution of the Annual General Meeting on April 1, 2010, authorized the Executive Board to purchase common and/or nonvoting preferred shares of the Company, with the consent of the Supervisory Board, on one or more occasions until March 31, 2015, up to a maximum total amount of 10% of the share capital. Together with other treasury shares held by the Company or attributable to the Company in accordance with sections 71d and 71e of the AktG, the shares purchased by virtue of this authorization may not account for more than 10% of the existing share capital at any time. The shares may also be purchased by other Group companies and/or third parties for the account of MAN SE or other Group companies.

The shares may be purchased on the stock exchange or by means of a public purchase offer to the holders of the class of shares concerned. If the shares are purchased on the stock exchange, the purchase price (net of transaction costs) may not exceed or fall below the price for the relevant class of shares determined by the opening auction on the trading day in Xetra trading (or a comparable successor system) by more than 10%. In the case of a public purchase offer, the bid price or the bid price range per share (net of transaction costs) may not exceed or fall below the average price for the relevant class of shares determined by the closing auction in Xetra trading (or in a comparable successor system) on the three market days before the date of the public announcement of the offer by more than 10%. The purchase offer or the invitation to submit such an offer may entail additional conditions. If the total stock tendered exceeds the volume of the purchase offer, it must be accepted on a proportionate basis. The terms of the offer may provide for preferred acceptance of small numbers of shares to the extent provided by law, but in any case up to no more than a maximum of 100 shares tendered per shareholder. Additional details and conditions relating to the offer may be established in the conditions of the offer.

The Executive Board has been additionally authorized, with the consent of the Supervisory Board, to use purchased common shares of the Company for all purposes permitted by law in addition to sale on the stock exchange or by a public offer to all shareholders, and to disapply shareholders' preemptive rights. This applies in particular

(i) if the purchased common shares are sold at a price that is not materially lower than the quoted market price; and/or

(ii) to the extent that they are used as consideration in a business combination or to acquire companies or investments in companies or assets of companies; and/or

(iii) to the extent that they are used to settle options or conversion rights or conversion obligations established by the Company or a Group company when bonds were issued. The shares transferred by virtue of this authorization may not in the aggregate exceed 10% of the share capital where they are used to settle conversion rights or options, or conversion obligations established in corresponding application of section 186 (3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations issued at the time of utilization in accordance with this provision shall also count towards this limit; and/or

(iv) to the extent that the common shares are used to settle stock bonus commitments to employees with managerial responsibility (managers) of the Company and/or of Group companies.

The Annual General Meeting on April 1, 2010, further authorized the Executive Board to redeem the Company's own common shares and/or nonvoting preferred shares with the consent of the Supervisory Board, but without any further resolution by the Annual General Meeting.

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.

Research and Development

Continuous research and development activities are a key factor in long-term competitiveness – this is why MAN invests over 5% of its annual revenue in R&D

The global megatrends of globalization, rising global trade, population growth, and urbanization, as well as increasingly strict emissions regulations, are driving the changing market conditions and economic environment. MAN's goals of efficiency and technology leadership are designed to secure its position as a leading international manufacturer of commercial vehicles, diesel engines, turbo-machinery, and special gear units in the future as well. Continuous research and development work is one of the Company's core tasks to meet customers' increasing need for sustainable and efficient mobility and energy supply solutions today and tomorrow.

Commercial Vehicles

The global megatrends are having a direct influence on future developments in the freight transportation and commercial vehicle industries – and hence on the Commercial Vehicles business area as well. The consequences include rising energy prices and the related need to reduce fuel consumption, stricter emission laws such as Euro 6, growth in road transportation, targeted relief for traffic-sensitive areas such as city centers, as well as increasing safety requirements for road users. As well as 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.

Reducing consumption

As one of the world's leading manufacturers of trucks and buses, MAN is making a significant contribution to reducing fuel consumption and thus continuously improving transportation efficiency. MAN offers customers an extensive program for reducing the total cost of ownership (TCO). In long-distance haulage, fuel costs make up the largest part of TCO, at over 30%.

After launching the series production of the new TG series, these vehicles are also standing up very well in practice. In comparison test drives carried out by "TRUCKER" magazine and "Deutsche Verkehrszeitung" (DVZ), two Euro 6 specification TGX 18 480s achieved the most economical consumption figures and thus confirmed MAN's internal test results. The TGX 18 480 is setting new standards for Euro 6 models in the long-haul segment in terms of fuel consumption.

For buses too, MAN is a pioneer when it comes to saving fuel. The NEOPLAN Cityliner features extremely frugal fuel consumption. TÜV Süd certified average consumption at only 19.8 liters per 100 km. This figure was established over a representative bus route. Moreover, in October 2013, the NEOPLAN Jetliner premium bus with Euro 6 technology was unveiled at the Busworld Kortrjk show.

Reducing emissions

The introduction of the Euro 6 emission standard as from the beginning of 2014 significantly tightened the standards to be met by all newly registered trucks and buses in Europe. Compared with the previous Euro 5 rules, this requires an 80% reduction in nitrogen oxides to 0.4g/kWh and a decrease of more than 90% in particulate matter to 0.01g/kWh. This means that virtually pollutant-free commercial vehicles will become a reality in European road transportation.

MAN successfully launched the series production of Euro 6 technology for trucks and coaches under the motto "Here comes Euro 6 – but not at the price of efficiency." Proven technologies were combined in an intelligent manner and optimally integrated to develop the new emission standard. All Euro 6 diesel vehicles use an efficient concept comprising needs-driven exhaust gas recirculation, diesel particulate filters, and exhaust gas aftertreatment using the SCRT (selective catalytic reduction technology) system. These are virtually pollutant-free vehicles that even use less fuel than their particularly economical Euro 5-compliant predecessors, as confirmed by independent trade journal consumption tests. MAN was also able to reduce fuel consumption in buses, setting new standards in this competitive environment, for example with the NEOPLAN Cityliner. From mid-2013 onwards, MAN has also been offering the complete CNG bus portfolio with efficient and environmentally-friendly Euro 6 technology for natural gas and biogas buses.

Alternative drives: hybridization and e-mobility

Alternative drives are also becoming increasingly important in the commercial vehicle sector. MAN is convinced that hybrid technology will be a mainstay in the future. In view of the usage conditions – annual mileage, typical route profiles, and opportunities for fuel savings – it is apparent that the hybridization of city buses in particular, as well as of long-haul and urban truck transportation, offers considerable potential for efficiency, as this represents a particular TCO focal point for customers.

The MAN Lion's City Hybrid city bus, which has been in series production since 2010, reduces fuel consumption and CO_2 missions by up to 30%. The MAN Lion's City Hybrid departs from bus stops nearly soundlessly, starting in purely electric mode, and saves up to 10,000 liters of diesel fuel per year. CO_2 emissions are thereby reduced by up to 26 t per year. At the beginning of 2014, in the area of garbage collection vehicles, the MAN Metropolis research vehicle, a battery-powered electric vehicle with a range extender, is commencing a two-year customer field trial in the Antwerp-Brussels region. When driven in the city center, the MAN Metropolis is a low-noise, emission-free and purely electric vehicle; the garbage container drive operates using electro-hydraulics. Outside densely populated cities, a diesel range extender provides support. Thanks to the plug-in hybrid drive, the MAN Metropolis is operating well below current city center noise restriction standards and environmental pollution is reduced by up to 60%. Operators will thus in the future be able to provide supply and waste disposal services during the quieter times in the morning or evening without disturbing residents.

Although the use of hybrid vehicles is normally considered to be particularly appropriate in stop-and-go city traffic, hybrid vehicles can also offer substantial added value outside of urban traffic. In the long-haul segment, fuel savings may "only" be 5% to 8%, but the high annual driving distances of an average of 150,000 km mean that these potential reductions in fuel consumption and CO_2 emissions have a significant impact on the overall carbon footprint. MAN is continuing to develop these vehicles in order to leverage this potential.

The VW Constellation hybrid truck which was developed in Brazil is already being tested by potential customers. The truck, which uses hydraulic diesel-hybrid drive technology, offers increased energy efficiency, is more affordable than comparable hybrid offerings on the Brazilian market, and is optimally designed for stop- and-go use in emerging economies.

Alternative fuels

The growing scarcity of resources and resulting price increases will accelerate the use of alternative fuels. Natural gas is already an established alternative to diesel fuel – and costs considerably less in many countries across the world. Natural gas-powered city buses are a reliable and cost-effective example of state-of-the-art public transportation, offering a more effective response to inner-city air pollution and reducing dependence on oil.

MAN is the leader in natural gas buses. Since the year 2000, the Company has delivered more than 7,500 natural gas buses and bus chassis with CNG (compressed natural gas) engines, which are available in five levels ranging from 220 horsepower to 310 horsepower, and now also in Euro 6 emission level specification. In Europe, MAN's natural gas buses have had an average market share of 49% during the past eight years. In 2012 and 2013 for example, the Company delivered 220 MAN Lion's City G buses with CNG drives to EGO Ankara, a Turkish transportation company. The MAN vehicles are the first articulated natural gas-powered buses to be deployed in Turkey. At present, EGO Ankara already has 1,092 MAN Lion's Classic CNG buses – the largest gas-powered fleet in the world – which it uses to help to control air pollution in the city.

MAN Latin America is developing a truck with an MAN E08 six-cylinder natural gas engine for AmBev, Brazil's largest beverage producer. The truck will supply the Maracanã stadium in Rio de Janeiro during the soccer world championship, among other venues. MAN Latin America is also the first company to test vehicles that are 100% powered by biodiesel produced from sugarcane. The new fuel, which was developed in cooperation with the Amyris group, reduces nitrogen oxides by 15% and particulate matter by 77%. It also reduces soot by 40%. The aim of this technology is to use renewable energy sources. The Brazilian government has been supporting the agricultural industry for years now by subsiding fuels such as ethanol, biodiesel, and in the future, biodiesel produced from sugarcane.

Power Engineering

The future of the Power Engineering business area is also dominated by the megatrends. This can be seen in the stronger demand for efficient products, the greater use of natural gas or other low-sulfur fuels, increasing energy requirements and, at the same time, rising demand for renewable energies and decentralized energy generation, as well as the continued growth in the marine freight transportation industry, for example. Greater efficiency coupled with lower emissions is therefore a key technology driver. One focal point is the use of natural gas as a low-emission alternative.

In its gas mode, the 35/44DF four-stroke engine already meets the International Maritime Organization's Tier III emission standard originally set for 2016 for international maritime traffic. When it does, nitrogen oxide emissions in certain coastal areas will have to be cut by around 80% as against the base year, 2000. MAN Diesel & Turbo is also offering dual-fuel technology for two-stroke engines under the name of ME-GI.

The International Maritime Organization's Energy Efficiency Design Index stipulates how many grams of CO_2 a ship is permitted to emit per ton transported and nautical mile traveled. The goal is to reduce fuel consumption and the associated CO_2 emissions. All new ships have had to comply with this standard since 2013. In terms of engine technology, this is already possible at MAN Diesel & Turbo under its G-type two-stroke engine program, which provides optimal support for slow steaming, saving fuel by reducing the ship's speed through the use of ultra-long strokes.

Research and development activities in the power plant application business also focus on increasing efficiency and reducing emissions. By combining MAN Diesel & Turbo products, it can achieve a level of plant efficiency that is well above current values. Engines for combined heat and power applications are optimized so that waste heat flows can be used in industrial processes or for district heating, for example.

MAN Diesel & Turbo's engine and turbine program has been aligned with future trends, among other things by introducing new products such as a new gas engine for power plant applications (35/44G) and a new gas turbine in the 6 MW class.

The new generation of MAX1 axial compressors, which are primarily used to extract high-purity fuels and other hydrocarbons from natural gas and coal, feature improved efficiency, as well as a high level of robustness and cost-effectiveness. After the successful launch in 2012, MAN Diesel & Turbo also won numerous orders in 2013, and was able to perform final test runs on the first completed machines. Other areas of focus included CO_2 storage and transport, as well as magnetic bearings.

In view of the stricter requirements with respect to emissions and environmental compatibility, MAN PrimeServ, MAN Diesel & Turbo's service brand, has continuously updated its retrofit and upgrade offerings. Such enhancements increase the efficiency of diesel engines, compressors, and turbines, and reduce resource consumption. To also offer customers who already own an MAN Diesel & Turbo heavy-oil large-bore diesel engine the option to operate their engines with environmentally-friendly gas, retrofit kits are already being offered to power plant and marine customers. Especially in light of the impending new emissions regulations, MAN Diesel & Turbo is thus offering its customers considerable added value.

In addition to the continued development of existing series, Renk's vehicle transmissions program started the design and development of an entirely new generation of transmission electronics to ensure that new product ranges are equipped for the future as well. Development activities in the Slide Bearings business are focused on specific ways to increase output and on verifying these through testing. The lessons learned are included in the optimization of our proprietary configuration tool for slide bearing applications. Development work on the high-end vessel gear units in the Special Gear Units business is responding to customer requests for new drive concepts. The focus was on implementing CODELAG technology, which combines gas turbines and electric engines as the main drives.

Research and development expenses

On average, 5,349 people were employed in research and development in 2013 compared with 5,153 in the previous year.

MAN invests a significant proportion of its revenue each year in R&D to secure its competitive advantage over the long term. In 2013, capital expenditure in this area was €879 million, or 5.6% of revenue. €635 million, or 72% of Group-wide R&D expenditures, was internally funded. The capitalization ratio was 28%. Over the past five years, the MAN Group's R&D expenditures have risen by an average of 14.9% per year.

Funds for order-specific R&D activities and for publicly subsidized projects amounted to €243 million. Around 44% of internal funds were invested in basic research and the development of new products.

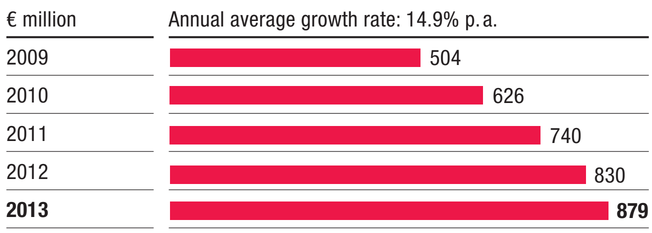
€ million	2013	2012
R&D expenditures	**879**	**830**
R&D expenditures by manufacturing area (% of revenue)	5.6	5.3
Internally funded R&D	635	634
R&D employees (annual average)	5,349	5,153

R&D expenditures by business area

€ million	2013	2012
Commercial Vehicles	465	437
Power Engineering	461	399
Consolidation	– 47	– 6
MAN Group	**879**	**830**

For further information, see "The Divisions in Detail."

Five-year R&D expenditures trend



Like-for-like data for all years, excluding discontinued operations.

Capital Expenditures

Capital expenditures to safeguard the future and long-term growth remain at a high level

Compared with the long-term average, the MAN Group's capital expenditures continued at a high level in fiscal year 2013. Overall, MAN incurred capital expenditures totaling €562 million, after €929 million in the previous year. Compared with the previous year, payments to acquire investments declined in particular. In 2012, among other things, MAN had acquired the remaining shares of the MAN FORCE TRUCKS joint venture in India for €148 million net. Capital expenditures on intangible assets declined in the reporting period, mainly as a result of lower capitalized development costs. In view of the difficult economic situation, planned capital expenditures on property, plant, and equipment were reviewed particularly critically and systematically prioritized in the year under review. Investment in property, plant, and equipment therefore also declined year-on-year. Nevertheless, MAN consciously continued to make the investments in products and structures needed to drive long-term growth.

The MAN Group's capital expenditures in the Commercial Vehicles business area totaled €418 million in fiscal year 2013, compared with €740 million in the previous year. At MAN Truck & Bus, a particular emphasis was placed on the enhancement of the product portfolio, the rationalization and modernization of production sites, and the expansion of the sales and service network. Necessary replacement and maintenance investments were also made. The focus was on tools and equipment for Euro 6 vehicles, as well as on the modernization of axle and engine production. The new test bed center at the Nuremberg site was brought into operation. MAN Latin America's capital expenditures mainly related to the expansion of the product range and the localization of MAN D08 engines and the MAN TGX series. The Constellation, featuring a 420 horsepower engine and automatic gear unit, was developed for the super-heavy truck segment. In the bus segment, the low-floor bus was unveiled as the first vehicle to be based on the new modular platform.

At €142 million (previous year: €195 million), capital expenditures in the Power Engineering business area in 2013 were well below the prior-year level. MAN Diesel & Turbo made necessary replacement and maintenance investments and modernized production. Investments focused on machining systems for large components for diesel engines and turbomachinery, as well as on test beds. New service centers were set up and existing ones expanded in order to strengthen our global presence. At its Augsburg site, Renk modernized vehicle transmission production and started construction on a new multipurpose building for assembling and testing large special gear units. A company was formed in China to further expand the global service business.

Capital expenditures

€ million	2013	2012
Property, plant, and equipment, and investment property	352	447
Intangible assets	206	307
Investments	4	175
Total	**562**	**929**
of which: acquisition of additional interest in MAN FORCE TRUCKS	–	148
of which: other capital expenditures	562	781
of which: Germany	390	520
of which: other countries	172	261
Depreciation, amortization, and impairment losses*	413	384
Capital expenditure ratio in %	136	203

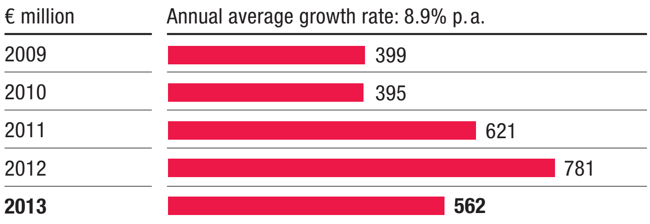
* Excluding earnings effects from purchase price allocations (2013: €71 million, 2012: €91 million) and excluding write-downs of investments of €26 million (RMMV) in 2013, and of €190 million (Sinotruk) and €41 million (RMMV) in 2012.

Capital expenditures by business area

€ million	2013	2012
Commercial Vehicles	418	740
Power Engineering	142	195
Others/Consolidation	2	– 6
MAN Group	**562**	**929**

For further information, see “The Divisions in Detail.”

Five-year capital expenditure trend*



Like-for-like data for all years, excluding discontinued operations.
* 2008 and 2009 excluding acquisition of Scania shares, 2009 and 2010 excluding acquisition of MAN Latin America and Sinotruk, 2011 excluding acquisition of additional interest in EURO-Leasing, 2012 excluding acquisition of additional interest in MAN FORCE TRUCKS.

Procurement

Systematic expansion of centralized procurement

Cost of materials by business area

€ million	2013	2012
Commercial Vehicles	7,139	7,309
Power Engineering	1,875	1,951
Others/Consolidation	–183	–152
MAN Group	**8,831**	**9,108**

Cost of materials by business area

in % of revenue	2013	2012
Commercial Vehicles	59	63
Power Engineering	48	46
Others/Consolidation	–	–
MAN Group	**56**	**58**

At around €8.8 billion (previous year: €9.1 billion), the MAN Group's procurement volume amounted to approximately 56% of revenue in 2013. This reflects the significance of procurement for the production costs and ultimately for the earnings of the MAN Group.

Following the allocation of responsibility for procurement to an Executive Board member as of September 1, 2012, at MAN SE and MAN Truck & Bus AG, procurement at MAN Diesel & Turbo SE has also been a separate Executive Board area of responsibility since October 1, 2013. The overall goal is to optimize the cost of materials, taking account of the differing requirements in the MAN Group's various business areas.

Cooperative arrangements within the Volkswagen Group bring potential for bundling and synergies for the MAN Group. Joint negotiations resulted in significant savings in communications costs, for example.

In addition to the potential for bundling and synergies, advantages also arise from process and IT systems synchronization. As part of the reorganization of procurement, a separate "Cost of Materials Forum" (CMF) office was set up at MAN Truck & Bus AG. In the CMF, representatives from procurement, together with developers and sales colleagues, examine ideas and options to improve existing product costs through technical optimization. Within one year, this collaborative approach had already identified ideas for optimization worth hundreds of millions of euros by 2016.

MAN aims to select the right suppliers for long-term cooperation worldwide – the criteria being cost-effectiveness, quality, innovative capability and, most importantly, reliability.

Sustainability is also a key principle of procurement, and applies to the selection of both suppliers and business partners. MAN is committed to acting responsibly. This expectation also applies to suppliers, who are obliged to comply with the fundamental principles set out in the MAN Code of Conduct. These principles include social responsibility, transparent business relationships, fair market conduct, and the protection of data, business secrets, and business assets.

Corporate Responsibility

MAN is constantly improving its corporate responsibility performance and was awarded the 2013 SAM Sustainability Bronze Class Award for its good performance in the Dow Jones Sustainability Indices (DJSI World and DJSI Europe)

Important challenges for sustainable value creation

Global megatrends such as globalization, the rise in global trade, global population growth and urbanization, as well as climate change, are increasingly having an effect on business operations. In 2050, an estimated 30% more people will be living on our planet than there are today. This will lead to resource shortages and to the continued growth of megacities. At the same time, climate change will drive forward the development of resource-friendly solutions for generating energy. In turn, this will create new demands for transportation, mobility, and energy supplies.

MAN's corporate responsibility (CR) strategy, which is an integral part of MAN's corporate strategy, is designed to respond to these megatrends. Both aim for sustainable value creation. The MAN Group's CR strategy is being implemented in four fields of action: integration, the environment, the economy, and people. The concrete measures in these fields are linked to binding goals to be achieved by 2020.

CR management within the MAN Group

Managing CR is the responsibility of top management at MAN. A new structure was established in 2013 so as to implement the CR strategy in an even more targeted way, and to adequately meet increased stakeholder expectations. The ultimate leadership body, the Corporate Responsibility Board, comprises MAN SE and subgroup Executive Board members. The CR Board held two meetings in fiscal year 2013, at which it discussed CR strategy and its implementation. The Chief Human Resources Officer has overall responsibility for CR. The MAN Group's central CR function reports to him. It is responsible for managing the CR strategy, the CR program, and climate initiatives, and is the central point of contact for all CR topics in the Group. It also coordinates the CR steering committee, which comprises top managers from the production, product, and integration functions (e.g., from purchasing, the Group Works Council and Public Affairs), as well as from all subgroups. Responsibilities in addition to enhancing the CR and climate strategy include the integration of CR into operational processes and systematic stakeholder dialog.

The Company developed a "CR Cockpit" in 2013 to manage its CR strategy. This encompasses the definition of performance indicators for all four fields of action. It provides reliable information on the current position concerning the achievement of CR goals, and makes it possible to implement counter-measures if there are deviations.

Success in MAN's fields of action

Integration: By integrating CR into its divisions' strategies, operating processes, vocational training, and continuous professional development, as well as human resources activities and organizational development, the MAN Group is continuing to increase its competitive advantage. This is supported by systematic stakeholder dialog and open communication.

Since 2010, MAN has been involved in the largest and most important CR initiative in the world – the UN Global Compact initiative. Over 8,700 participants from over 140 countries are working together on this initiative to make the world economy more sustainable and fairer. The Global Compact value framework consists of ten principles on human rights, labor standards, environmental protection, and anti-corruption. In 2013, MAN reached the "Global Compact Advanced Level" and aligned its operations at Company sites with the Global Compact principles.

MAN's 2012 CR Report provided its stakeholders with information on the progress made in implementing the CR and climate strategy, as well as on nonfinancial performance indicators. In May 2013, the Company presented this report as part of a stakeholder dialog event to selected customers, the managers responsible for CR at the Volkswagen Group brands, regional CR experts from other companies, and representatives of nongovernmental organizations. The Company prepared this report in accordance with the internationally recognized Global Reporting Initiative (GRI) guidelines and, for the second year in succession, applied them at the highest A+ level. The 2012 CR Report was audited in full by PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft (PwC) in accordance with International Standard on Assurance Engagements (ISAE) 3000.

MAN started the CR Reporting 2.0 project across the Group so as to further optimize CR reporting. The project objectives were to create synchronized processes and uniform, binding key performance indicator definitions, to define control activities and the people responsible for them, and to develop and introduce a CR IT tool to collect and consolidate data. This ensures high-quality CR reporting with a full audit trail and is a further important step towards integrated reporting. In 2013, to further the exchange of ideas with the managers responsible for CR at the Volkswagen Group brands, MAN was again involved in various Group-wide committees that deal with the topics of sustainability and corporate social responsibility (CSR).

MAN Truck & Bus initiated the "Manage responsibly" executive training initiative to integrate CR into human resources and management development in 2012. This was continued successfully in 2013. As a result, managers are implementing the CR and climate strategy in their own areas of responsibility. To date, almost 300 executive and internal communications managers have been trained in more than 30 half-day training sessions.

The MAN Group's management systems cover environmental protection, occupational safety, fire prevention, and hazard prevention, as well as quality and information security management, and are tested regularly on site by external consultants and internal audits. The following table shows how certification is spread across production sites.

Number of certified production sites

Management system	2013	2012	2011
ISO 9001 (Quality Management)	31	30	28
ISO 14001 (Environmental Management)	26	25	24
EMAS (Environment)	5	5	6
OHSAS 18001 (Occupational Health and Safety)	11	9	5

Environment: From a CR perspective, climate protection is one of MAN's most important responsibilities. The Executive Board therefore factors the effects of climate change, as well as the resulting opportunities and risks, into all strategic decisions. MAN has 32 production sites in 15 countries and takes its corporate responsibility seriously: it developed a Group-wide climate strategy as early as 2011 with the aim of achieving a 25% reduction in CO_2 emissions at its production sites by 2020 (base year: 2008). MAN has developed core initiatives for both its sites and its products in order to achieve its climate goals: developing a "Consistently Efficient" product portfolio, fostering dialog with customers, identifying opportunities to cut CO_2 emissions throughout the product lifecycle, as well as using performance indicators to manage its climate strategy.

In order to achieve the target of reducing CO_2 by 25%, all MAN Truck & Bus sites have developed plans that incorporate measures to reduce energy consumption and CO_2 emissions. Reductions in CO_2 are compared with capital expenditures and savings so as to invest where CO_2 avoidance costs are low and the contribution to reaching the target is high. As part of the Green Production initiative, subgroup sites are developing measures that extend across all plants in the areas of own energy generation, energy efficiency, and renewable energy. MAN Diesel & Turbo was the first division within the Group to have its Augsburg foundry certified under the ISO 50001 energy management system. This is intended to highlight opportunities for savings and for increasing efficiency.

MAN Truck & Bus and MAN Diesel & Turbo have issued environmental policies to ensure that management pays strict attention to environmental protection and that this is incorporated into operating processes. The policies deal with conservation of resources during manufacturing, including environmental protection matters in planning and in decision-making processes, as well as reducing the effects products have on the environment during their usage phase.

The main way in which MAN can reduce global CO_2 emissions is through its product portfolio. To identify potential ways of reducing CO_2 throughout the product lifecycle, MAN calculated the carbon footprint for nearly all product groups in the MAN Truck & Bus subgroup. The calculation method used is based on the Greenhouse Gas Protocol's standards for product lifecycle analysis. The calculations confirmed our assumption: more than 90% of CO_2 emissions for all MAN products arise in the usage phase. This is why the Company supports a generally accessible approach to quantifying CO_2 values for heavy commercial vehicles.

MAN will report on the progress made in implementing its climate strategy, and in particular on its target achievement, in its 2013 CR Report, which will be released in May 2014.

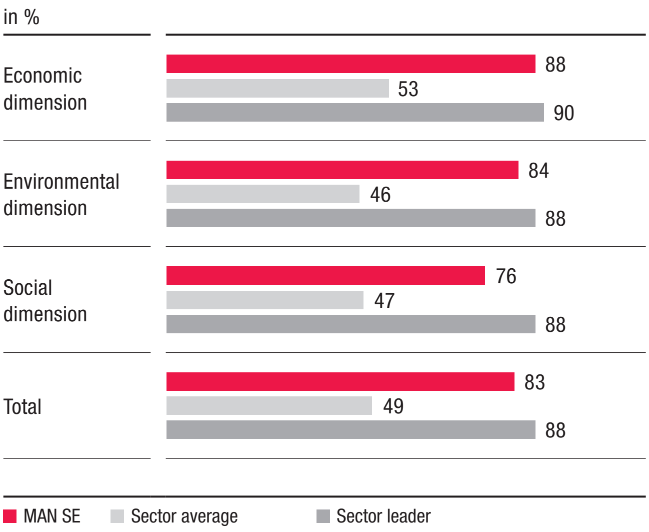
The Company again focused on designing its product portfolio to be even more efficient and, as a result, more environmentally-friendly in fiscal year 2013. See "Research and Development" for further information.

Economy: Since analysts and investors regard CR as a key indicator for forward-looking corporate governance, they are also increasingly basing their recommendations and decisions on a company's CR performance. CR ratings in particular are being referred to for evaluating a company's performance in the areas of ecology, social issues, and economy. Not only does a company's achievement of top ratings provide a strong signal to its stakeholders, it also enhances its attractiveness as an employer and increases employee motivation.

MAN was once again included in the Dow Jones Sustainability World and Europe Index by the sustainability ratings agency RobecoSam, and thereby achieved an important CR goal for 2013. After qualifying for the first time for the prestigious sustainability rating last year, the Company managed to improve its overall result in 2013, achieving 83 out of 100 points (2012: 78 points). MAN thus continues to be the only German company in the industrial engineering sector to be represented in the indices; moreover, it narrowed the gap to the sector leader. In 2013, MAN improved in the areas of Environmental Management, Water-related Risks, and Occupational Safety in particular.

The chart below shows MAN's 2013 result as a comparison with the industry average and the sector leader.

Detailed valuation results for the Dow Jones Sustainability Indices (DJSI) for 2013



MAN was awarded the 2013 SAM Sustainability Bronze Class Award in June 2013 for its CR performance. In addition to its climate strategy, MAN's product stewardship, as well as successes achieved in innovations management were recognized.

MAN was listed in the Carbon Disclosure Leadership Index (CDLI), which rates the transparency of corporate information that is relevant to climate protection, for the fourth time in a row, reaching 89 out of 100 points (previous year: 84 out of 100 points).

People: The people field of action includes both the Company's responsibility to its employees, as well as its commitment to public welfare at its locations. MAN always involves its employees in this.

After the floods in Germany in June 2013, MAN Group employees donated €116,000 for people who had been affected. MAN SE's Executive Board topped up this amount to €250,000. The money went to the benevolent fund of the Deggendorf MAN Diesel & Turbo Works Council, the city of Passau's donation account, as well as to an aid organization in Dresden. In addition to immediate aid payments totaling €30,000 from the benevolent fund, the Company donated a further €30,000 to the Landesfeuerwehrverband Bayern e.V. "Help for Helpers" campaign, which supports those helping with the floods who themselves need help.

MAN extended its long-standing partnership with the SOS Children's Villages organization for a further three years. The financial support amounts to €150,000 annually. MAN has been providing sustainable aid in Haiti through this cooperation since 2010. As well as donating two trucks for the transportation of aid after the earthquake, MAN contributed around €90,000 to the construction of the Les Cayes SOS Children's Village, among other projects. Following the typhoon in the Philippines, MAN donated an additional €50,000 to the SOS Children's Villages organization for emergency aid measures. In addition to providing international aid, the Company also supports the organization's facilities in Germany. For example, MAN is sponsoring the training of five socially disadvantaged young people in different subject areas at the Nuremberg SOS vocational training center. Following MAN's provision of €75,000 of annual funding for these training places starting in 2011, the first two graduates were able to successfully enter the world of work in September 2013.

Another important component of this cooperation is the volunteering program. In Munich and Salzgitter, the partners have for a number of years been offering MAN employees the opportunity to volunteer in various charitable projects in SOS Children's Villages facilities. In consultation with their supervisors, employees can take half a day of their working time once a year to take part. In 2013, 75 MAN employees donated around 500 hours of their time.

The "Employees" section on the following pages describes how MAN meets its responsibilities to its employees.

Employees

At the heart of MAN's human resources strategy is excellent performance from a first-class team

Employees at December 31*

	2013	2012
Germany	30,296	30,513
Other countries	23,213	23,770
Total	**53,509**	**54,283**
Other countries in %	43	44

Employees by business area at December 31*

	2013	2012
Commercial Vehicles	36,541	36,816
Power Engineering	16,641	17,108
Other	327	359
MAN Group	**53,509**	**54,283**

* Including subcontracted employees.

Employee structure

	2013	2012
Total	**53,509**	**54,283**
of which: female	7,475	7,780
of which: male	46,034	46,503
of which: subcontracted employees	1,327	1,802
of which: part-time employees	1,255	1,000
of which: fixed-term employees	1,162	1,741

Age structure 2013*

Total	< 30	31 – 40	41 – 50	51 – 60	> 61
52,182	10,105	15,548	14,737	10,389	1,403

* MAN Group employees only, i.e., not including subcontracted employees.

Headcount

As of December 31, 2013, the MAN Group employed 53,509 people including subcontracted employees. This represents a slight reduction of 774 employees, or 1%, as against the end of 2012 due to the lower production figures.

The proportion of employees in Germany versus those abroad changed only slightly. Our non-German companies employed a total of 23,213 people. This is a reduction of 557 year-on-year. The number of employees working in Germany declined by 217 compared with the previous year to 30,296.

Permanent staff comprised 52,182 employees, down only slightly on the prior-year level (previous year: 52,481). The number of employees with fixed-term contracts declined by 33% to 1,162 (previous year: 1,741). The number of subcontracted employees was reduced by 475 to 1,327 to align the production capacity.

Vocational training

The development of a first-class team at MAN starts with vocational training. High-quality combined vocational training ensures that the Company has outstanding young technical and commercial staff. Over 800 young people started their careers at MAN in Germany, Austria, Switzerland, Denmark, France, and Turkey in the fall of 2013. The number of new vocational trainees thus increased again year-on-year. The school leavers started in 57 vocational training careers, 15 combined and nine integrated vocational training and degree programs in a multitude of technical and commercial disciplines. MAN particularly needs the skills offered by technical vocational careers – industrial mechanics, mechatronics technicians, and milling machine operators – to enable advances in production.

Young people are increasingly starting combined vocational training and degree programs that are being run in cooperation with a number of technical universities: currently, in Germany, 153 students on combined and integrated vocational training and degree programs are completing the practical part of their studies at MAN. It is encouraging to note that the percentage of female students is almost 28%.

The four best MAN Group vocational trainees were honored with the Volkswagen Group's 2013 Best Apprentice Award. In fiscal year 2013, the Volkswagen Group again awarded prizes to its 40 best global vocational trainees. Three of MAN's prize-winning young talents are completing their studies at a technical university with the support of the Company.

Continuous professional development and training for every employee

The continued success of the MAN Group as a leader in transportation and energy relies on having exemplary, highly-qualified managers and specialists. MAN ensures that every employee has the opportunity to refine their specialist skills on a task-driven basis through its broad-based and targeted offerings for continuous professional development.

Since May 1, 2013, all of the MAN Group's educational and training activities have been integrated under the MAN Group Academy. In the future, this will ensure a high level of uniform quality and skills standards in employee vocational training, personnel development, and specialist training, and will leverage synergies. Employee training is task-driven. Training measures relating to production, such as quality training, and courses on occupational safety, are an important component. Thanks to standardized programs for employees in sales and service across the world, the international organization can also meet uniform standards.

MAN's managers are continually involved in activities to develop their specialist and leadership skills. The measures and process for preparing employees for leadership and management responsibilities were revised in the year under review. A new promotion process was implemented to ensure greater transparency, appreciation, and recognition. The one-on-one dialog between supervisors and employees is an integral part of MAN's corporate and leadership culture. Individual development goals are agreed and collaboration in the team is analyzed once a year as part of employee appraisals.

Diversity and equal opportunities

MAN is engaged globally in ensuring equal opportunities for men and women. The promotion of women, especially by means of special works arrangements and childcare facilities, the availability of training for employees on parental leave, and programs to recruit and develop female talent, is particularly important. As of December 31, 2013, 8.9% of MAN's managers were female, compared with 8.2% in 2012. MAN already offers specific measures to train and develop female specialists and managers. Female engineering students are guided through their career development as part of mentoring programs.

In addition to recruiting and promoting female talent, MAN is continuously working to improve ways of reconciling work and family life. These include flexible working models, as well as childcare for 176 toddlers and young children in the company daycare facilities at MAN's Munich and Augsburg sites. Moreover, an agency service for finding care staff to care for and look after children and relatives is available to employees in Bavaria. This initiative by the Bavarian metalworking and electrical engineering industry supports those affected by sudden illness or a need for nursing care.

MAN integrates people with disabilities into its operations. The Company employed 1,523 people with severe disabilities in Germany in the fiscal year. This satisfies our legal requirement in Germany to employ a quota of 5%.

Employee survey ("opinion survey")

MAN carried out another employee survey in June 2013. This was the first time that the "opinion survey", an annual, uniform, anonymous, and voluntary survey of employees of all the brands and companies in the Volkswagen Group, was used. Employees can actively shape the Company through participating in the opinion survey. It measures the level of employee satisfaction and identification. This tool will be used annually from now on to measure the success of MAN's "Top Employer" human resources strategy. Employee participation in the fiscal year was 83% (2011: 80%). The sentiment rating was positive. Employees gave their opinions on MAN's image, on communication, quality and processes, teamwork with colleagues and supervisors, as well as satisfaction and workload. As a result, both strengths and areas for improvement were highlighted. The results form the basis for the subsequent improvement process and further implementation measures. Specific measures will be implemented in departments and teams by the next survey in 2014. As well as promoting an entrepreneurial approach among employees, this tool also serves to further strengthen MAN as an attractive employer.

Top employer

The long-term positioning of MAN as a top employer was again implemented successfully internationally in 2013. One example is the continual improvement and redesign of the careers page on the global corporate website at → www.man.eu/corporate. Special attention has been given to ease of use, as well as to clear content design, so as to be able to address the needs of potential applicants in an even more targeted way.

The CRF (Corporate Research Foundation) Institute once again certified MAN as a top employer in Germany and Poland. In addition, the CRF Institute certified MAN Truck & Bus AG as a top automotive employer for 2012/13 and MAN Diesel & Turbo SE as a top engineering employer for 2013. MAN Latin America was awarded the distinction "Great Place to Work in Brazil 2013."

The Company is continuing its multifaceted cooperation with over 100 technical universities in order to develop young talent for the long term. Cooperation is especially close with the Munich Technical University and the RWTH Aachen University. MAN is supporting around 100 students in the mechanical engineering, electrical engineering, information technology, and economics departments through scholarships, and also offers the scholarship holders internships, student research projects, and professional advice. In 2013, the MAN Group supported 22 PhD students, and gave around 900 students across the world an opportunity to gain practical experience in everyday business life. In the year under review, the Company also sent representatives to numerous university career fairs in Germany and abroad to present the Company and its products, and to fill job vacancies.

Preventive healthcare and occupational safety

The promotion of occupational health, prevention, and occupational safety have traditionally always been a top priority at MAN. All measures to reduce the number of accidents and to prevent work-related illnesses were driven forward across the Group.

A systematic ergonomic assessment of all workplaces at production sites was conducted to counteract demographic change, improve employee performance, and prevent physical disabilities. To increase health awareness among employees and managers, measures and activities dealing with the subject of "healthy leadership" were enhanced. Moreover, occupational integration management following a protracted illness, and help with reintegration after accidents do not just represent a legal obligation for MAN, but are a natural part of maintaining our employees' ability to work and their employability.

MAN Truck & Bus's Salzgitter site was again awarded the Corporate Health Award in 2013 for its occupational health management. The innovative and holistic approach to a culture of health awareness and to maintaining employee health was assessed particularly positively. At many of MAN Diesel & Turbo's European sites, occupational social counseling became a permanent part of health management. The Zero Accident Initiative at MAN Diesel & Turbo helped to further reduce the severity, as well as the overall number, of work accidents for the fifth year in succession. "Behavior Based Safety Programs" were implemented at selected sites to ensure the continuation of this positive trend. These will be rolled out across the whole subgroup in 2014. Continuous professional development for employees and managers in occupational safety is central to this.

Occupational pension system

Retirement provision that goes beyond the statutory pension systems often plays a very important role in securing living standards following retirement. For some time now, the MAN Group has contributed to its employees' retirement provision by granting pension commitments and similar benefits that are structured to country-specific and market requirements.

Once their active working life is over, employees in Germany receive benefits provided by a modern, attractive occupational pension system that constitute a key element of MAN's remuneration policy. These benefits offer a reliable additional income on retirement and also protect employees against the risk of permanent disability or death during their active employment. Employees receive employer contributions that are tied to their remuneration and can make additional provision through deferred compensation – which is employer-subsidized for staff subject to collective bargaining agreements.

Plan assets are accumulated during active employment using the employer- and employee-funded contributions, plus returns on capital market investments. Plan assets are paid out as a lump sum or in installments on retirement. The risk of the investments is gradually reduced as employees get older (lifecycle concept). The performance of the plan assets is directly linked to the capital markets and is determined by specific indices and other suitable parameters.

Depending on country-specific practices, the employees at foreign locations receive standard market contributions to pension commitments granted by third parties or investment fund savings plans, or commitments under defined benefit pension plans that are still predominantly tailored to providing lifelong pensions.

Remuneration Report for Fiscal Year 2013

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 an appropriate amount. 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, as well as the remuneration structure that applies to other areas of MAN.

In fiscal 2013, it was resolved to continue the long-term remuneration component in accordance with the decision made in fiscal 2012. In addition, the vesting period for the shares received by members of the Executive Board prior to 2011 under the MAN Stock Program was revoked effective February 7, 2013.

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 comprise components linked to business performance and long-term incentive components.

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 a company car 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

The performance-related variable remuneration (bonus) is based on two performance components with equal weightings:

Performance Component One

Performance Component One is defined as the delta to the cost of capital, i.e., the difference between the return on capital employed (ROCE) and the weighted average cost of capital (WACC).

The average delta to the cost of capital for the current and following fiscal year in each case is measured against the target range set in advance by the Supervisory Board.

If the lowest value in the target range is not met, this represents a target achievement of 0%. The highest value in the target range corresponds to the maximum target achievement of 200%. Target achievement between the lowest and highest values of the target range is calculated on a straight-line basis.

Three-quarters of the fixed annual salary is awarded for a target achievement of 100%. The maximum possible bonus for this performance component is capped at one-and-a-half times the fixed annual salary for a target achievement of 200%. A retroactive bonus is paid if target achievement in the following year exceeds that of the current fiscal year, thus improving the average value, provided that this does not exceed the upper target achievement limit of 200%. Similarly, if target achievement is lower in the following year, the bonus for the following year is reduced accordingly.

The current target range for the delta to the cost of capital is –5% to +5%. Target achievement of 0% to 200% is represented as a straight line between these base points. A delta of 5.0% or more therefore yields one-and-a-half times the fixed annual salary and an ROCE equal to the cost of capital yields three-quarters of the fixed annual salary.

Performance Component Two

The second performance component measures the return on equity (before tax) of the fiscal year in question against a predetermined target. The degree to which the target has been achieved is calculated in the same way as for Performance Component One.

The current target range covers a return on equity of between 4% and 20%. Target achievement of 0% to 200% is represented as a straight line between these base points. The maximum possible bonus for this component – one-and-a-half times the fixed annual salary – is awarded for a return on equity of 20% or more. A return on equity of 12% yields three-quarters of the fixed annual salary.

The total bonus from both components is therefore limited to three times the fixed annual salary and is only paid out if the MAN Group generates a return on sales (ROS) of more than 2%.

Figures for fiscal year 2013

Targets and target achievement for bonuses in 2013 were as follows:

Performance component	100% of target	200% of target (cap)	Actual value 2013	Target achievement	Bonus
1* (ROCE – WACC)	0%	5%	– 1.2%	76%	0.57 fixed annual salary
2 Return on equity	12%	20%	– 2.7%	0%	0.00 fixed annual salary

* This component is based on the average of the current and following fiscal year. It therefore represents a payment on account that may have to be paid back.

Supplementary information on the bonus for fiscal 2012: Performance Component One is based on an average of the current and following fiscal year in each case. Calculating this component using the actual figures for 2012 and 2013, which are now available, reveals an adjustment to be paid back of 0.21 fixed annual salaries.

C) Long-term remuneration component

This component is based on the delta to the cost of capital (see Performance Component One).

The average delta to the cost of capital of the current and the two previous fiscal years is compared with the target range set by the Supervisory Board.

If the lowest value in the target range is not met, this represents a target achievement of 0%. The highest value in the target range corresponds to the maximum target achievement of 200%. Target achievement between the lowest and highest values of the target range is calculated on a straight-line basis.

A bonus amounting to one half of the fixed annual salary is awarded for a target achievement of 100%. The maximum possible bonus for this component is capped at one fixed annual salary for a target achievement of 200%.

The current target range for the delta to the cost of capital is 0% to +20%. Target achievement of 0% to 200% is represented as a straight line between these base points. A delta of 20% or more therefore yields one fixed annual salary and a delta of 10% yields one half of the fixed annual salary.

D) Occupational pension system

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 SE contributes an amount equal to 20% of eligible remuneration, i.e., the sum of the contractually agreed fixed remuneration and 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 €2 million.

Executive Board members' remuneration in 2013

The remuneration awarded to active members of the Executive Board for their services in fiscal 2013 totaled €5,860 thousand plus €1,391 thousand for pensions (previous year: €7,139 thousand plus €1,529 thousand for pensions). Please see **note (36)** in the "Notes to the Consolidated Financial Statements" for details of the Executive Board members' individual remuneration, broken down into fixed and performance-related components including long-term incentive components.

Additionally, a total of €3,930 thousand (previous year: €1,480 thousand) in severance payments was made in fiscal 2013 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."

Special contract provisions

Under a provision that has been in effect since 2010, 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. Income from activities elsewhere is offset and the basis for calculating the amount of the contributions to the pension system reduced accordingly. MAN uses an Executive Board member's bonus for the past fiscal year and expected bonus for the current fiscal year as a basis for calculating the bonus paid as a severance payment following departure.

If an Executive Board member's contract is terminated at his or her instigation (members may terminate their contracts without having to cite reasons, by giving 18 months' 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. Berkenhagen and Mr. Schumm as members of the Company's Executive Board in 2012:

Neither member will be granted pension commitments by MAN. Instead, MAN has undertaken to assume the expenses associated with continuing the existing pension commitments in the Volkswagen Group. A special arrangement relating to total remuneration was also agreed with Mr. Berkenhagen. Further information can be found in **note (36)** 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 2013

The total remuneration payable to the members of the Supervisory Board for 2013 amounts to €729 thousand (previous year: €952 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €55 thousand (previous year: €52 thousand) for serving on supervisory boards at Group companies in fiscal 2013. Please see **note (37)** in the “Notes to the Consolidated Financial Statements” for a breakdown of the individual remuneration of the Supervisory Board members in 2013.

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, 2013, do not receive any remuneration.


MAN
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The Divisions in Detail

MAN Truck & Bus

- **Order intake and revenue slightly above previous year**
- **Operating profit on a level with the previous year**

MAN Truck & Bus's order intake and revenue closed fiscal year 2013 with a slight increase year-on-year. Operating profit was on a level with the previous year.

MAN Truck & Bus

€ million	2013	2012
Order intake	9,336	9,150
of which: Trucks	7,868	7,737
of which: Buses	1,332	1,413
of which: Financial Services[1]	200	–
of which: consolidation	– 64	–
Order intake (units)	78,914	80,034
of which: Trucks	73,546	74,483
of which: Buses	5,368	5,551
Revenue	9,054	8,822
of which: Trucks	7,572	7,516
of which: Buses	1,337	1,306
of which: Financial Services[1]	200	–
of which: consolidation	– 55	–
Vehicle sales (units)	81,562	79,966
of which: Trucks	76,268	74,680
of which: Buses	5,294	5,286
Production (units)	81,193	78,133
of which: Trucks	75,760	73,121
of which: Buses	5,433	5,012
Headcount[2]	34,533	34,879
Operating profit[3,4]	228	229
of which: Trucks	287	253
of which: Buses	– 64	– 28
of which: Financial Services	8	4
ROS (%)[3,4]	2.5	2.6

[1] Relates to EURO-Leasing GmbH, Sittensen, Germany, which was transferred from the Trucks business to the Financial Services business effective December 31, 2012; no elimination for unit sales.
[2] Including subcontracted employees as of December 31.
[3] Including consolidation effects between Financial Services and Trucks/Buses.
[4] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."

Order intake increased to €9.3 billion in fiscal year 2013, thus rising by 2% compared with the previous year (€9.2 billion). At €9.1 billion, revenue was up by 3% on the previous year (€8.8 billion). At €228 million, operating profit was on a level with the previous year (€229 million); the return on sales decreased slightly to 2.5% (previous year: 2.6%).

Economic environment

In fiscal 2013, global demand for trucks with a gross weight of over 6 t was up slightly on the prior-year level. In Europe, the lack of momentum in the economy had a negative effect on business sentiment. This was, however, offset positively by truck purchases pulled forward ahead of the introduction of the Euro 6 emission standard which came into force on January 1, 2014. Demand picked up significantly especially during the second half of 2013. In this difficult market environment, the European market volume in the segment for trucks over 6 t clearly exceeded the prior-year level, at approximately 296,000 units (previous year: 276,000 units). MAN Truck & Bus recorded a market share of 16.5% in this segment (previous year: 16.9%).

The global market for buses in fiscal 2013 was on a level with the previous year. The European bus market rose to approximately 28,800 units (previous year: 26,100 units). This is mainly attributable to strong market growth in Germany, France, and Turkey. Apart from that, the European bus market again declined slightly due to the restrictive budget policies pursued by most national and local government bodies. Here, MAN Truck & Bus recorded a market share of 12.4% (previous year: 12.6%).

Business developments

MAN Truck & Bus generated an order intake of €9.3 billion in the year under review, slightly above the prior-year level (previous year: €9.2 billion). The Trucks business recorded an order intake of €7.9 billion (previous year: €7.7 billion). The number of orders declined from 74,483 units in the previous year to 73,546 units. There was a positive year-on-year price and mix shift in the order intake. Order intake in Europe and in particular in Germany, which had declined in the first half of the year, increased considerably year-on-year in the second half of the year. This was attributable in particular to truck purchases pulled forward ahead of the introduction of the Euro 6 emission standard in Europe. In addition to Germany, Spain and Austria also saw strong year-on-year growth in order intake in the second half of the year. Order intake in Russia, the second largest sales market, was down year-on-year in fiscal year 2013 amidst a significant decline in the overall market. However, orders exceeded the prior-year figure in the second half of the year.

Order intake in the Buses business in 2013 amounted to €1.3 billion (previous year: €1.4 billion). Measured in unit terms, it declined by 3% from 5,551 to 5,368 units. The chassis business recorded growth, especially in South Africa and Spain. This positive trend in the chassis business was offset by a decline for intercity and city buses, mainly in Germany and Turkey. The comparatively strong decrease in order intake in Turkey is due to a major order in the previous year.

MAN Truck & Bus generated revenue of €9.1 billion in the year under review, which is slightly above the prior-year level (previous year: €8.8 billion). The Trucks business increased its revenue slightly to €7.6 billion (previous year: €7.5 billion). At 76,268 trucks, sales were also up on the prior-year figure of 74,680. Germany and Poland in particular saw increases compared with the previous year. The Buses business generated revenue of €1.3 billion in 2013 (previous year: €1.3 billion). It sold 5,294 buses (previous year: 5,286). The decline in vehicle sales in Germany and the Netherlands was offset by sales growth in Sweden and Australia, among other countries. The after sales business was further expanded in fiscal 2013.

Operating profit

At €228 million, operating profit was on a level with the prior-year figure (€229 million). The return on sales declined slightly to 2.5% (previous year: 2.6%). The Trucks business recorded an operating profit of €287 million (previous year: €253 million). The increase was attributable to a slight increase in revenue, improved margins, and significantly lower administrative and selling expenses. Higher research and development expenses and negative currency effects had a negative impact. The Buses business recorded an operating loss of €64 million (previous year: operating loss of €28 million), due to lower margins and high bad debt allowances on receivables. Operating profit for Financial Services doubled to €8 million (previous year: €4 million).

Production

Production volumes increased in both the Trucks and the Buses businesses. In the year under review, truck production increased by 2,639 units (+4%), and bus production by 421 units (+8%) compared with the previous year.

Employees

As of December 31, 2013, MAN Truck & Bus had a workforce of 34,533 including subcontracted employees (previous year: 34,879). Permanent staff declined by 390. This is attributable to the measures introduced due to weakening demand in the first half of 2013. The number of subcontracted employees rose by 44. As of December 31, 2013, permanent positions had been given to 381 vocational trainees. 20,449 staff were employed in Germany (previous year: 20,474) and 14,084 outside Germany (previous year: 14,405). The company had 2,484 vocational trainees as of December 31, 2013 (previous year: 2,442). The proportion of vocational trainees in fiscal 2013 was 6.8% (6.6%).

Research and development

Research and development expenditures amounted to €363 million in the year under review (previous year: €384 million). This corresponds to 4.0% (4.4%) of revenue. On average, 2,520 staff (previous year: 2,506) were employed by the company's research and development departments worldwide during the year.

One focal point for development was Euro 6. At the 2013 bauma trade fair, MAN Truck & Bus also presented the new Euro 6 emission standard engines in all construction vehicles. Moreover, the drivers' cabs on vehicles for use on construction sites have been equipped with an enhanced steel bumper, and the double cabins for the TGL and TGM have been fitted with a new interior. In October 2013, the Euro 6 emission standard NEOPLAN Jetliner premium bus was unveiled at the Busworld Kortrijk show. In order to further extend its market leadership in CNG city buses, MAN Truck & Bus has been offering the efficient Euro 6 emissions technology for the complete CNG product portfolio since the middle of 2013.

MAN Truck & Bus's products are standing up well not just at trade fairs, but also in practice, with the economical consumption figures a compelling selling point. In test drives carried out by "TRUCKER" magazine and "Deutsche Verkehrszeitung" (DVZ), two Euro 6 specification TGX 18 480s achieved the most economical consumption figures. The TGX 18 480 is setting new standards for Euro 6 models in the long-haul segment in relation to fuel consumption. MAN Truck & Bus's bus products are also distinguishing themselves with very low consumption figures, and thus high cost-effectiveness. The NEOPLAN Cityliner was certified by TÜV Süd as having extremely frugal fuel consumption. With this top mark, the NEOPLAN Cityliner is setting the standard for the competition.

MAN Truck & Bus continues to focus on benefits provided to customers and has, for example, been working for a number of years with accident researchers on research into the causes of commercial vehicle accidents. One important finding from this has been that 32% of all truck accidents are collisions with the vehicle in front. MAN Truck & Bus developers therefore focused on the further optimization of active truck and bus safety, and had already introduced EBA in series production in 2013 before the official legal deadline. If the driver does not react to the system warnings, EBA initiates an emergency stop by itself so as to avoid or lessen a collision.

Capital expenditures

MAN Truck & Bus incurred capital expenditures of €340 million (previous year: €640 million) to systematically progress the enhancement of the product portfolio, the rationalization and modernization of production sites, and the strengthening and expansion of the sales and service network. Taking account of the current economic environment, €220 million was invested in property, plant, and equipment, and intangible assets. In addition, development costs of €120 million were capitalized. While the R&D budget remained almost stable in the year under review, the capitalization of development costs was €97 million lower than in the previous year. Moreover, the comparatively high capital expenditures in the previous year were additionally lifted by the acquisition of MAN FORCE TRUCKS in India for €148 million net.

In the 2013 reporting period, MAN Truck & Bus invested mainly in tools and equipment in the production area for the rollout of Euro 6 vehicles. In addition, the ongoing renewal of production facilities was driven forward in a sustainable manner. New machines in the axle production facility in Munich helped to increase the level of automation, enhanced productivity, and improved product quality. This approach was continued with the start of the phased renewal of the gear production facility in Nuremberg.

MAN Truck & Bus commissioned the new test bed center at the Nuremberg site. Eight dynamic test beds will be available in Nuremberg in the future. The test bed center is setting standards for environmentally-friendly and responsible energy use and supports customer-focused product development with state-of-the-art development methodologies.

The expansion and modernization of the MAN Truck & Bus sales and service center network was systematically continued by commissioning new sales and service centers.

Outlook

MAN Truck & Bus expects the market volume in 2014 to be roughly on a level with the previous year following a slight increase in global demand for trucks in 2013. Although the economic situation in Europe is improving, market growth is being driven by the introduction of the new Euro 6 emission standard. A significant portion of the demand was pulled forward to 2013 in advance of the new emission rules. A reversal of this effect and a resulting clear market downturn is therefore expected in 2014.

Europe continues to be a core market for MAN Truck & Bus. At the same time, MAN Truck & Bus is making sure that it continues to strengthen sales volumes in export markets such as the BRIC and ASEAN countries.

The Russian market is expected to see a clear upturn in demand in 2014 following the strong decline in 2013. The positive macroeconomic trend and the persistently high demand for replacement purchases will likely have an advantageous effect on the demand for trucks; further fine-tuning of the newly-introduced recycling charge may impact this significantly. China, the world's largest truck market, is expected to be well below the prior-year level in 2014, primarily due to the pull-forward effects in 2013 because of the revised emission standards, as well as the government's infrastructure measures, which are gradually coming to an end and may lead to a saturation of demand for replacement purchases in 2014. MAN Truck & Bus is expecting to see a significant market recovery in India. However, this market trend is only expected to be of minor significance as the premium segment only represents a small share of the market as a whole in both of these countries.

The other countries in the Asia-Pacific region are likely to fall slightly below the prior-year levels.

Global demand for buses in 2014 will clearly exceed 2013 levels. The European bus market is expected to decline slightly, with the positive performance in most other European countries offset by a marked reduction in the Turkish market. The bus markets in China and India will perform positively in 2014 due to rising urbanization and an increased demand for coaches. The Chinese market will see a slight upturn, while India is expected to record strong market growth.

The Management of MAN Truck & Bus expects unit sales and revenue for 2014 to be at the prior-year level. 2014 operating profit, and thus the return on sales, are expected to considerably exceed the prior-year level. The reversal of the pull-forward effects from the introduction of the Euro 6 emission standard will have a clear impact in the first half of 2014. MAN Truck & Bus is working systematically to improve its earnings quality in the long term in a more difficult market environment characterized by even fiercer competition. Comprehensive measures have already been taken to cut costs, increase efficiency, and introduce more flexibility into production.


Constellation
6X2
24.280

MAN Latin America

- **Revenue slightly above prior-year level**
- **Operating profit stable**
- **7.8% return on sales despite fiercer competition**
- **Eleven-year market leadership in trucks confirmed**

In 2013, MAN Latin America generated revenue of €3.0 billion (previous year: €2.9 billion) and an operating profit of €230 million (previous year: €229 million). Revenue was down 3% year-on-year and did not fully reflect the 7% increase in unit sales due to the devaluation of the Brazilian real. Increasing competition also had an adverse effect on profitability. Thanks to various cost reduction measures, the company recorded a return on sales of 7.8% (previous year: 8.0%) for the year under review despite the less favorable situation in the market.

MAN Latin America

€ million	2013	2012
Order intake	2,950	2,870
Order intake (units)	60,357	56,305
Revenue	2,950	2,870
Vehicle sales (units)	60,357	56,305
Production (units)	61,324	47,844
Headcount*	2,008	1,937
Operating profit	230	229
ROS (%)	7.8	8.0

* Including subcontracted employees as of December 31.

Economic environment

The economy in Brazil in the past fiscal year was again characterized by low growth. As a result, the Brazilian commercial vehicle market, which is important for MAN Latin America, recovered more slowly than expected from the decline in the previous year, which had mainly been caused by the introduction of the Euro 5 emission standard. To counter this, the Brazilian government extended its investment subsidy program. Additional contracts were also awarded for school buses and trucks. Demand in the most important export markets remained stable.

Business developments

In Brazil, Latin America's largest truck market, MAN Latin America again led the market for trucks over 5 t for the eleventh year in 2013. The company recorded a total of 40,834 new truck registrations (previous year: 41,422), giving it a market share of 26.9% (previous year: 30.3%). This change in the market share was due to disproportionate growth of 40% in the super-heavy truck segment, where MAN Latin America has only had a limited presence to date. The number of new truck registrations in the over 5 t class rose by 11% to 152,013 vehicles (previous year: 136,623), driven by the more favorable financing terms offered by the Brazilian Development Bank and high demand for transportation due to the record grain harvest. In a still increasingly competitive market environment, MAN Latin America sold 43,102 vehicles (previous year: 39,317 vehicles) in the Brazilian truck market, up 10% year-on-year.

MAN Latin America recorded a total of 9,025 new registrations in the Brazilian bus market (previous year: 8,037). With a market share of 27.4% (previous year: 27.9%), the company confirmed its number two position in the local bus market, which recorded 32,918 new registrations in total (previous year: 28,809). MAN Latin America sold 8,991 bus chassis (previous year: 8,008) in Brazil in the past fiscal year. The 12% growth in unit sales was predominantly attributable to the government school bus program.

Demand in Latin America's other key markets was well below the prior-year level. Outside of Brazil, MAN Latin America sold 8,264 trucks and bus chassis (previous year: 8,980) in the past fiscal year, remaining one of Brazil's leading exporters with 22.6% of the country's truck exports.

A total of 60,357 commercial vehicles were sold during the year under review. Production was scaled up by 28% to a total of 61,324 vehicles (previous year: 47,844), or 50,677 trucks and 10,647 buses.

Operating profit

Operating profit amounted to €230 million in the past fiscal year (previous year: €229 million). Continued muted demand for light to semi-heavy trucks due to the persistent low domestic economic growth in Brazil, the most important market, increased competition and pressure on margins. Against this backdrop, it was impossible to pass on either the Euro 5 emission standard-related price increases caused by technical factors or the inflationary cost increases to the extent necessary. The weaker Brazilian real was another negative factor. The company introduced various cost-cutting measures to counteract these effects. Material cost savings through further localization, increases in production efficiency, and reduction of overheads were the main focus. Overall, MAN Latin America's return on sales was 7.8% (previous year: 8.0%).

Employees

At the end of 2013, MAN Latin America had a total workforce of 2,008 (previous year: 1,937). In addition, approximately 3,800 employees continued to be on the payroll of the company's partners or service providers as part of the "Consórcio Modular" production system.

Capital expenditures, research, and development

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 in 2013 amounted to 2.6% of revenue. They were largely attributable to the expansion of the product range and to the further localization of the D08 engines and MAN TGX truck series.

Research and development expenditures in 2013 amounted to €102 million or 3.5% of revenue. An average of 544 directly employed staff (including subcontracted employees) and 51 employees of partners or service providers worked in R&D.

R&D activities focused on extending the Euro 5 emission standard to additional models in the product range, the development of customized solutions, and synergy projects with MAN Truck & Bus. The latter include continued localization of the D08 engine and the MAN TGX truck series. In order to meet rising demand in the super-heavy truck segment, MAN Latin America developed the new Constellation 420 V-Tronic truck series, which is equipped with a 420 horsepower engine and an automatic gear unit.

MAN Latin America was the first company to test vehicles that are 100% powered by biodiesel produced from sugarcane. The new fuel, which was developed in cooperation with the Amyris group, reduces nitrogen oxides by 15% and particulate matter by 77%. It also reduces soot by 40%. The aim of this technology is to use renewable energy sources. The Brazilian government has been supporting the agricultural industry for years now by subsidizing fuels such as ethanol, biodiesel, and in the future, biodiesel produced from sugarcane.

In the bus segment, the company launched its first low-floor bus. The 18.280 OT is powered by a six-cylinder MAN D08 engine and is the first vehicle to be based on the new modular platform concept. This enables a shorter and more cost-effective development process by using the same parts, such as chassis or axles. The company carried out various improvements to existing series, particularly in the area of engines and gears, as well as in the school bus segment. These tailored developments made a key contribution to confirming MAN Latin America's number two position in this highly competitive market.

Outlook

Demand for trucks and buses in Brazil is expected to increase slightly in the coming years on the back of additional investments in infrastructure and the development of newly discovered raw material deposits. Growth is also likely to be driven by various renewal programs in relation to the generally aging fleet of transportation vehicles, whose average age is 17 years. Moreover, government incentives, which comprise special subsidized finance packages as well as tax cuts, were extended for 2014 under new conditions. In addition, MAN Latin America is increasing its activities in emerging economies and developing countries in particular, with the aim of expanding its exports for the long term.

New business opportunities will emerge both from the further localization of the MAN TGX series in the super-heavy truck market segment, where MAN Latin America has previously hardly had a presence, and from the further integration of MAN D08 engines into the existing offering. Both measures will also contribute to the further expansion of the after-sales business.

In fiscal year 2014, slight but steady growth is expected in the Brazilian commercial vehicle market despite ongoing uncertainty and the fact that the Brazilian economy is still only performing moderately. This growth is being supported by government incentives.

The Management of MAN Latin America is expecting stable full-year sales volumes for 2014 and a slight decline in revenue due to currency effects. Operating profit will be impacted by continued intense competition and the associated price pressure, as well as the depreciation of the Brazilian real. Operating profit and the return on sales are expected to be well below the 2013 level. These forecasts assume that there will be no further significant change in exchange rates.

MAN Diesel & Turbo

- **Order intake slightly below prior-year level**
- **Operating profit down significantly year-on-year due to project-related provisions and weaker margins**
- **Return on sales slightly negative**

MAN Diesel & Turbo's order intake volume amounted to €3.4 billion, falling 3% short of the prior-year figure of €3.5 billion. At €3.4 billion, revenue was down 10% year-on-year (previous year: €3.8 billion) due to the weaker order intake from the previous year. The decline in fiscal 2013 was especially attributable to the Engines & Marine Systems and Power Plants strategic business units. At €27 million, the operating loss was significantly below the previous year's operating profit of €437 million. This reduced the return on sales to –0.8% (previous year: 11.6%). The order backlog of €3.2 billion was down 4% on the prior-year level (€3.4 billion).

MAN Diesel & Turbo

€ million	2013	2012
Order intake [1]	3,407	3,510
of which: Engines & Marine Systems	1,520	1,296
of which: Power Plants	705	668
of which: Turbomachinery	1,182	1,546
Revenue [1]	3,396	3,780
of which: Engines & Marine Systems	1,304	1,552
of which: Power Plants	695	773
of which: Turbomachinery	1,397	1,455
Headcount [2]	14,413	14,863
Operating profit/loss [1]	–27	437
of which: Engines & Marine Systems	133	319
of which: Power Plants	–254	–47
of which: Turbomachinery	94	165
ROS (%)	–0.8	11.6

[1] Including consolidation adjustments between the Engines & Marine Systems, Power Plants, and Turbomachinery strategic business units.
[2] Including subcontracted employees as of December 31.

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.

High levels of overcapacity in the merchant fleet again dominated the market for merchant shipbuilding in the year under review. This situation was further intensified by the persistently high number of deliveries hitting the market. The resulting fall in freight rates in conjunction with high operating and fuel costs placed a heavy burden on shipowners. The fact that the financial position of established shipping companies improved significantly has to be welcomed. This led to merchant shipping order volumes that exceeded expectations. Although shipyards seem to be past the worst in terms of new construction prices, the low order intake and low construction prices from earlier years remain a great burden. Investments in the offshore segment remained high due to oil prices, which have risen consistently in recent years and are also expected to remain at a high level in the years to come. Comparatively low gas prices supported the strong demand for transportation of liquid natural gas (LNG). The increasing requirements for environmental protection have provided momentum to demand for more environmentally-friendly ships that consume less fuel. Overall, China, Korea, and Japan continued to be the dominant shipbuilding countries, with a global market share of upwards of 80%, measured in terms of tonnage ordered.

In 2013, the market for decentralized diesel and gas engine power plants declined slightly while remaining at a high level. This was caused by the increasingly pronounced weakening of economic momentum in emerging economy growth markets during the course of the year. Market activities for diesel and heavy oil power plants declined further in line with expectations, while demand for gas and dual-fuel engines remained relatively stable. These dual-fuel engines can run on both liquid fuel and natural gas. Gas and dual-fuel engines will be used increasingly in the future, in line with the trend towards generating electricity from natural gas. In 2013, the greatest level of market activity was recorded in the Middle East and in the Asia-Pacific region outside of India and China. However, as a result of the still unresolved financial crisis that has led to reduced financing options for customers, longer project lead times are being observed in the market.

Rising global consumption, the rapidly expanding middle class in the emerging economies, and the resulting high demand for energy and primary materials are generating a considerable need for capital spending at a variety of different industrial plants where MAN Diesel & Turbo turbomachinery is used. For example, customers showed great interest in the oil and gas segment. However, the significant devaluation of the Japanese yen, which gave Japanese manufacturers a competitive advantage, the political situation in the Middle East, as well as more difficult financing conditions for customers, resulted in increasing competitive pressure here as well and delays in awarding orders, especially in the processing industry segment. Capital expenditures in the oil and gas segment remained at a high level due to the continued high oil price. Here too, exchange rate trends led to increased competition. The primary material and fertilizer industries recorded low to moderate activity. Overall, orders for turbomachinery declined in the year under review.

Business developments

Global merchant ship orders rose moderately year-on-year. This anti-cyclical growth was primarily driven by high bunker oil prices and lower new construction prices, which led to increased demand for ever larger merchant ships that are both more efficient and environmentally-friendly. MAN Diesel & Turbo reported an order intake of 13.5 gigawatts (GW) for large two-stroke engines, compared with 7 GW in the previous year. 40% of the order backlog relates to newly developed, highly efficient engines with extended strokes, a segment in which MAN Diesel & Turbo is particularly well positioned. Two-stroke dual-fuel engines are gaining acceptance in liquid gas tankers as well as container ships. A leading American shipping company, for example, ordered four of these types of engine with a previously unmatched output of over 42 MW each. These flexible engines can be operated with heavy fuel oil, marine diesel oil, or liquid gas.

Order intake for four-stroke medium-speed diesels used as propulsion engines and for powering onboard equipment also rose year-on-year. Orders were received for 1,662 original and licensed engines with a combined output of 3,803 megawatts (MW); in the previous year, 999 engines with an output of 1,832 MW were ordered. Demand for special ships remained particularly strong in the offshore, cruise liner, and liquid gas tanker segments. Examples of MAN Diesel & Turbo's strong position in these segments are the order from a Chinese shipyard for 30 dual-fuel engines for a total of six liquid gas tankers, the orders from the leading cruise liner companies Carnival Cruise Lines and Norwegian Cruise Lines for a total of 15 engines, as well as the delivery of propulsion systems for two offshore vessels for a customer in the Middle East.

Overall, at €1,520 million, order intake in the Engines & Marine Systems strategic business unit was 17% higher than in the previous year (€1,296 million).

Together with its licensee partners, MAN Diesel & Turbo received orders for a total of 93 four-stroke engines for use in power plants, mainly from emerging economies and developing countries. Orders were received in particular from the Middle East, including for decentralized power plant solutions for independent power generation, for example for cement works, and from the Latin American region. One example is the order for five engines, with a combined output of 55 MW, for a cement factory in Saudi Arabia, with MAN Diesel & Turbo also taking on the responsibility for constructing all necessary ancillary systems, i.e., from the machinery building, through the cooling system, down to the preprocessing and waste disposal system. At €705 million, order intake in the Power Plants strategic business unit exceeded the prior-year figure of €668 million by 6%.

In the Turbomachinery strategic business unit, order intake declined for both the oil and gas industry and the processing industry. MAN Diesel & Turbo won a major project to build eleven turbomachinery trains for synthetic gas production in China. In addition, MAN Diesel & Turbo received an order for eleven compressor trains for the oil and gas exploration region in Azerbaijan. This represents a substantial contribution to good capacity utilization in the oil and gas business unit in the coming fiscal year. The after-sales business also once again made a solid contribution to order intake; this was roughly at the level of the previous year, after adjustment for a major order. At €1,182 million, the order intake in the Turbomachinery strategic business unit was down 24% on the prior-year figure (€1,546 million), which had been positively affected by the receipt of the large maintenance agreement in Brazil mentioned above.

Revenue development

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

At €1,304 million, revenue generated by the Engines & Marine Systems strategic business unit was 16% lower than in the previous year (€1,552 million) due to the persistently tense economic situation in the shipbuilding sector. In 2013, the delivery of two-stroke engines exclusively built by licensees declined significantly as a result of the poor order situation in recent years. These engines are largely used on merchant ships. Despite this, MAN Diesel & Turbo was able to maintain its leading market position. One noteworthy success was the first delivery of the world's largest container ship, which is powered by two MAN Diesel & Turbo two-stroke engines with a combined output of around 60 MW.

The difficult market environment experienced by merchant shipbuilding also impacted the four-stroke engine business. This was offset in part by deliveries in other market segments such as offshore and passenger ships.

At €695 million, revenue in the Power Plants strategic business unit was also down 10% year-on-year in 2013 (previous year: €773 million).

The Chinese market continued to play a key role in the Turbomachinery strategic business unit. To improve energy efficiency, a large number of vacuum systems were delivered to upgrade production facilities for customers in the paper industry in Europe and China. The first axial compressor trains were delivered in fiscal 2013 as part of the rollout of the MAX1 series in China. Two of the world's largest compressor trains for the production of synthetic fibers were delivered to a private key customer in India. In addition, MAN Diesel & Turbo delivered the world's first underwater compressor for gas production on the seabed to a customer in Norway. Revenue in the Turbomachinery strategic business unit amounted to €1,397 million and was therefore down 4% on the prior-year level (€1,455 million).

Operating profit/loss

At €27 million, the operating loss in the reporting period was well below the previous year's operating profit of €437 million. Return on sales decreased from 11.6% in the previous year to – 0.8%. Profit in the Engines & Marine Systems strategic business unit declined to €133 million (previous year: €319 million), due to lower volumes and changes to the product mix. The license business in particular saw a drop. In the first half of the year under review, the Executive Board of MAN Diesel & Turbo SE engaged an audit firm to analyze potential risks relating to a large order to construct turnkey diesel power plants that has not yet been completed. Based on the results of the analysis, significant additional provisions had to be recognized alongside the provisions already recognized. This adversely affected the Power Plants strategic business unit. The operating loss here amounted to €254 million, compared with an operating loss of €47 million in the previous year. At €94 million, operating profit in the Turbomachinery strategic business unit was down significantly year-on-year, impacted in particular by the billing of less profitable new construction projects (previous year: €165 million).

Employees

As of December 31, 2013, MAN Diesel & Turbo employed 14,413 people including subcontracted employees (previous year: 14,863). Due to the downturn in revenue, the number of employees was adjusted to take account of lower business volumes. This particularly affected subcontracted employees, whose number declined by 480 to 655.

Capital expenditures

Capital expenditures in the 2013 reporting period amounted to €112 million, falling short of the very high prior-year level of €164 million.

Investments in diesel engine production focused on equipment for large component processing, the production of injection parts and cylinder heads, as well as test beds. A mid-frequency furnace was commissioned in the foundry. As far as engine development is concerned, the development of cutting-edge single-cylinder test engines, which started in 2012 and are significantly enhancing the efficient development of classic diesel engines as well as gas and dual-fuel engines, was completed. Moreover, existing test beds were modernized for test engines. MAN Diesel & Turbo invested in machinery and equipment at the turbomachinery production and test sites so as to maintain the efficiency of plant and machinery and to increase production flexibility. One focus here was on investing in milling centers for blade production. MAN Diesel & Turbo also invested in machines for large component processing.

New service centers were established, or existing ones expanded, in Columbia, New Zealand, Sri Lanka, and Senegal in order to increase MAN Diesel & Turbo's global presence, and a logistics company was formed in China.

Research and development

Internally funded research and development expenditures amounted to €210 million in fiscal 2013 (previous year: €196 million).

MAN Diesel & Turbo's main product objectives, and the significant driver for technology development, continue to be reducing emissions and increasing energy efficiency.

Diesel engines are continuously being refined with modern common rail injection technology and two-step turbocharging. The increasing importance of natural gas is being taken into account; the engine portfolio has been expanded by a number of Otto gas engine variants. The gas engines on offer already comply with the emission limits originally set for 2016 by the International Maritime Organization. Exhaust gas aftertreatment systems are being developed to ensure the same is also achieved for engines operating on diesel.

MAN Diesel & Turbo is also demonstrating its innovative strength in the industrial compressors business segment. The new generation of axial compressors for very large air separation equipment serves to extract high-purity fuels and other hydrocarbons from natural gas and coal using the gas-to-liquids and coal-to-chemicals processes. These compressors feature increased efficiency, a high level of robustness, and cost-effectiveness. MAN Diesel & Turbo expanded its expertise in the area of CO_2 storage and transport, and optimized the design of its geared compressors. Research and development activities also extend to the area of magnetic bearings for integrated high-frequency engines in enclosed machines so as to be able to serve the subsea market of the future.

Increasing efficiency and reducing emissions also play an overarching role in the Power Plants strategic business unit. A power plant can be optimized for maximum electricity generation by combining the engines and steam turbines we produce into a combined cycle. With the new exhaust gas aftertreatment technologies now available, the plant can be run using lower-cost diesel fuels and heavy oil fuels.

Gas engine power plants are opening up further markets for the company. One possible design is combined heat and power operation. In a current gas engine power plant project, MAN Diesel & Turbo was able to demonstrate one of the highest levels of heat utilization in a system comparison.

Outlook

The difficult overall market environment for MAN Diesel & Turbo products is likely to persist in 2014. The shipbuilding market remains tense even though overcapacity is declining. Driven by a moderate rise in orders for merchant ships in 2013 and cautious optimism in the market, order volumes for two-stroke engines in 2014 are expected to be at a similar level to the previous year. Energy efficiency and emissions will significantly influence ship design in the future. A good level of demand, albeit accompanied by fierce competition, is expected for special-purpose ships such as LNG tankers and cruise liners, as well as in the offshore segment, and for government vessels.

The market trend for energy generation follows the macroeconomic trend. In developing countries in particular, growth remained behind expectations in 2013. In the medium term, however, a slight recovery in MAN Diesel & Turbo's markets is expected, as demand for energy remains unchanged. The trend towards decentralized energy supplies, including in the developed economies, is also likely to have a positive long-term effect on the business. The shift in plants fueled by diesel or heavy oil towards natural gas power plants will continue.

High demand for primary materials is also expected in the long term for products for the processing industry. In the short-term, however, there will not be any significant improvements in the business environment or the high level of price pressure in 2014. Furthermore, trends in the oil and gas industry must be viewed as encouraging. Considerable amounts are being invested in developing new deep-water oil and gas reserves, as well as the associated production technology. The comparatively low price of natural gas, especially in the USA, is leading to new investments there in, among other things, energy infrastructure, transportation, petrochemicals, and downstream production. The general trend towards using natural gas as an alternative to oil will have a positive effect globally. In 2014, MAN Diesel & Turbo is therefore anticipating further growth in the business with products and services for the oil and gas industry.

Countries outside of Europe will be an important growth driver in the next few years. MAN Diesel & Turbo will therefore continue to systematically pursue its internationalization strategy. The BRIC countries, the Middle East, and the African continent are important components of this strategy. MAN Diesel & Turbo's growth will be further lifted by the expansion of its locations in Aurangabad, India, and Changzhou, China.

Further intensification of the after-sales business by introducing new products in conjunction with an expansion of the service network offers significant growth potential for MAN Diesel & Turbo in the medium term. Moreover, after the stabilization of the situation in the Middle East and North Africa, growing demand for services is once again to be expected from these regions in the future. Going forward, stricter requirements with respect to reliability and availability of plants, as well as the reduction of emissions, the increase in environmental compatibility, and efficient operation, together with the large number of engines and plants in operation, will provide the basis for profitable, long-term growth.

For fiscal year 2014, the Management of MAN Diesel & Turbo expects order intake and revenue to be at the 2013 level. There should once again be a significantly positive operating profit, although it will continue to be impacted by the fierce competition in all business markets, the slow license business in the marine sector, and customer reticence in the after-sales business. Operating profit and the return on sales will not reach the very good results achieved in the years up to and including 2012.

Renk

- **Order intake of €504 million slightly below previous year (€525 million)**
- **Revenue of €485 million**
- **Return on sales once again in excess of 13%**

Renk

€ million	2013	2012
Order intake	504	525
Revenue	485	476
Headcount[1]	2,228	2,245
Operating profit	67	66
ROS (%)[2]	13.7	13.9

[1] Including subcontracted employees as of December 31.
[2] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."

Economic environment

In 2013, economic growth in the various regions of the world continued to be mixed. The effects of the tense economic situation, especially in some of the euro zone countries, had a negative impact on the economic performance of the German engineering sector. The Verband Deutscher Maschinen- und Anlagenbau (VDMA – German Engineering Federation) expects to see stagnating production values for German engineering for 2013, and even a slight decline in real terms. The individual engineering segments however performed very differently depending on the application, customer industry, and region.

Business developments

Renk's broad range of specialist solutions for gear unit and bearing applications covers a multitude of different market segments. In 2013, at €504 million, the Group was once again able to generate an order intake of over €500 million (previous year: €525 million). As in the previous year, the largest proportion of this was attributable to the Special Gear Units and Vehicle Transmissions businesses, at €188 million and €134 million respectively. While orders for slide bearings were only just below the prior-year level, the Standard Gear Units business once again experienced a sharp decline. Revenue was approximately at the prior-year level. While the Special Gear Units and Standard Gear Units businesses were still able to generate slight increases in 2013, the Slide Bearings and Vehicle Transmissions businesses recorded a decline.

The most significant new orders for the Vehicle Transmissions business were for transmissions for projects in Asia. A slight increase in demand was reported for test beds, with order intake rising from €16 million in the previous year to €22 million in the year under review.

Order intake in the Slide Bearings business declined in an increasingly difficult market environment. Although sales in individual export markets increased, they were not able to fully compensate for declining demand in Germany.

Order intake in the Special Gear Units business continued to be at a high level. Orders for sophisticated and, in particular, high-performance maritime transmissions concepts, ensured that the business's order volumes remained high. Projects were carried out for mega yachts, among other things, in addition to follow-up orders from various existing coastguard and naval procurement programs. Demand from plant manufacturers for the cement and plastics industry was cautiously positive.

Order intake in the Standard Gear Units business declined as expected. For commercial vessel gear units, order intake remained almost constant despite rising price pressure due, among other things, to considerable exchange rate advantages for competitors. For couplings, however, order intake declined due to the poor order situation at many plant engineering companies. The market for offshore wind farms in Germany continued to suffer as a result of the uncertain conditions relating to project financing, integration into the infrastructure, and future incentive policies.

Overall, these developments in the individual businesses resulted in a further increase in the order backlog. At the end of 2013, Renk had total orders amounting to €648 million on its books, €14 million more than at the beginning of the year.

Revenue in the year under review was €485 million (previous year: €476 million).

Operating profit

Renk recorded an operating profit of €67 million in fiscal year 2013 (previous year: €66 million). At 13.7%, the return on sales was on a level with the previous year (13.9%).

Employees

The Renk Group employed 2,228 people including subcontracted employees at the end of 2013 (previous year: 2,245).

Capital expenditures

Renk's capital expenditures totaled €30 million in fiscal year 2013, compared with €31 million in the previous year. Property, plant, and equipment capital expenditures were focused on the Augsburg site as part of a multi-year investment project to further modernize and add to the production equipment for vehicle transmissions. In addition, the company started building a new, modern multipurpose facility for assembling and testing large special gear units. Renk's international presence was further expanded by the establishment of a service company in Shanghai, China, among other things.

Research and development

Internally funded research and development expenditures amounted to €8 million in fiscal 2013 (previous year: €7 million).

In addition to the continued development of the existing series, one focus of the Vehicle Transmission business's development activities was on developing an entirely new, future-proof generation of transmission electronics.

In the Slide Bearings business, the main emphasis of development activities was on application-specific product enhancements in close cooperation with key customers.

For high-end vessel gear units in the Special Gear Units business, the CODELAG technology in particular, which combines gas turbines and electric engines as the main drives, was optimized. Development on the new cement mill drive concept continued in the stationary gear unit area.

The Standard Gear Unit business's T²RECS vessel gear unit series, unveiled in 2012, found a high degree of acceptance in the market. Development work commenced on new performance classes so as to further expand potential areas of application.

Outlook

The VDMA believes that the growth expected for the sector in 2014 will vary significantly in the individual subsectors. Reflecting this, the Renk Group's various areas of business will therefore also perform differently from one another. As in previous years, major orders will play a significant role.

Renk's Management expects an order intake of well over €500 million in 2014. However, this is dependent on major projects. Revenue should rise to over €500 million in 2014. Despite more difficult conditions, operating profit of €60 million is expected. The return on sales will again be in double-digit territory.

Others/Consolidation

€ million	2013	2012
Headcount[1]	327	359
of which: MAN Shared Services	65	85
of which: MAN SE	262	274
Operating profit/loss[2]	– 23	8
of which: MAN SE and MAN Shared Services[2]	– 86	– 72
of which: investment in Scania (dividend)	59	60
of which: investment in Sinotruk (equity method)	4	6
of which: consolidation	0	14

1 Including subcontracted employees as of December 31.
2 2012: Adjusted to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Consolidated Financial Statements."

"Others/Consolidation" comprises MAN SE and its Shared Services companies, the investments held directly by MAN SE, and the consolidation adjustments between the MAN Group's companies.

"Others/Consolidation" recorded an operating loss of €23 million, down on the prior-year figure. The deterioration in MAN SE's and MAN Shared Services' earnings include expenses for Group-wide projects. The dividend from the investment in Scania was on a level with the previous year. The share of net income/loss attributable to Sinotruk declined.

Financial statements of MAN SE (HGB)

Structure and tasks of MAN SE

The MAN Group is headed by MAN SE, domiciled in Munich, which is the Group's strategic Corporate Center.

The Corporate Center's tasks are above all to develop the Group's strategy and structure, to develop and deploy managers, and to ensure target-driven financial control.

Financial management in the MAN Group is handled centrally by MAN SE, which makes available financial resources within the Group, safeguards its financial independence and liquidity at all times, and communicates with the capital markets on behalf of the entire MAN Group. MAN SE's Executive Board is responsible for the proper conduct of all financial transactions for the MAN Group and for the deployment of an appropriate financial risk management system.

Business developments

MAN SE's business developments largely correspond to those of the MAN Group and are described in detail in the chapter entitled "Business Developments and Results of Operations in 2013."

MAN SE recorded a net loss for the fiscal year before the absorption of losses of €724 million in fiscal 2013, after net income for the fiscal year of €242 million in the previous year. The €966 million decrease is primarily due to higher income taxes and lower net investment income. These were partially offset by a €200 million increase in other operating income.

Results of operations

€ million	2013	2012
Net investment income/loss	–14	546
Net interest expense	–234	–195
Other operating income	284	84
General and administrative expenses	–98	–119
Other operating expenses	–54	–22
Writedowns of financial assets and securities classified as current assets	–7	–85
Result from ordinary activities	**–123**	**209**
Taxes on income	–601	33
Losses absorbed on the basis of a domination and profit and loss transfer agreement	**724**	**–**
Net income for the fiscal year	**–**	**242**

Net investment income declined significantly as a result of the difficult market environment. Net interest expense widened from €195 million to €234 million. The €200 million improvement in other operating income from €84 million to €284 million is largely attributable to the merger of two subsidiaries. The €–634 million change in income taxes was mainly caused by prior-period taxes. Prior-period taxes were significantly impacted by tax risks for the past relating to Ferrostaal, a former tax group subsidiary that was sold.

The €724 million loss was absorbed by Truck & Bus GmbH in accordance with the domination and profit and loss transfer agreement entered into in fiscal 2013.

Including retained profits brought forward, net retained profits amounted to €21 million (previous year: €168 million). At the Annual General Meeting, MAN SE's Executive and Supervisory Boards will propose utilizing the net retained profits of €21 million (previous year: €168 million) to distribute a dividend of €0.14 per share carrying dividend rights (previous year: €1.00) and to transfer the remainder to retained earnings. As this dividend per no-par value share will be lower than the guaranteed dividend (€3.07), Truck & Bus GmbH will pay every MAN free float shareholder the corresponding difference between it and the guaranteed dividend.

Net assets and financial position

€ million	2013	2012
Fixed assets	5,301	5,813
Marketable securities and cash and cash equivalents	2,186	2,631
Other current assets	818	287
Total assets	**8,305**	**8,731**
Equity	2,146	2,293
Financial liabilities	4,964	5,939
Other liabilities and provisions	1,195	499
Total equity and liabilities	**8,305**	**8,731**

Total equity and liabilities declined by €426 million year-on-year to €8,305 million. MAN SE's fixed assets primarily comprise shares in affiliated companies (€3,696 million; previous year: €4,214 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 merger of MAN Beteiligungs GmbH, Munich, and MAN Ferrostaal Beteiligungs GmbH, Munich, reduced shares in affiliated companies by €409 million. In addition, a capital repayment in the amount of €102 million was made by a subsidiary. The share of total assets attributable to fixed assets declined to 63.8% as of December 31, 2013 (previous year: 66.6%).

The receivables from financial transactions in the amount of €1,432 million (previous year: €1,820 million) reported in cash and cash equivalents relate to intragroup receivables. Cash and cash equivalents from the Group's central financing by MAN SE still mainly comprise bank balances in the amount of €753 million (€630 million). Other current assets rose by €531 million to €818 million.

Equity declined by €147 million to €2,146 million. This decrease is due to the distribution of dividends for fiscal 2012. The ratio of equity to total assets was 25.8% as of December 31, 2013 (previous year: 26.3%).

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 declined by €975 million year-on-year to €4,964 million (previous year: €5,939 million). These stem from the MAN Group's central financing, among other sources.

Other liabilities and provisions mainly include provisions for taxes and pensions, as well as other provisions, which are primarily recognized for business-related obligations, for risks in connection with the sale of equity interests, for obligations to employees, and other specific risks.

"Net liquidity/net financial debt" is a financial control measure and is calculated as cash and cash equivalents, short-term loans to unconsolidated investees, and marketable securities, less financial liabilities. MAN SE's net liquidity amounted to €–2,776 million as of December 31, 2013 (previous year: €–3,304 million).

Report on MAN SE's risks and opportunities

MAN SE acts as a strategic Corporate Center for 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." As of December 31, 2013, MAN SE employed 262 people including subcontracted employees (previous year: 274).

The corporate governance declaration has been published on MAN SE's website at → www.man.eu/corporate.

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 "Outlook" for further information.

Report on Risks and Opportunities

Managing risks and opportunities is an integral part of corporate management and business processes. In 2014, they will focus 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, decisions, or 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 (risk management), the internal control system, and the compliance 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. The risk management system is configured at all levels of the Group to quickly provide up-to-date and relevant information on the status of significant opportunities and risks and the efficacy of the measures taken. 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 system supports compliance with all laws, internal policies, and codes of conduct applicable to the Company. The focus here is on anticorruption efforts, antitrust law, data protection, and the prevention of money laundering and terrorism financing. Detailed information on the compliance system can be found in the section entitled "Compliance."

Organization of the risk management and internal control system

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. In this context, the Industrial Governance management system provides for decentralized operational decision-making processes within the MAN Group. Consequently, Management of each division is responsible for ensuring that all Group companies are integrated into the risk management and internal control system. The Group policy for opportunity and risk management and the internal control system (Group policy) provides the framework for a common understanding of the risk management and internal control system throughout the Group and contains guidelines on organizational structure, processes, and reporting. Compliance with risk management requirements 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. In the MAN Group's divisions and material companies, there are coordinators for the risk management and internal control system. 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 division and Group level, cross-functional risk boards have been set up to act as central supervisory, management, and oversight bodies for the risk management and internal control system.

Standard risk management process

The standard risk management process comprises identification, analysis, assessment, management, monitoring, and communication phases. In this context, risks and opportunities are classified as either short-term, i.e., up to one 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. Qualitative assessments are also possible here. 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 divisional risk 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 Risk 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, risk management and the internal control system are continually enhanced to reflect changed conditions and to further increase their efficacy across all levels of the Company.

Reporting

The risk position, material control weaknesses, and measures to manage risk and rectify control weaknesses are reported in the risk 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 material weaknesses in the Group's internal control system.

Accounting-related risk management and internal control system

As a rule, the risk management system and the internal control system that forms an integral part of it also comprise the accounting-related processes as well as all risks and controls in respect of accounting. This relates to all parts that could have a material effect on the consolidated financial statements. As part of the risk management activities, identified risks are assessed in terms of their effect on the consolidated financial statements and appropriate measures are taken.

The internal controls focus on limiting risks of material misstatement in the financial reporting and risks arising from noncompliance with regulatory standards or 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 accounting 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 that 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 Risk 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.

Company-level controls provide an effective control environment for the integrated process controls and are documented centrally at division level. They are assessed annually to determine whether they are appropriate and functioning effectively.

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

The MAN Group classifies significant opportunities and risks that may have an impact on its net assets, financial position, and results of operations 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 will continue, such as sustained economic growth, a greater international division of labor and a resulting increase in global transportation routes and volumes, growing demand for energy, the increasing requirement for capital spending by the oil and gas industry, and a need for innovativeness due to trends in global climate policy. MAN continuously works on leveraging these market opportunities as part of its strategy.

Although the underlying global growth trend is expected to be positive, in the current environment of continuing uncertainty there are downside risks to global economic performance. In the short term, economic uncertainties in Europe and the slowdown in growth in the emerging economies as a result of political instability, for example, may affect the markets relevant for the MAN Group. Demand may decline or existing orders may be cancelled. Flexible production concepts and cost flexibility through temporary work, flextime accounts, short-time working, and the option of structural adjustments enable MAN to counter economic risks. In addition, there is a significant 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 China and Korea. Overcapacity may arise among licensees as a result of weaker demand, leading to risks in the form of a decline in license revenue and bad debt losses, down to the loss of licensees. MAN manages these risks through intensive management of its business relationships with the licensees, the negotiation of payment plans, and continual observation of the market.

Further information on current developments in connection with the economic situation and their effects, as well as on environmental regulations can be found in the sections entitled "Economic environment" and "Outlook for the MAN Group," along with the information provided on the individual segments in "The Divisions in Detail" and in the section entitled "Research and Development."

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. The rollout of new products involves both 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 to 6% of Group revenue. The launch of efficient gas engines and turbines at MAN Diesel & Turbo and the TGX EfficientLine vehicles at MAN Truck & Bus, which are systematically designed to maximize fuel savings, clearly show that these risks can be overcome.

Products that have already been launched pose a significant 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.

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 versus expectations at the time the contract was entered into. 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. For example, it operates a preventive and continuous supplier monitoring system to identify potential 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.

Major projects inherently involve considerable risks, including contracting deficiencies, miscosting, post-contracting changes in economic and technical parameters, weaknesses in project management, and poor performance on the part of subcontractors or consortium partners. The MAN Group minimizes these risks through comprehensive project and contract controlling. In the plant engineering area, for example, MAN Diesel & Turbo uses a systematic and comprehensive risk management system right from the bidding phase. Costings and risk assessments are constantly examined and adjusted throughout the project implementation phase. Regular project reviews and a lessons learned process are used to determine and monitor the necessary measures. 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. Subsequently, major projects are assessed by MAN SE's Controlling and Finance functions and 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.

The MAN Group is involved in various legal disputes and legal proceedings in connection with its Group-wide business activities. 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 (29)** 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 cyber attacks, 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 outsourcing 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

The highly qualified specialists and managerial staff who set technological standards with MAN products and manage the business effectively and efficiently are a critical factor in the MAN Group's success. The opportunities for the MAN Group lie in the skills, international focus, and innovativeness of the employees who develop continuously improved and forward-looking products, services, and processes. The risks include not being able to promptly fill key positions to meet future requirements. In strategically important areas, targeted HR development systems are used to identify and develop highly qualified employees with management potential. Through a variety of global HR marketing activities, MAN has been able to recruit and retain outstanding specialists and managers. Participating in rankings helps position the MAN Group as an attractive employer generally and as a top employer in Germany and Brazil and thus gain access to the specialists and managers it requires worldwide, while systematic succession planning supports it in its efforts to fill management positions from within its own ranks. As part of its internationalization strategy, MAN will continue to concentrate on attracting and recruiting internationally experienced managers both within and across national borders, and on improving the intercultural skills of its specialists and managerial staff.

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 manages this risk using a wide range of measures under its compliance system. 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 audits. Detailed information on the compliance system can be found in the section entitled "Compliance." Information on compliance events can be found in **note (29)** Litigation/legal proceedings in the "Notes to the Consolidated Financial Statements."

Finances

Because of its business activities and international nature, the MAN Group is exposed to considerable market, liquidity, and credit risk, as well as the risk of impairment loss on investments. 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 euro zone in the consolidated financial statements represents a risk to income 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. The integration into the Volkswagen Group also enables the MAN Group to draw on intragroup financing.

The MAN Group is exposed to credit risk because of 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 financial investments carried at cost are impaired. There is also a risk of impairment associated with financial investments that are recognized as available-for-sale financial assets. This mainly relates to the investment in Scania, which equally represents an opportunity to increase value.

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 (33)** 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. It must be borne in mind that the leveraging of market opportunities is already taken into account in the ambitious internal planning. With regard to the quantified individual risks reported on in the MAN Group's Risk 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. They are risks in the margin and unit sales development in the Commercial Vehicles business area and uncertainty and fierce competition in many of the markets relevant for Power Engineering. For product-related risks, the focus is primarily on warranty issues and achievement of the degrees of localization required in the Commercial Vehicles business area. In the process and employee risk fields, the short-term quantified risks are of minor significance in each case.

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 2014 will continue to focus on market risk management.

Litigation/legal proceedings

Please see the "Notes to the Consolidated Financial Statements" for information relating to litigation/legal proceedings.

Compliance

MAN continuously updated the existing compliance program in the period under review. A fourth pillar was added to the MAN compliance program – the prevention of money laundering and terrorism financing – alongside combating corruption, antitrust law, and data protection.

Compliance organization

MAN continued to establish its Compliance function. The function is managed by the 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 Compliance function currently comprises 47 staff. Twenty-six employees work in the Corporate Compliance Office that is based at MAN SE and is responsible for designing and enhancing MAN's compliance system as well as for Group-wide compliance issues. Twenty-one staff provide compliance advice in the subgroups. Each subgroup therefore has a compliance officer, who is supported by compliance managers in various business units or sales regions. The compliance officers at the subgroups report directly to MAN SE's Chief Compliance Officer, and the compliance managers in turn report directly to the responsible compliance officer. In addition to providing an in-depth advisory function, the compliance staff at the subgroups are responsible for implementing the centrally defined compliance measures in the respective business units or sales regions worldwide.

The Compliance Board met a total of two times in the period under review. At these meetings, the Chief Compliance Officer informed MAN SE's full Executive Board and the heads of other functions on the progress made in setting up the Compliance organization and the introduction of new compliance measures, and agreed additional steps. At the subgroups, the compliance officers and managers regularly provided comparable reports to the executive boards and management of the relevant entity at meetings of the compliance review boards. In addition, the Chief Compliance Officer and the compliance officers report to the relevant Executive Board or management meeting every six months to ensure regular communication with the Executive Board and management.

The compliance champions appointed in 2011 (managers who are not full-time compliance employees but who have assumed special responsibility for compliance issues) continued to support the Compliance organization in the year under review, for example in the implementation of compliance measures at Group companies that do not have their own local compliance managers in place. The compliance champions were regularly informed of current developments relating to MAN's Compliance organization and compliance instruments in the period under review. In October, over 100 compliance champions discussed current compliance issues in depth at a conference in Munich.

The MAN Group stands for effective data protection in compliance with legal requirements that is based on strict European standards applied worldwide. To this end, MAN has a global network of data protection officers and data protection coordinators. In Germany, six data protection officers are currently working to safeguard the right to privacy of employees, customers, and suppliers as this relates to data protection. Outside of Germany, its network of 80 data protection coordinators supervises data protection at 91 companies in 44 countries. Accordingly, MAN's data protection organization currently has 86 formally appointed employees.

Compliance risk assessment

The third Group-wide compliance risk assessment was conducted in the period under review. This involved over 100 organizational units around the world. The aim of this measure is to identify potential compliance risks on the basis of the specific business model and the business environment. For the first time, this also assessed the risk of money laundering, which was used to create a risk analysis (see below). Among other things, the results of the compliance risk assessment are used to determine measures to prevent compliance risks and conduct preventative compliance audits at selected Group companies.

Code of Conduct and compliance policies

The MAN Group's ethical conduct guidelines and compliance requirements are described in its Code of Conduct. The provisions of the Code of Conduct are set out in greater detail in the following Compliance function policies:

- Policy on handling gifts, hospitality, and invitations to events
- Policy on engaging business partners
- Policy on handling donations and sponsoring measures
- Policy on compliance with antitrust regulations
- Policy on handling personal data
- Policy on case management and compliance investigations
- Policy on preventing money laundering and terrorism financing

Several compliance policies were reviewed and updated in the period under review. The policy on preventing money laundering and terrorism financing was drawn up in the reporting period and put into effect by the Executive Board of MAN SE in Q4 2013. This policy implements the German *Geldwäschegesetz* (GwG – German Money Laundering Act) as a minimum Group-wide standard and defines binding rules of conduct for MAN employees to prevent money laundering and terrorism financing.

Alongside the Code of Conduct for employees, MAN has issued a Code of Conduct for Suppliers and Business Partners that contains minimum ethical standards that MAN's suppliers and business partners undertake to observe.

Compliance training

The Compliance function held compliance awareness training for over 1,138 employees around the world in the year under review. These on-site training sessions focus on providing basic knowledge on combating corruption and antitrust law. The Compliance function also conducted special training sessions on antitrust law and combating corruption for employees who are particularly exposed to risks in these areas. As part of these special training sessions, 3,275 employees received in-depth instruction. In addition, special classroom sessions were held for procurement employees and business partners in the period under review.

Finally, the Compliance function provided training to 22,296 employees in the period under review as part of the first module of the e-learning compliance program. This training covers the fundamentals of the MAN Code of Conduct and combating corruption, antitrust law, and data protection as addressed in the Code. In addition, a special e-learning module on combating corruption was introduced for the first time in Q4 2013 for employees who may be particularly exposed to corruption risk.

Compliance Helpdesk

The Compliance function continues to operate the Compliance Helpdesk, which all employees can contact with questions about compliance. The Compliance Helpdesk answered 638 compliance-related questions from employees by phone or e-mail during the reporting period.

Business Partner Approval Tool

The Business Partner Approval Tool is used to check and approve the integrity of business partners active in the area of sales support, as required by the policy on engaging business partners. In total, over 1,962 checks were conducted using this tool in the period under review. As approvals are limited to two years, some of the checks related to renewals of the approvals granted to individual business partners.

Continuous Controls Monitoring (CCM)

The Continuous Controls Monitoring (CCM) electronic monitoring system was further expanded in the period under review. The CCM system ensures that potential compliance risks and policy violations in purchasing and payment processes are detected at an early stage. CMM is now used at 47 MAN Group companies. The CCM framework was also expanded to include general IT controls. These are now being progressively implemented at the companies.

Compliance in purchasing

In the year under review, the Compliance function analyzed the MAN Truck & Bus subgroup's procurement processes together with department experts. In order to identify any optimization potential, generic compliance risks in procurement were compared with the existing measures established within the processes. The results of the project were summarized in a project report and then discussed with procurement. Special on-site compliance training modules for procurement were developed and rolled out as part of the project, for example.

Prevention of money laundering

Both the *Geldwäschegesetz* (GwG – German Money Laundering Act), and many laws in other jurisdictions require companies to introduce measures to prevent money laundering and terrorism financing. Money laundering prevention activities in the period under review included a Group-wide risk analysis, the development and implementation of a Group-wide money laundering policy, as well as the commissioning of the development of a special e-learning money laundering program for risk areas. In addition, both due diligence requirements appropriate to the risks and internal mitigation measures were identified and successively implemented.

Reporting compliance violations

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), antitrust law, and data protection. This offers MAN employees and third parties a facility for providing information about compliance violations confidentially, worldwide, and at any time. MAN does not tolerate compliance violations under any circumstances. Reports of possible violations are investigated in detail, and violations are dealt with and punished according to the penalties permitted under labor law. In addition, findings from the investigation of compliance violations are used to continuously improve the compliance system.

Compliance audits

The Compliance function conducted three preventive compliance audits at selected Group companies together with the Internal Audit function in the period under review. The specific aim of these audits is to review the local implementation status of the MAN compliance program, as well as employee awareness of compliance issues at the entity concerned.

Policy management

The Compliance function coordinates a central project to improve policy management in the MAN Group. The project aims to simplify and harmonize the Group's policy landscape. To this end, uniform guidelines were created on the hierarchy of regulations and on preparing, implementing, announcing, and communicating policies. The existing policies are currently being reviewed by the functions and amended in line with the new guidelines. The Compliance function is also developing a central "house of policies" database in which all policies are to be recorded. The aim of the house of policies is to create a central platform to manage all Group-wide policies, which employees can use to quickly and easily search and retrieve the policies relevant to them.

Public commitment to compliance

MAN is also actively committed to compliance outside the Group. MAN is a member of Transparency International, the United Nations Global Compact initiative, the World Economic Forum (WEF) Partnering Against Corruption 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, Deutsche Gesellschaft für Internationale Zusammenarbeit, Bundesverband der Deutschen Industrie, as well as a large number of German companies to promote economic integrity. In addition, the Compliance function regularly engages in dialog with industry experts and academic researchers on current compliance issues in order to promote public debate and progress in the field of compliance.

Outlook

Slightly stronger global economic growth but ongoing difficult environment in the markets relevant to the MAN Group; revenue down slightly on the prior-year figure in 2014; significant increase in operating profit

Slightly stronger global economic growth

From today's perspective, the MAN Group's Management anticipates that the global economy will see slightly stronger growth in 2014 compared with the year under review. The underlying long-term growth trends in the transportation and energy markets will be overshadowed by the dampening effects of the rather weak economic impetus.

According to its latest winter report, the *Institut für Weltwirtschaft* (IfW – Institute for the World Economy) is forecasting global GDP growth of 3.7% for 2014, as against 2.9% in 2013. The main driver for this trend will be the recovery of the advanced economies. As in 2013, the greatest momentum in 2014 is again expected in the emerging economies in Asia and Latin America. Despite the economic upturn forecast for the major industrialized countries, these will only see moderate growth rates in the medium term.

The IfW is expecting a significant economic recovery in the euro zone in 2014 and GDP growth of 0.9%, following a decline of 0.4% in the year under review. This forecast assumes that the sovereign debt crisis in the euro zone does not escalate again in 2014. The varying economic trends within Europe are set to converge in 2014. Almost all of the southern European countries will return to positive growth rates. The IfW is forecasting growth of 1.7% in Germany, compared with 0.4% in the reporting period. The countries that joined the European Union from 2004 onwards remain vulnerable to economic risks in the euro zone. The IfW nevertheless expects economic growth in these countries to rise to 2.0% in 2014, as against 0.8% in 2013.

The Russian economy is expected to see slightly stronger growth in the coming year, at 2.0%, compared with 1.5% in the year under review. It should be noted in this regard that a drop in commodity prices may give rise to downside risks for the Russian budget.

The US economy is expected to grow by 2.3% in 2014 according to IfW estimates, compared with 1.6% in 2013.

The IfW expects economic growth in the emerging markets to remain dynamic in 2014.

The economic upturn forecast for Latin America will be buoyed by slightly stronger global economic growth. The IfW therefore expects Latin America to continue its upward economic trajectory in the coming year, with growth rates up on the 2013 level (2.7%). After expanding by 2.5% in the year under review, the IMF expects Brazil to record a similar growth rate in 2014.

In China, growth will remain at a high level. The IfW is again anticipating a growth rate of 7.5% for 2014.

India is again expected to see higher growth of 5.0%, after 4.0% in the year under review. The IfW also anticipates growth rates of around 5.2% in the southeast Asian economies in 2014.

Commercial Vehicles: clear decline in the European market following pull-forward effects; largely positive trend in the emerging economies

The European truck market is expected to see a clear decline in 2014. The reversal of the pull-forward effects from the introduction of the Euro 6 emission standard on January 1, 2014, will outweigh the increased willingness to invest, boosted by the economic upturn in the euro zone, and the decline in uncertainty.

Russia is expected to see a strong rise in demand, buoyed by a positive macroeconomic trend and ongoing high demand for replacement purchases. However, this could be significantly impacted by the future form of the recycling fee.

Demand for commercial vehicles in Brazil, MAN's most important market in Latin America, is forecast to increase slightly in 2014, driven by high demand for replacement purchases and further government investment and financing programs.

In China, the world's largest truck market, demand for trucks will decline significantly in 2014 despite further growth in the premium segment, primarily due to the pull-forward effects in 2013 as a result of the revised emission standards, as well as the government's infrastructure measures, which are gradually coming to an end and may lead to a saturation of demand for replacement purchases in 2014.

India should see a clear market recovery in 2014, buoyed by ongoing high replacement demand. The market is also expected to pick up following the elections in May 2014.

Global demand for buses is expected to be well above the prior-year level in almost all regions in 2014. The European bus market is expected to decline slightly, with a marked reduction in the Turkish market offsetting the positive performance in most other European countries.

Power Engineering: slight upward trend in some markets

The Power Engineering business area will again see differing trends in the individual markets in 2014.

Order volumes in the merchant shipbuilding market are expected to be at a similar level to the previous year due to the ongoing difficult situation faced by shipowners. Market opportunities will be driven by energy efficiency and emissions reduction, which will increase demand for new ships with state-of-the-art engine technology. By contrast, demand for special-purpose ships is expected to remain strong in 2014 – such as ships for offshore applications, LNG tankers, cruise liners, and government vessels.

The energy generation market will be shaped by the macroeconomic situation, particularly in the emerging economies, with a slight recovery forecast for the medium term. Key factors are global population growth and rising demand for energy, as well as the trend towards more decentralized energy supplies. Natural gas power plants will play an increasingly larger role. Opportunities will also be created by growing demand for combined heat and power plants and the need for peaking power plants to stabilize the grid.

Conditions in the processing industry are not expected to improve in 2014. The number of new orders placed will remain on a level with the previous year despite the sustained high demand for primary materials. Price pressure will continue unabated.

The market outlook in the oil and gas industry is encouraging. We are seeing a high level of capital expenditure in developing new deep-water oil reserves and in extraction technology. The trend towards using natural gas as an alternative to oil will have a positive effect in all key regions. The oil and gas industry is expected to record market growth in 2014.

The future course of the offshore wind market in Germany is dogged by considerable uncertainties. The outlook is only expected to return to positive territory in the medium term once the infrastructural and political framework has been clarified. There may also be greater sales opportunities in other parts of the world in the future.

Executive Board's revenue and earnings expectations

The MAN Group's Management anticipates that the global economy will see slightly stronger growth in 2014 compared with the year under review. However, there are still uncertainties surrounding economic developments owing in particular to the more restrictive monetary policy announced by the US Federal Reserve, the ongoing sovereign debt crisis in Europe, and political instability in a number of emerging economies and developing countries, which are very important to the Power Engineering business area. Assuming that the moderate growth trend is not negatively impacted by unforeseen events, MAN SE's Executive Board currently expects the following:

In the Commercial Vehicles business area, MAN expects unit sales for 2014 to be at the prior-year level. Revenue will be down slightly on the previous year. Operating profit and the return on sales are expected to clearly exceed the prior-year figures despite continued strong competition. These forecasts assume no significant change in exchange rates.

Order intake and revenue in the Power Engineering business area are expected to be on a level with the previous year in fiscal 2014. Operating profit and the return on sales will improve noticeably but will continue to be impacted by the fierce competition, the slow license business in the marine sector, and customer reticence in the after-sales business. The Power Engineering business area is therefore expected to record a higher single-digit return on sales in 2014.

As a result, the MAN Group will see a slight year-on-year decline in revenue and significantly higher operating profit in 2014. The return on sales will significantly exceed the 2013 figure but will not reach the target bandwidth of 2 percentage points above/below the long-term target of 8.5%.

In its market assessment and resulting decisions, the Executive Board is aware that the current uncertain environment poses downside risks that could significantly influence projected growth and profitability. Management is constantly monitoring ongoing economic developments and will take measures without delay – in particular to further scale back production capacity – should this become necessary in the event of a deterioration in the economic situation.

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 emerging markets offer the greatest growth potential, which is why it is particularly important for MAN to systematically increase its presence there. The power plants business has the potential to bridge the energy supply gap in the emerging economies quickly and precisely. The after-sales business is being continually expanded in all business areas. 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. As a fuel, gas plays a particularly important role in this context.

Measures to improve earnings in all divisions

MAN has initiated and stepped up measures to secure profitability in all divisions, some of which will only take effect in the medium term. The focus is on cutting costs and increasing efficiency in production, as well as in administration, sales, and development. Our aim is for updated product and component designs and procurement-related measures to make material contributions to earnings. Increasing production flexibility is allowing us to adapt to lower unit sales volumes where necessary. We are critically reviewing planned capital expenditure. Internal workflows are being critically examined and enhanced as part of projects to boost efficiency. Here, too, MAN is focusing on increasing quality and customer satisfaction. In addition, MAN has initiated investigations into achieving structural improvements.

Partnerships with Volkswagen and Scania

As Europe's number two commercial vehicle brand and a global company, MAN boasts leading technologies, solid market positions, and international partnerships. MAN brings these strengths to its partnerships with Volkswagen and Scania. Some synergy effects can be achieved relatively quickly – for example, in the procurement of production materials and capital goods. Others will take longer due to the high levels of complexity and the different, long product lifecycles involved. MAN will exploit all of the advantages offered by this strong commercial vehicle alliance while retaining its own strengths and brand identity.

Capital expenditures, research, and development

Capital expenditures and research and development expenses form the basis for safeguarding the long-term success of the MAN Group. MAN will increase capital expenditures in 2014 compared with the year under review. Alongside the necessary expenditure on replacement items, MAN will continue to make targeted investments in modernizing its production. Operating equipment and test beds will be needed for new products. The service and sales network will be expanded in all divisions. Management will use portfolio measures if the opportunity arises.

Research and development is of elementary importance to the MAN Group because the Company can only meet customer and legal requirements by developing leading technological solutions. Our R&D activities are rigorously aimed at providing customers with a competitive advantage. As a result, they continue to focus on enhancing MAN's commercial vehicle and large-bore diesel engines in terms of their performance, consumption, and emission standards, on systematically integrating innovations into truck and bus models, and on developing new products. The expansion of the product range in the Power Engineering business area is putting a special emphasis on the use of natural gas as a fuel. MAN will spend more on R&D in 2014 compared with the year under review.

Cash flow

The MAN Group's financing structure aims to achieve an economically useful mix of operating cash flow and external finance. MAN will continue to keep a close eye on the capital markets in 2014 and, where appropriate, take measures to safeguard its financial capacity to act and to take advantage of opportunities that arise. The ongoing integration into the Volkswagen Group also enables the MAN Group to draw on intragroup financing.

The MAN Group's rolling financing needs will decline as a result of the sale of the financial services arm to VWFS effective January 1, 2014.

Free cash flow in 2014 will be dominated by nonrecurring items. On the one hand, the purchase price for MAN Finance International GmbH will be received in the first quarter of 2014. On the other, MAN expects to have to make additional tax payments in the high three-digit millions over the course of 2014. Other than that, the MAN Group is expecting positive and negative components of free cash flow in the operating business to balance each other out. Cash management will continue to be a particular focus in 2014. Measures to reduce inventories and receivables by improving processes will be defined and monitored on an ongoing basis as part of the Group-wide program to optimize working capital.

Cash flow from financing activities will be impacted by cash inflows in the amount of €724 million from the absorption of losses for 2013 by Truck & Bus GmbH.

A proposal will be made to the Annual General Meeting to pay a dividend of €0.14 per no-par value share for fiscal 2013. As this dividend will be lower than the guaranteed dividend of €3.07, Truck & Bus GmbH will pay every MAN free float shareholder the corresponding difference between it and the guaranteed dividend.

Employees

The number of employees in the MAN Group will remain roughly the same in the coming year, provided that economic factors do not make adjustments necessary.

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. A large number of factors, many of them beyond the MAN Group's control, affect its business activities and their outcomes. These factors may cause the MAN Group's actual performance and results to differ considerably from those discussed in the forward-looking statements. See the chapter entitled "Report on Risks and Opportunities" for further information.

Events after the Reporting Period

The transfer of the shares of MAN Finance from MAN SE to VWFS became effective as of January 1, 2014. For further information, see "Divestments" and the "Notes to the Consolidated Financial Statements." The transaction will lead to a minor disposal gain in the first quarter of 2014.

03/ Consolidated Financial Statements

MAN Consolidated Income Statement

		MAN Group		Industrial Business (unaudited additional information)		Financial Services (unaudited additional information)	
€ million	Note	2013	2012*	2013	2012*	2013	2012
Revenue	[7]	15,664	15,772	15,464	15,772	200	–
Cost of goods sold and services rendered		–12,760	–12,499	–12,553	–12,499	–207	–
Gross margin		**2,904**	**3,273**	**2,911**	**3,273**	**–7**	**–**
Other operating income	[8]	540	540	265	322	275	218
Selling expenses		–1,142	–1,181	–1,121	–1,168	–21	–13
General and administrative expenses		–842	–950	–800	–922	–42	–28
Other operating expenses	[9]	–1,120	–872	–923	–699	–197	–173
Share of net income/loss of equity-method investments	[17]	–15	–14	–16	–14	1	0
Impairment losses on equity-method investments		–26	–231	–25	–231	–1	–
Income from financial investments		62	63	62	63	–	–
Earnings before interest and taxes (EBIT)		**361**	**628**	**353**	**624**	**8**	**4**
Interest income	[10]	27	35	26	35	1	–
Interest expense	[10]	–216	–347	–215	–347	–1	0
Earnings before tax (EBT)		**172**	**316**	**164**	**312**	**8**	**4**
Income taxes	[11]	–377	–124	–527	–217	150	93
Loss from discontinued operations, net of tax	[6]	–308	–	–308	–	–	–
Net income/loss		**–513**	**192**	**–671**	**95**	**158**	**97**
Net income attributable to noncontrolling interests		11	12	11	12	0	0
Net income/loss attributable to shareholders of MAN SE		**–524**	**180**	**–682**	**83**	**158**	**97**
Diluted/basic earnings per share from continuing operations in €	[12]	**–1.47**	**1.23**				
Diluted/basic earnings per share from continuing and discontinued operations in €	[12]	**–3.57**	**1.23**				

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also "New and revised accounting pronouncements."

MAN Consolidated Reconciliation of Comprehensive Income for the Period

€ million	Note	2013	2012*
Net income/loss		**–513**	**192**
Items that will not be reclassified to profit or loss			
Remeasurements of pension plans	[26]	124	–148
Deferred taxes		–35	51
Items that will be reclassified subsequently to profit or loss			
Currency translation differences		–372	–192
Change in fair values of marketable securities and financial investments		–170	463
Change in fair values of derivatives	[32/33]	–15	22
Other comprehensive income for the period from equity-method investments	[17]	–4	2
Deferred taxes		7	–9
Other comprehensive income for the period		**–465**	**189**
Total comprehensive income for the period		**–978**	**381**
of which attributable to noncontrolling interests		12	11
of which attributable to shareholders of MAN SE		**–990**	**370**

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also “New and revised accounting pronouncements.”
See also **note (24)** for additional information on equity.

MAN Consolidated Balance Sheet

Assets

€ million	Note	MAN Group 12/31/2013	MAN Group 12/31/2012*	Industrial Business (unaudited additional information) 12/31/2013	Industrial Business (unaudited additional information) 12/31/2012*	Financial Services (unaudited additional information) 12/31/2013	Financial Services (unaudited additional information) 12/31/2012
Intangible assets	[15]	1,924	2,140	1,924	2,115	–	25
Property, plant, and equipment	[16]	2,174	2,245	2,174	2,232	–	13
Equity-method investments	[17]	462	521	462	519	–	2
Financial investments	[18]	1,522	1,702	1,522	1,702	–	0
Assets leased out	[19]	2,483	2,501	2,483	1,183	–	1,318
Noncurrent financial services receivables	[20]	–	1,071	–	–	–	1,071
Deferred tax assets	[11]	1,032	1,329	1,032	1,162	–	167
Other noncurrent assets	[23]	833	237	833	210	–	27
Noncurrent assets		**10,430**	**11,746**	**10,430**	**9,123**	**–**	**2,623**
Inventories	[21]	3,112	3,373	3,112	3,311	–	62
Trade receivables	[22]	2,346	2,141	2,346	2,011	–	130
Current financial services receivables	[20]	–	575	–	–	–	575
Current income tax receivables		54	58	54	58	–	0
Assets held for sale		3,986	–	–	–	3,986	–
Other current assets	[23]	1,952	652	1,952	581	–	71
Marketable securities		1	1	1	1	–	–
Cash and cash equivalents		1,137	1,366	1,137	1,330	–	36
Current assets		**12,588**	**8,166**	**8,602**	**7,292**	**3,986**	**874**
		23,018	**19,912**	**19,032**	**16,415**	**3,986**	**3,497**

Equity and liabilities

€ million	Note	MAN Group 12/31/2013	MAN Group 12/31/2012*	Industrial Business (unaudited additional information) 12/31/2013	Industrial Business (unaudited additional information) 12/31/2012*	Financial Services (unaudited additional information) 12/31/2013	Financial Services (unaudited additional information) 12/31/2012
Subscribed capital		376	376				
Capital reserves		795	795				
Retained earnings		4,329	4,276				
Accumulated other comprehensive income		–350	116				
Equity attributable to shareholders of MAN SE		**5,150**	**5,563**	**4,689**	**5,310**	**461**	**253**
Noncontrolling interests		77	69	77	69	–	0
Total equity	[24]	**5,227**	**5,632**	**4,766**	**5,379**	**461**	**253**
Noncurrent financial liabilities	[25]	2,267	2,966	2,267	2,834	–	132
Intragroup financing		–	–	–	–275	–	275
Pensions and other post-employment benefits	[26]	452	591	452	588	–	3
Deferred tax liabilities	[11]	810	958	810	866	–	92
Income tax provisions, noncurrent		33	111	33	111	–	–
Other noncurrent provisions	[27]	644	684	644	684	–	0
Other noncurrent liabilities	[28]	1,922	1,106	1,922	1,072	–	34
Noncurrent liabilities and provisions		**6,128**	**6,416**	**6,128**	**5,880**	**–**	**536**
Current financial liabilities	[25]	1,360	2,333	1,360	1,314	–	1,019
Intragroup financing		–	–	–	–1,540	–	1,540
Trade payables		1,922	2,006	1,922	1,905	–	101
Prepayments received		852	908	852	907	–	1
Current income tax payables		23	6	23	5	–	1
Liabilities associated with assets held for sale		3,525	–	–	–	3,525	–
Income tax provisions, current		713	11	713	11	–	–
Other current provisions	[27]	1,308	1,166	1,308	1,162	–	4
Other current liabilities	[28]	1,960	1,434	1,960	1,392	–	42
Current liabilities and provisions		**11,663**	**7,864**	**8,138**	**5,156**	**3,525**	**2,708**
		23,018	**19,912**	**19,032**	**16,415**	**3,986**	**3,497**

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also "New and revised accounting pronouncements."

MAN Consolidated Statement of Cash Flows

€ million	MAN Group 2013	MAN Group 2012	Industrial Business (unaudited additional information) 2013	Industrial Business (unaudited additional information) 2012	Financial Services (unaudited additional information) 2013	Financial Services (unaudited additional information) 2012
Earnings before tax[1]	172	316	164	312	8	4
Current income taxes	–504	–124	–498	–120	–6	–4
Depreciation, amortization, and impairment of noncurrent assets (other than assets leased out)[2]	510	706	507	704	3	2
Change in pensions and other post-employment benefits	–4	–7	–4	–7	0	0
Share of net income/loss of equity-method investments	15	14	16	14	–1	0
Dividends received from equity-method investments	6	10	6	10	–	–
Other noncash income and expense[1]	9	65	–25	65	34	–
Cash earnings	**204**	**980**	**166**	**978**	**38**	**2**
Change in inventories	17	129	80	104	–63	25
Change in prepayments received	–40	92	–41	94	1	–2
Change in trade and financial services receivables	–311	44	–347	219	36	–175
Change in trade payables	–34	–365	12	–314	–46	–51
Change in assets leased out	–186	–179	31	–138	–217	–41
Change in customer payments for assets leased out	–43	172	–43	172	–	–
Change in tax assets and liabilities	388	–465	387	–466	1	1
Change in other provisions	141	–202	137	–201	4	–1
Change in other assets	–140	–124	–159	–90	19	–34
Change in other liabilities	138	–160	120	–149	18	–11
Elimination of gains/losses from asset disposals	2	–4	3	–4	–1	–
Other changes in miscellaneous net current assets	0	–2	–1	–5	1	3
Net cash provided by/used in operating activities	**136**	**–84**	**345**	**200**	**–209**	**–284**
Payments to acquire property, plant, and equipment, investment property, and intangible assets	–558	–754	–547	–741	–11	–13
Payments to acquire investees	–4	–11	–4	–11	–	–
Payments to acquire subsidiaries, net of cash acquired	–	–164	–	–134	–	–30
Proceeds from asset disposals	36	41	35	41	1	0
Disposal of discontinued operations	–	–345	–	–345	–	–
Net cash provided by/used in investing activities attributable to operating activities	**–526**	**–1,233**	**–516**	**–1,190**	**–10**	**–43**
Free cash flow from operating activities and investing activities attributable to operating activities	**–390**	**–1,317**	**–171**	**–990**	**–219**	**–327**
Change in loans granted	10	–	10	–	–	–
Net cash used in investing activities, including loans	**–516**	**–1,233**	**–506**	**–1,190**	**–10**	**–43**
Intragroup dividend distributions	–	–	–	–14	–	14
Dividend payments	–151	–342	–151	–342	–	–
Capital transactions with noncontrolling interests	–	–6	–	–6	–	–
Issuance of bonds and promissory note loans	500	1,812	500	1,812	–	–
Repayment of bonds and promissory note loans	–1,094	–53	–1,094	–53	–	–
Proceeds from borrowings and other finance	1,932	958	244	501	1,688	457
Repayment of borrowings and other finance	–806	–542	–53	–194	–753	–348
Change in other financial liabilities	–102	–74	–64	7	–38	–81
Change in intragroup financing	–	–	642	–301	–642	301
Net cash provided by financing activities	**279**	**1,753**	**24**	**1,410**	**255**	**343**
Net change in cash and cash equivalents	**–101**	**436**	**–137**	**420**	**36**	**16**
Cash and cash equivalents at beginning of period	**1,366**	**957**	**1,330**	**937**	**36**	**20**
Change in cash and cash equivalents due to changes in consolidated Group structure	–	12	–	12	–	–
Effect of exchange rate changes on cash and cash equivalents	–57	–39	–56	–39	–1	0
Cash and cash equivalents at end of period	**1,208**	**1,366**	**1,137**	**1,330**	**71**	**36**
Cash and cash equivalents presented separately in the balance sheet as assets held for sale	–71	–	–	–	–71	–
Cash and cash equivalents at end of period (presented in the balance sheet)	**1,137**	**1,366**	**1,137**	**1,330**	**–**	**36**

[1] 2012: Adjusted to reflect the retrospective application of IAS 19 (2011). See also "New and revised accounting pronouncements."
[2] Intangible assets, property, plant, and equipment, investment property, and investments.

Net cash flows from operating activities include interest received of €28 million (previous year: €38 million), interest paid of €207 million (previous year: €283 million), income taxes paid of €123 million (previous year: €609 million), and dividends of €65 million (previous year: €70 million) received from investees.

MAN Consolidated Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income	Equity attributable to shareholders of MAN	Noncontrolling interests	Total
Balance at December 31, 2011	**376**	**795**	**4,428**	**–71**	**5,528**	**62**	**5,590**
Change in accounting policy due to IAS 19 (2011)	–	–	10	–	10	0	10
Adjusted balance at December 31, 2011	**376**	**795**	**4,438**	**–71**	**5,538**	**62**	**5,600**
Net income*	–	–	180	–	180	12	192
Other comprehensive income for the period	–	–	–	190	190	–1	189
Total comprehensive income*	–	–	180	190	370	11	381
Dividend payment	–	–	–338	–	–338	–4	–342
Other changes	–	–	–4	–3	–7	0	–7
Balance at December 31, 2012*	**376**	**795**	**4,276**	**116**	**5,563**	**69**	**5,632**
Net income/loss	–	–	–524	–	–524	11	–513
Other comprehensive income	–	–	–	–466	–466	1	–465
Total comprehensive income	–	–	–524	–466	–990	12	–978
Dividend payment	–	–	–147	–	–147	–4	–151
Loss absorption by Truck & Bus GmbH	–	–	724	–	724	–	724
Balance at December 31, 2013	**376**	**795**	**4,329**	**–350**	**5,150**	**77**	**5,227**

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also “New and revised accounting pronouncements.”
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. With its four divisions – MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and Renk – the MAN Group is one of Europe's leading engineering players, generating annual revenue of €15.7 billion (previous year: €15.8 billion) and employing a global workforce of approximately 53,500 employees, including around 1,300 subcontracted employees (previous year: approximately 54,300 employees, including around 1,800 subcontracted employees).

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, 2013, 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 January 30, 2014, and resolved to authorize them for submission to the Supervisory Board.

MAN SE is a subsidiary of Truck & Bus GmbH, Wolfsburg (Truck & Bus GmbH), a wholly owned direct subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg (Volkswagen AG). Truck & Bus GmbH holds a 73.98% 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).

To enable a better insight into the MAN Group's net assets, financial position, and results of operations, the consolidated financial statements have been supplemented by a breakdown of figures into the Industrial Business and Financial Services. The Industrial Business comprises all MAN Group companies with the exception of MAN Finance International GmbH, Munich, and the national companies assigned to it (MAN Finance). In the MAN Group, MAN Finance primarily operates the sales financing business for MAN Truck & Bus and is presented under the "Financial Services" heading. MAN Truck & Bus transferred the shares of EURO-Leasing GmbH, Sittensen, to MAN Finance as of December 31, 2012. MAN Finance was classified as held for sale as of December 31, 2013. See **note (6)** for further information. To simplify presentation, the elimination of intragroup transactions between the Industrial Business and Financial Services is presented within the Industrial Business. The classification into Industrial Business and Financial Services merely represents additional information and is therefore unaudited.

The consolidated financial statements have been prepared in euros (€), the Group's reporting currency. All amounts are shown in millions of euros (€ million) unless otherwise stated.

2 Consolidation and measurement of investees

a) Investees

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

Subsidiaries are those investees whose financial and operating policies can be controlled by MAN SE by virtue of the majority of voting rights held directly or indirectly by MAN SE, the articles of association, an intercompany agreement, or other contractual arrangement. Special purpose entities in which MAN SE does not hold a majority of voting rights are consolidated if these companies are constructively controlled by MAN SE.

Joint ventures are investees that are jointly controlled by MAN SE and one or more other venturers. 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. All other investees are financial investments.

b) Basis of consolidation

Consolidated subsidiaries

In addition to MAN SE, all subsidiaries are consolidated in the consolidated financial statements. Subsidiaries that are acquired during the fiscal year are consolidated from the date when MAN SE is able to control their financial and operating policies. Subsidiaries that are disposed of in the fiscal year are deconsolidated from the date when MAN loses the ability to control their financial and operating policies.

Number of companies consolidated

	Germany	Other countries	Total
Consolidated as of Dec. 31, 2012	**33**	**103**	**136**
Initially consolidated in fiscal 2013	–	1	1
Deconsolidated in fiscal 2013	5	10	15
Consolidated as of Dec. 31, 2013	**28**	**94**	**122**

No material acquisitions of subsidiaries occurred in fiscal 2013. Initial consolidation related to one newly formed company. Other 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 184 ff.**

Income, expenses, receivables, and liabilities between consolidated companies, as well as intercompany profits or losses from intragroup deliveries of inventories and noncurrent assets, are eliminated. Deferred taxes are recognized for consolidation adjustments recognized in profit or loss. Financial liabilities from intragroup finance transactions are included in current financial liabilities at the level of the companies consolidated.

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. 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, which 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 not measured at fair value. Such financial investments 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

Transactions in foreign currency are translated at the relevant exchange rates at the transaction date. In subsequent periods, monetary assets and liabilities are measured at the middle rate at the reporting date, with any translation differences recognized in profit or loss. Nonmonetary items carried at historical cost in a foreign currency are translated at the rate prevailing at the transaction date.

Financial statements of subsidiaries and associates in countries outside the euro zone 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 the average exchange rate for the year. The average exchange rate for the year is generally derived from monthly average exchange rates. 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.

The exchange rates of the most important currencies to the euro (€) were:

	Closing rate 12/31/		Average rate	
	2013	**2012**	**2013**	**2012**
US dollar	1.3791	1.3194	1.3284	1.2921
UK pound sterling	0.8337	0.8161	0.8493	0.8127
Danish krone	7.4593	7.4610	7.4577	7.4440
Swiss franc	1.2276	1.2072	1.2282	1.2047
Swedish krona	8.8591	8.5820	8.6576	8.6977
Polish zloty	4.1543	4.0740	4.2101	4.1837
Russian ruble	45.3246	40.3295	42.4122	40.1678
Brazilian real	3.2576	2.7036	2.8707	2.5189
Chinese yuan renminbi	8.3491	8.2207	8.1679	8.1425
Indian rupee	85.3660	72.5600	77.9375	68.8599
Japanese yen	144.7200	113.6100	128.8854	102.9304
South African rand	14.5660	11.1727	12.8714	10.55126

3 Accounting policies

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. The consolidated financial statements are based on the financial statements of MAN SE and the consolidated subsidiaries prepared in accordance with the MAN Group's uniform accounting policies.

a) Revenue recognition

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

Construction contracts are recognized using the percentage of completion method; details are contained in the explanations on construction contracts in **note (22)**.

Sale transactions in which a Group company incurs a buyback obligation at a predetermined value are not immediately recognized in full as revenue, but are recognized as revenue ratably over the period until the return of the item sold and are accounted for as operating leases.

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 and sales promotion expenses, as well as other sales-related expenses, are recognized when incurred. Cost of goods sold and services rendered 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.

Finance and operating lease revenue generated by Financial Services is reported as other operating income, with the exception of EURO-Leasing companies, which also report revenue. Correspondingly, interest expenses from refinancing assets leased out are reported as other operating expenses.

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 generally amortized over five to seven years on a straight-line basis, or up to ten years at MAN Diesel & Turbo. 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. 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; see **note (16).** 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) Leases, assets leased out

MAN Group companies are lessees in lease transactions for items of property, plant, and equipment (investment leases). If MAN Group lessees bear substantially all the risks and rewards incidental to ownership of the leased asset, the lease is classified as a finance lease. In such cases, the lessee recognizes the leased item as an asset in the amount of the present value of the minimum lease payments or the lower fair value of the leased asset. The leased asset is depreciated over the estimated useful life or the shorter lease term in subsequent periods. At the same time, the lessee recognizes a corresponding financial liability, which is reduced in the following periods using the effective interest method and adjusted correspondingly. All other leases in which MAN Group companies are lessees are accounted for as operating leases, and the lease payments are recognized as expenses.

MAN Finance companies are lessors in the case of lease transactions involving assets leased out (sales financing). Depending on their substance, such contracts may be finance leases or operating leases. A receivable in the amount of the net investment in the lease is recognized in the case of finance leases, in other words where substantially all the risks and rewards incidental to ownership are transferred to the lessee. Leases under which MAN Finance retains the asset after expiration of the lease, as well as assets sold with a buyback obligation, are accounted for as operating leases in the MAN Group. The asset leased out is measured at cost and written down to its residual value on a straight-line basis over the term of the lease or until it is 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 cars.

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, financial investments carried at cost, or assets leased out may be impaired. Indefinite-lived intangible assets, capitalized development costs, 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 to which the asset belongs (cash-generating unit). 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 and is either reported separately or in other operating expenses.

If the recoverable amount of an impaired asset or cash-generating unit increases in a subsequent period, the impairment loss is reversed up to a maximum of the cost that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment losses are recognized in profit or loss and reported either separately or in other operating income. An impairment loss recognized for goodwill may not be reversed in subsequent periods.

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 revenue and cost of goods sold and services rendered 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

Nonderivative financial instruments include in particular customer receivables, loans, financial investments, marketable securities, and cash and cash equivalents, as well as financial liabilities and trade payables. They are generally recognized at the trade date. 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 write-down for impairment or uncollectibility;
- 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 that are not held for trading are generally carried at amortized cost less impairment losses. In the MAN Group, loans and receivables primarily include customer receivables, other receivables, loans, 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 (e.g., dealer finance receivables and fleet customers) 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 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. In the MAN Group, this category mainly includes marketable securities and financial investments. The difference between cost and fair value is recognized in other comprehensive income and reported as accumulated other comprehensive income, net of deferred taxes. An impairment loss is recognized on available-for-sale financial assets if there is objective evidence of permanent impairment. For example, an impairment loss is recognized in the income statement if there is a significant or prolonged decline in the fair value of an available-for-sale financial asset below its carrying amount.

The fair value of marketable securities is generally their quoted market price. Financial investments for which no quoted market price is available, and whose fair value cannot be reliably measured, are carried at cost. An impairment test is performed if there are indications of impairment, and any impairment loss is recognized in the income statement.

Held-to-maturity investments are measured at amortized cost. However, this category is generally not used by the MAN Group; the same applies to the fair value option.

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

Financial assets and 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, commodity, and other 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 fair value, if necessary after any reduction for counterparty risk. 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 classified as assets held for trading and are measured at fair value through profit or loss. If no price is available in an active market, fair value is estimated using appropriate valuation techniques, such as discounted cash flow methods.

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 designates and documents the hedging relationship as from that date either as a fair value hedge or as a cash flow hedge.

A fair value hedge is a hedge of the MAN Group's exposure to changes in the fair value of recognized assets and liabilities, or unrecognized firm commitments. In a fair value hedge, changes in the fair value of the derivative and the related underlying (hedged item) are recognized in profit or loss. In the case of a perfect hedge, the changes in the fair value of the derivative financial instrument and the underlying recognized in profit or loss offset each other almost entirely.

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 revenue in the case of sale transactions. If the hedge subsequently results in the recognition of a nonfinancial asset (purchase transaction), the gains and losses from measurement of the derivative previously recognized in other comprehensive income are included in the carrying amount of the hedged nonfinancial asset. 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/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.

See **note (33)** for information on the MAN Group's hedging strategy and the related volumes at the end of the reporting period.

l) Deferred taxes

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.

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; for information on measurement, see **note (26).** If plan assets exceed the defined benefit obligation, the excess is only recognized in other assets 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 of active employees 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 net interest income.

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, and reported in total comprehensive income for the period.

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 the functional expenses in which the expense from recognition of the provision was originally recognized.

Provisions for warranties are recognized at the time of sale of the products in question or the rendering of the corresponding services. 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 business-related obligations 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 executory 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 "Loss from discontinued operations, net of tax." Prior-period amounts in the income statement are adjusted accordingly. Discontinued operations are presented separately in the statement of cash flows and disclosed in the notes. In these cases, too, prior-period amounts are adjusted accordingly.

p) Financial statement presentation

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 Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, and MAN SE, the accompanying financial statements have been prepared following absorption of the net loss by Truck & Bus GmbH. For further information, see **notes (24)** and **(35).**

q) Prior-period information

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

r) 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. Estimates and assumptions are continuously reviewed.

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. 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, financial investments carried at cost, or assets leased out are tested for impairment, the measurement of the recoverable amount of the assets entails estimates by management. Any reversals of impairment losses in subsequent periods also require considerable forecasts and estimates. For further information on significant impairment losses and reversals of impairment losses in fiscal 2013 and 2012, see in particular **note (17).**

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.

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.

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.

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. Other provisions also include provisions for various project-related risks in connection with the completion of major projects in the Power Engineering business area and for potential expenses from buyback obligations in the Commercial Vehicles business area under which the MAN Group guarantees its customers certain buyback values. 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. Depending on the extent to which buyback rights are exercised and on the development of resale prices, the actual expenses incurred by the Commercial Vehicles business area may differ from the carrying amounts of the recognized provisions. 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. For further information, see **note (29).**

4 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 contains payments to acquire items of property, plant, and equipment, intangible assets, and investees, offset against proceeds from the sale of items of property, plant, and equipment, intangible assets, investees, and discontinued operations. Payments to acquire subsidiaries are reported net of cash acquired.

Cash flow from financing activities is composed of the following cash transactions: dividends paid, cash paid for and provided by securities, borrowings and repayments of financial liabilities, and special pension fund endowments.

The cash and cash equivalents reported in the statement of cash flows correspond to the cash and cash equivalents recognized in the balance sheet. 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. In the segments, receivables from intragroup finance transactions are also reported as cash and cash equivalents.

Amounts relating to discontinued operations are reported separately in cash flows from operating, investing, and financing activities.

5 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, 2013.

In June 2011, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” (IAS 1 (2011)). The amended IAS 1 revises the way that the reconciliation of comprehensive income for the period is presented. It requires items of other comprehensive income to be presented separately by items that will be reclassified to profit or loss if certain conditions are met (recycled) and items that will never be reclassified to profit or loss (not recycled). In addition, the related tax effects must be allocated to these two groups of items. MAN has applied IAS 1 (2011) since January 1, 2013, and has modified the reconciliation of comprehensive income for the period in its consolidated financial statements. The other amendments to IAS 1 do not materially affect the presentation of the MAN Group’s net assets, financial position, and results of operations.

In June 2011, the IASB resolved to amend IAS 19 “Employee Benefits” (IAS 19 (2011)). The revised IAS 19 requires actuarial gains and losses in respect of post-employment benefits to be recognized immediately in other comprehensive income when they arise. The previous option to defer these gains or losses using the corridor method, as well as the option to recognize them immediately in profit or loss, are no longer permitted. At MAN, actuarial gains and losses attributable to defined benefit plans are already recognized in other comprehensive income. Other amendments relate to the introduction of the net interest method for determining the net interest expense or income on the net defined benefit liability or asset, the recognition of unvested past service cost in profit or loss, and a change in the definition of termination benefits. Consequently, as a rule the bonus payments under partial retirement programs may no longer be accounted for as termination benefits, but must now be attributed to the periods of service over the relevant accumulation period as other long-term employee benefits. MAN has applied IAS 19 (2011) retrospectively since January 1, 2013.

The following tables present the effects of the revised accounting pronouncements. The effects on the opening balance sheet as of January 1, 2013, and the effects on the comparative period presented are:

	December 31, 2012			January 1, 2012		
€ million	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted
Total assets	**19,918**	**–6**	**19,912**	**18,670**	**–4**	**18,666**
of which: deferred tax assets	1,335	–6	1,329	1,078	–4	1,074
Total liabilities and provisions	**14,299**	**–19**	**14,280**	**13,080**	**–14**	**13,066**
of which: other provisions	1,869	–19	1,850	2,194	–14	2,180
Total equity	**5,619**	**13**	**5,632**	**5,590**	**10**	**5,600**
of which: retained earnings	4,263	13	4,276	4,428	10	4,438

	Twelve months to December 31, 2012		
€ million	Unadjusted	Adjustment	Adjusted
Earnings before tax (EBT)	**311**	**5**	**316**
of which: interest expense	–347	0	–347
Income taxes	–122	–2	–124
Net income	**189**	**3**	**192**
of which attributable to shareholders of MAN SE	**177**	**3**	**180**
Earnings per share from continuing operations in €	1.20	0.03	1.23
Earnings per share from continuing and discontinued operations in €	1.20	0.03	1.23

The following tables present the effects on the balance sheet as of December 31, 2013, and the income statement in fiscal year 2013 of continuing to apply the 2008 version of IAS 19:

	December 31, 2013		
€ million	Under IAS 19 (2011)	Adjustment	Under IAS 19 (2008)
Total assets	**23,018**	**6**	**23,024**
of which: deferred tax assets	1,032	6	1,038
Total liabilities and provisions	**17,791**	**21**	**17,812**
of which: other provisions	1,952	21	1,973
Total equity	**5,227**	**–15**	**5,212**
of which: retained earnings	4,329	7	4,336
of which: accumulated other comprehensive income	–350	–22	–372

€ million	Twelve months to December 31, 2013 Under IAS 19 (2011)	Adjustment	Under IAS 19 (2008)
Earnings before tax (EBT)	**172**	**28**	**200**
of which: interest expense	–216	30	–186
Income taxes	–377	–8	–385
Net income/loss from continuing operations	**–205**	**20**	**–185**
Net income/loss	**–513**	**20**	**–493**
of which attributable to shareholders of MAN SE	**–524**	**20**	**–504**
Earnings per share from continuing operations in €	–1.47	0.14	–1.33
Earnings per share from continuing and discontinued operations in €	–3.57	0.14	–3.43

The IASB issued IFRS 13 "Fair Value Measurement" in May 2011. IFRS 13 sets out general requirements for measuring fair value in a separate standard. In addition, IFRS 13 specifically affects the disclosures in the notes to the consolidated financial statements. Information about the fair value hierarchy levels for certain assets and liabilities as well as additional disclosures on the measurement of fair value were added. MAN started applying IFRS 13 in fiscal year 2013. There were no material effects on the presentation of the MAN Group's net assets, financial position, and results of operations.

In December 2011, the IASB resolved to amend IFRS 7 "Financial Instruments: Disclosures." The amendment to IFRS 7 results in additional disclosures relating to offsetting financial assets and financial liabilities. The additional reporting obligations relate in particular to disclosures on master netting arrangements under which the right of set-off is contingent on specific future events. MAN has applied the amendments since January 1, 2013.

The other accounting pronouncements required to be applied in fiscal year 2013 for the first time do not have any material effects on the presentation of the net assets, financial position, and results of operations in MAN's consolidated financial statements.

In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets." The amendments contain clarifications and corrections of the unintended result of changes to disclosure requirements relating to the recoverable amount under IFRS 13. These amendments are required to be applied retrospectively for annual periods beginning on or after January 1, 2014. The amendments have been applied voluntarily prior to the effective date in the MAN Group's consolidated financial statements for fiscal year 2013.

b) New or amended IFRSs not applied

In its 2013 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[1]		Issued by the IASB	Effective date[2]	Adopted by the EU[1]	Expected effects
IFRS 9	Financial Instruments: Classification and Measurement	Nov. 12, 2009 / Oct. 28, 2010	Still to be determined	No	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 9	Financial Instruments: Hedge Accounting	Nov. 19, 2013	Still to be determined	No	Extended designation options, simplified effectiveness testing, increased disclosures
	Financial Instruments: Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	Dec. 16, 2011	Still to be determined	No	Increased disclosures
IFRS 10	Consolidated Financial Statements	May 12, 2011	Jan. 1, 2014	Yes	No material effects
IFRS 11	Joint Arrangements	May 12, 2011	Jan. 1, 2014	Yes	No material effects
IFRS 12	Disclosures of Interests in Other Entities	May 12, 2011	Jan. 1, 2014	Yes	Enhanced disclosures on interests in other entities
	Transition Guidance on IFRS 10, IFRS 11, IFRS 12	June 28, 2012	Jan. 1, 2014	Yes	No material effects
	Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27)	Oct. 31, 2012	Jan. 1, 2014	Yes	None
IAS 19	Employee Benefits: Defined Benefit Plans – Employee Contributions	Nov. 21, 2013	Jan. 1, 2015	No	No material effects
IAS 27	Separate Financial Statements	May 12, 2011	Jan. 1, 2014	Yes	None
IAS 28	Investments in Associates and Joint Ventures	May 12, 2011	Jan. 1, 2014	Yes	None
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Yes	No material effects
IAS 39	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting	June 27, 2013	Jan. 1, 2014	Yes	No material effects
	Improvements to IFRSs 2013[3]	Dec. 10, 2013	Jul. 1, 2014[5]	No	No material effects
	Improvements to IFRSs 2013[4]	Dec. 10, 2013	Jan. 1, 2015	No	No material effects
IFRIC 21	Levies	May 20, 2013	Jan. 1, 2014	No	None

1 By December 31, 2013.
2 Effective date from the MAN Group's perspective.
3 Minor amendments to a number of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24).
4 Minor amendments to a number of IFRSs (IFRS 1, IFRS 3, IFRS 13, IAS 40).
5 This refers to the effective date of the amendments to IFRS 2 and IFRS 3; the effective date for the amendments to IFRS 8, IAS 16, IAS 24, and IAS 38 is January 1, 2015.

6 Acquisitions, divestments, and discontinued operations

a) Acquisitions

No acquisitions were made in fiscal year 2013 that are material either individually or collectively.

On March 28, 2012, MAN Truck & Bus acquired all but one of the remaining shares of the former joint venture MAN FORCE TRUCKS Private Limited, Akurdi/India, from its Indian partner FORCE Motors Limited, Akurdi/India. The cost of these additional shares amounted to €150 million, while net cash acquired amounted to €2 million. This company, which was consolidated as of March 31, 2012, is being managed solely by MAN Truck & Bus under the name of MAN Trucks India Private Limited, Akurdi/India, (MAN Trucks India). MAN Trucks India produces CLA series trucks for the Indian market as well as for selected markets in Africa and Asia. The shares, which were accounted for using the equity method at the acquisition date, were measured at their fair value of €73 million at the acquisition date. Fair value measurement of the equity interest previously held did not have any effect on profit or loss at the acquisition date. These shares were recognized in the amount of €73 million at the acquisition date.

Transaction-related costs of €1 million were expensed.

Purchase price allocation was completed in the first quarter of 2013 and was unchanged as against December 31, 2012. Based on the final purchase price allocation, the step acquisition resulted in goodwill of approximately €208 million.

On the basis of the final purchase price allocation, the assets acquired and liabilities assumed at the acquisition date were as follows:

€ million	Carrying amount at date of initial consolidation	Purchase price allocation	Amount in opening balance sheet
Total assets	**67**	**31**	**98**
Noncurrent assets	24	31	55
Current assets	43	–	43
Total liabilities	**68**	**15**	**83**
Noncurrent liabilities	1	15	16
Current liabilities	67	–	67
Equity	**–1**	**16**	**15**

The gross value of receivables acquired amounted to €14 million at the acquisition date, while the net carrying amount corresponded to fair value and amounted to €14 million.

The inclusion of MAN Trucks India increased revenue by €41 million and reduced earnings before interest and taxes (EBIT) by €2 million in fiscal 2012. If the company had already been included in the consolidated financial statements as of January 1, 2012, revenue would have been €15,854 million and earnings before interest and taxes (EBIT) would have been €624 million in fiscal 2012.

b) Divestments

MAN SE entered into an agreement with Volkswagen Financial Services AG, Braunschweig (VWFS), to sell the shares of MAN Finance International GmbH, Munich. MAN Finance primarily operates the sales financing business for MAN Truck & Bus and has been presented under the "Financial Services" heading in MAN's financial reporting to date. The transaction was completed on January 1, 2014. See **notes (1)** and **(39)** for further information. The bundling of the infrastructure, resources, and expertise of VWFS and MAN Finance facilitates the development of integrated transportation solutions for MAN Truck & Bus's customers, including in other markets. MAN Finance will remain MAN Truck & Bus's exclusive sales support organization.

The assets and liabilities of MAN Finance were presented as held for sale as of December 31, 2013. The following table provides information about the carrying amounts of these assets and liabilities as of December 31, 2013:

€ million	2013
Intangible assets, property, plant, and equipment, and investments	49
Assets leased out	273
Deferred tax assets	404
Inventories	155
Trade receivables	78
Financial services receivables	2,841
Cash and cash equivalents	71
Miscellaneous other assets	115
Assets held for sale	**3,986**
Financial liabilities	3,210
Deferred tax liabilities	179
Trade payables	55
Other liabilities	81
Liabilities associated with assets held for sale	**3,525**

Discontinued operations

MAN SE's annual reports for fiscal 2012, 2011, and 2010 contain detailed information relating to the sale of the shares of Ferrostaal GmbH, Essen (Ferrostaal, formerly Ferrostaal AG).

Due to the original income tax consolidation group with MAN SE, the sale of the Ferrostaal shares results in income taxes amounting to €277 million and relating primarily to tax risks for the past. The tax interest expenses attributable to this amount come to €94 million and are reported in "Income and expenses" in fiscal 2013. In addition, the provision recognized for the maximum potential contractual warranties and guarantees in relation to the Ferrostaal transaction declined in fiscal 2013.

The net results from Ferrostaal recognized in the "Loss from discontinued operations, net of tax" in fiscal 2013 are as follows:

€ million	2013	2012
Income and expenses	– 31	–
Income taxes	– 277	–
	– 308	**–**

The consolidated income statements for the periods January 1, 2013, to December 31, 2013, and January 1, 2012, to December 31, 2012, do not contain any other results from this transaction. The consolidated statement of cash flows for fiscal year 2013 does not contain any effects from Ferrostaal (previous year: € –345 million).

Income statement disclosures

7 Revenue

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

Group revenue € million	2013	2012
Commercial Vehicles*	12,004	11,692
Power Engineering*	3,881	4,256
Others/Reconciliation	– 221	– 176
	15,664	**15,772**

* Gross presentation excluding consolidation effects.

The 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.

The Power Engineering business area generates revenue mainly from the sale of marine diesel and stationary engines, turbomachinery, gear units, and testing systems. It includes revenue from construction contracts amounting to €341 million (previous year: €970 million).

See **note (40)** for a presentation of revenue by segment.

8 Other operating income

€ million	2013	2012
Income from financial services	214	203
Gains on financial instruments	80	57
Other trade income	31	44
Gains on disposal of property, plant, and equipment, and intangible assets	11	6
Miscellaneous other income	204	230
	540	**540**

Income from financial services represents the income generated by MAN Finance's business.

Gains on financial instruments result primarily from the remeasurement of foreign exchange positions and from currency and interest rate hedges. To enable a better insight into the results of operations, gains and losses from currency translation are presented as net amounts.

9 Other operating expenses

€ million	2013	2012*
Research and development	540	428
Bad debt allowances on receivables	123	67
Expenses from financial services	112	123
Losses on financial instruments	97	39
Impairment losses on inventories	93	94
Legal, audit, and consulting costs	40	29
Additions to provisions	23	48
Miscellaneous other expenses	92	44
	1,120	**872**

* Adjusted to reflect the retrospective application of IAS 19 (2011).
See also "New and revised accounting pronouncements."

Other operating expenses comprise those expenses that are not allocated to the function expenses, and in particular to cost of goods sold and services rendered. Research and development (R&D) expenses contain only that portion of R&D expenses that is not allocated to contract-related production costs or capitalized development costs. The amortization attributable to capitalized development costs is also reported in “Other operating expenses.”

The increase in bad debt allowances results from past due receivables in the MAN Truck & Bus segment.

Losses on financial instruments and expenses from financial services correspond to the related items in “Other operating income.”

The other expenses primarily include personnel expenses that cannot be specifically allocated to the functions as well as additions to provisions.

10 Net interest expense

€ million	2013	2012
Interest and similar income	27	35
Interest and similar expenses	–242	–384
Interest component of additions to pension provisions	–78	–94
Return on CTA plan assets	61	82
less: interest expenses reclassified as other operating expenses	43	49
	–189	**–312**

The improvement in net interest expense is due primarily to lower interest and similar expenses. Compared with the previous year, interest expenses for financial liabilities contained in this item are €48 million lower and interest expenses on tax liabilities are €43 million lower. See **note (27)** for information on expenses from the unwinding of discounts on and the effects of a change in the discount rate for other provisions. The interest expenses of €43 million reclassified as other operating expenses, which were almost unchanged compared with the previous year, relate to the refinancing of assets leased out by MAN Finance.

11 Income taxes

The reported tax expense is broken down as follows:

€ million	2013	2012*
Current income taxes		
Germany	356	–35
Other countries	148	159
Deferred taxes		
Germany	–151	–54
Other countries	24	54
	377	**124**

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also “New and revised accounting pronouncements.”

The tax expense expected for fiscal 2013 is based on the application of the German tax rate applicable for the 2013 assessment period of 31.58% (as in the previous year) to earnings before tax. This tax rate includes municipal trade tax (15.75%), corporate income tax (15.0%), and the solidarity surcharge (5.5% of the corporate income tax liability). As in the previous year, tax rate changes outside Germany did not materially affect the total tax expense in fiscal 2013. Because of the profit and loss transfer agreement in force since January 1, 2014, with Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, the new Group tax rate of 29.80% was used as of December 31, 2013, to measure deferred taxes in MAN SE’s German tax group.

Deferred tax assets in respect of loss carryforwards for corporate income tax and municipal trade tax amounting to €1 million (previous year: €185 million) are currently recognized at German companies. No deferred tax assets are recognized in respect of MAN SE’s tax loss carryforwards as it joins the tax group in Germany of which Truck & Bus GmbH is a member as well. Companies outside Germany have recognized deferred taxes of €69 million (previous year: €60 million) for their local taxes. A deferred tax asset of €216 million (previous year: €371 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, 2013, for existing tax loss carryforwards of €466 million (previous year: €426 million) and temporary differences of €41 million (previous year: €50 million) due to the low probability of such deferred tax assets being recoverable. Tax loss carryforwards of €100 million (previous year: €159 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 2014 and 2029.

There are temporary differences in connection with shares in subsidiaries for which no deferred taxes of €23 million (previous year: €7 million) were recognized.

Reconciliation of expected and actual tax expense

€ million	2013	%	2012*	%
Earnings before tax	172	100.0	316	100.0
Expected tax expense	55	31.6	100	31.6
Tax-exempt income	–26	–15.1	–22	–7.1
Differences to foreign tax rates	–37	–21.5	–48	–15.4
Equity-method investments	15	8.8	61	19.6
Valuation allowances on deferred tax assets and effects of tax credits	107	62.2	24	7.7
Prior-period taxes	210	122.1	–15	–4.8
Nondeductible expenses	40	23.3	27	8.7
Effects of tax rate changes	24	14.0	0	0.0
Additional information	–11	–6.0	–3	–1.0
Actual tax expense	**377**	**219.4**	**124**	**39.2**

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also "New and revised accounting pronouncements."

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

	Deferred tax assets		Deferred tax liabilities	
€ million	12/31/2013	12/31/2012*	12/31/2013	12/31/2012
Intangible assets	17	10	393	377
Property, plant, and equipment, and assets leased out	18	237	622	635
Noncurrent financial assets	2	1	4	14
Inventories	93	18	39	76
Receivables and other assets	153	240	84	373
Pensions and other post-employment benefits	358	406	227	250
Liabilities and other provisions	985	1,204	169	320
Tax loss carryforwards	70	284	–	–
Valuation allowances on deferred taxes	–30	–51	–	–
Gross value	**1,666**	**2,349**	**1,538**	**2,045**
of which noncurrent	970	1,261	1,302	1,671
Offset	–756	–1,146	–756	–1,146
Consolidation	122	126	28	59
Amount recognized	**1,032**	**1,329**	**810**	**958**

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also "New and revised accounting pronouncements."

12 Earnings per share

€ million (unless otherwise stated)	2013	2012*
Net income/loss attributable to shareholders of MAN SE	–524	180
of which: loss from discontinued operations, net of tax	–308	–
Net income/loss from continuing operations attributable to shareholders of MAN SE	**–216**	**180**
Number of shares outstanding (weighted average, million)	147.0	147.0
Earnings per share from continuing operations in €	**–1.47**	**1.23**

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also “New and revised accounting pronouncements.”

Earnings per share are calculated by dividing consolidated net income 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 2013, as in the previous year.

There were no outstanding options on shares as of December 31, 2013, and December 31, 2012, that dilute earnings per share. Any exercise of MAN SE’s contingent capital in future periods will be dilutive.

The loss per share from discontinued operations was €2.10 (previous year: –).

13 Other income statement disclosures

Cost of materials

€ million	2013	2012
Cost of raw materials, consumables, and supplies, and of purchased merchandise	7,926	8,152
Cost of purchased services	905	956
	8,831	**9,108**

Payments under operating leases

€ million	2013	2012
Minimum lease payments	121	114
Contingent lease payments	42	31
Payments under subleases	2	2
	165	**147**

Personnel expenses

€ million	2013	2012
Wages and salaries	2,734	2,702
Social security contributions, retirement and other employee benefit expenses	609	564
	3,343	**3,266**

Retirement benefit expenses amounted to €240 million (previous year: €227 million), of which €159 million (previous year: €159 million) was attributable to statutory pension insurance contributions. They are included in the relevant functional expenses. The expected return on plan assets and the interest component of additions to pension provisions are reported in net interest income/expense.

Annual average headcount*

	2013	2012
Commercial Vehicles	35,897	36,605
Power Engineering	16,091	15,536
Other	333	358
	52,321	**52,499**

* Excluding subcontracted employees.

Depreciation and amortization expense

€ million	2013	2012
Intangible assets	169	167
Property, plant, and equipment	314	297
	483	**464**

Impairment losses

€ million	2013	2012
Intangible assets	–	–
Property, plant, and equipment	0	9
Financial investments and equity-method investments*	27	233
	27	**242**

* See **notes (17)** for further information.

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	2013	2012
Audits	3.2	3.3
Other assurance and valuation services	1.3	1.2
Tax advisory services	0.5	0.2
Other services	2.5	1.4
	7.5	**6.1**

* The “Other assurance and valuation services” in the previous year contains €0.6 million that was reported as “Reviews of interim financial statements” and €0.2 million that was reported as “Incidental costs.”

The fees charged for work performed by the auditor, PwC, and its affiliated German companies totaled €5.5 million in fiscal 2013 (previous year: €3.7 million). €1.5 million of this amount relates to audits (previous year: €1.3 million), €1.3 million to other assurance and valuation services (previous year: €1.1 million), €0.3 million to tax advisory services (previous year: –), and €2.4 million to other services (previous year: €1.3 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, 2012	1,006	944	804	2,754
Accumulated amortization and impairment losses	–355	–438	–78	–871
Balance at January 1, 2012	**651**	**506**	**726**	**1,883**
Change in consolidated Group structure/acquisitions	27	–	–	27
Additions	45	262	211	518
Transfers	3	1	–	4
Disposals	0	–	–	0
Amortization	–111	–56	–	–167
Impairment losses	–	–	–	–
Currency translation differences	–56	–13	–56	–125
Balance at December 31, 2012	**559**	**700**	**881**	**2,140**
Gross carrying amount at December 31, 2012	1,001	1,194	959	3,154
Accumulated amortization and impairment losses	–442	–494	–78	–1,014
Balance at January 1, 2013	**559**	**700**	**881**	**2,140**
Change in consolidated Group structure/acquisitions	2	–	–	2
Additions	30	176	–	206
Transfers	1	–	–	1
Disposals	–1	–	–	–1
Amortization	–88	–81	–	–169
Impairment losses	–	–	–	–
Currency translation differences	–70	–29	–121	–220
Reclassified as assets held for sale	–35	–	–	–35
Balance at December 31, 2013	**398**	**766**	**760**	**1,924**
Gross carrying amount at December 31, 2013	843	1,344	838	3,025
Accumulated amortization and impairment losses	–445	–578	–78	–1,101

Purchased licenses, software, similar rights and assets, and capitalized development costs are finite-lived assets. Amortization of licenses, software, similar rights, customer relationships, brands, and other assets amounted to €88 million (previous year: €111 million) and is included in the functional expenses, in particular cost of goods sold and services rendered and selling expenses. Amortization of capitalized development costs amounted to €81 million (previous year: €56 million) and is recognized in other operating expenses. See **note (9)** for further information.

Capitalized development costs for in-process development projects that are not subject to amortization amounted to €352 million as of December 31, 2013 (previous year: €352 million).

Analysis of goodwill

€ million	12/31/2013	12/31/2012
MAN Truck & Bus	211	252
MAN Latin America	465	544
MAN Diesel & Turbo	84	85
	760	**881**

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. Because the planning horizon was increased to five years in fiscal 2013 compared with the three years used in the prior year, starting in fiscal 2013 the impairment test 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 aftersales 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 2013 is a maximum of 1% (previous year: 2%).

Cash flows are forecasted individually on the basis of 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	2013	2012
MAN Truck & Bus	11.2%	10.5%
MAN Latin America	14.5%	14.0%
MAN Diesel & Turbo	14.7%	11.1%

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 2013 and 2012. Recognized goodwill is also recoverable if the growth forecast 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	Property, plant, and equipment
Gross carrying amount at January 1, 2012	1,869	2,092	1,085	145	5,191
Accumulated depreciation and impairment losses	–918	–1,371	–808	–3	–3,100
Balance at January 1, 2012	**951**	**721**	**277**	**142**	**2,091**
Change in consolidated Group structure/acquisitions	48	26	3	0	77
Additions	62	132	133	120	447
Transfers	21	56	12	–96	–7
Disposals	–10	–4	–14	–5	–33
Depreciation	–48	–157	–89	–3	–297
Impairment losses	–9	–	–	–	–9
Currency translation differences	–5	–10	–7	–2	–24
Balance at December 31, 2012	**1,010**	**764**	**315**	**156**	**2,245**
Gross carrying amount at December 31, 2012	1,995	2,203	1,169	162	5,529
Accumulated depreciation and impairment losses	–985	–1,439	–854	–6	–3,284
Balance at January 1, 2013	**1,010**	**764**	**315**	**156**	**2,245**
Change in consolidated Group structure/acquisitions	1	0	0	0	1
Additions	40	122	78	112	352
Transfers	13	101	–14	–101	–1
Disposals	–20	–2	–28	–1	–51
Reversals of impairment losses	1	–	–	2	3
Depreciation	–56	–174	–83	–1	–314
Impairment losses	0	–	–	–	0
Currency translation differences	–18	–22	–8	–1	–49
Reclassified as assets held for sale	–11	0	–1	0	–12
Balance at December 31, 2013	**960**	**789**	**259**	**166**	**2,174**
Gross carrying amount at December 31, 2013	1,953	2,343	1,068	170	5,534
Accumulated depreciation and impairment losses	–993	–1,554	–809	–4	–3,360

Depreciation of items of property, plant, and equipment amounted to €314 million (previous year: €297 million) and is included in the functional expenses, in particular cost of goods sold and services rendered.

The items of property, plant, and equipment that are classified as finance leases on the basis of the contract terms relate primarily to land and buildings with a total carrying amount of €5 million. The amount of €42 million disclosed for fiscal 2012 also includes machinery and equipment.

The following table shows the future lease payments due together with their present values.

2013 (€ million)	up to 1 year	1 – 5 years	> 5 years	Total
Lease payments	2	4	–	6
Interest components	1	0	–	1
Present values	1	4	–	5
Minimum lease payments expected to be received from subleases	1	0	–	1

2012 (€ million)	up to 1 year	1 – 5 years	> 5 years	Total
Lease payments	9	9	–	18
Interest components	1	1	–	2
Present values	8	8	–	16
Minimum lease payments expected to be received from subleases	7	4	–	11

Investment property

The carrying amount of investment property amounted to €19 million as of December 31, 2013 (previous year: €20 million), compared with a fair value of €64 million (previous year: €64 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, 2013, is the Sinotruk Ltd., Hong Kong/China, associate (Sinotruk).

Sinotruk

The quoted market value of the 25% equity interest in Sinotruk amounted to €281 million as of December 31, 2013 (previous year: €400 million). No impairment of the investment in Sinotruk was identified on the basis of the impairment test as of December 31, 2013.

The investment in Sinotruk was tested for impairment in the second quarter of 2012. The resulting €190 million impairment loss was reported in "Impairment losses on equity-method investments."

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 table:

€ million	2013	2012
Assets[1]	5,759	5,994
Liabilities[1]	3,185	3,430
Revenue[2]	3,417	3,435
Net income[2]	30	30

[1] Fiscal 2013: Amounts shown relate to the reporting period ended June 30, 2013.
Fiscal 2012: Amounts shown relate to the reporting period ended June 30, 2012.
[2] Fiscal 2013: Amounts shown relate to the reporting period from July 1, 2012, to June 30, 2013.
Fiscal 2012: Amounts shown relate to the reporting period from July 1, 2011, to June 30, 2012.

The following table contains summarized financial information on the other associates; the disclosures relate in all cases to the full amounts of the investees, and not just to the Group's share:

€ million	2013	2012
Assets	793	756
Liabilities	662	589
Revenue*	1,043	869
Net income/loss*	–31	2

* 12 months.

The 49% interest in the Rheinmetall MAN Military Vehicles GmbH, Munich, (RMMV) associate is also accounted for using the equity method. The equity method is applied with a three-month delay. The investment in RMMV recorded a decline in revenue and earnings in fiscal 2013. The continuation of the restructuring process initiated in 2012 also weighed heavily on earnings. In the third quarter of 2013, the impairment test for the investment resulted in an impairment loss of €26 million, which was reported in "Impairment losses on equity-method investments." Application of the equity method and the additional recognition of this impairment loss produced a carrying amount of €15 million as of December 31, 2013, for the investment in RMMV.

18 Financial investments

Financial investments relate to shares in unconsolidated affiliated companies, investments in associates not accounted for using the equity method, and other equity investments.

MAN reports shares of Scania AB, Södertälje/Sweden (Scania), as a material financial investment. As an available-for-sale financial asset, it is measured at fair value. See **note (32)** for further information.

"Income/loss from financial investments" contains dividend income from the investment in Scania amounting to €59 million (previous year: €60 million).

19 Assets leased out

€ million	2013	2012
Gross carrying amount at January 1	3,676	3,484
Accumulated depreciation	–1,175	–1,181
Balance at January 1	**2,501**	**2,303**
Change in consolidated Group structure/ acquisitions	110	–
Additions	808	821
Disposals	–230	–215
Depreciation	–392	–427
Currency translation differences and other changes	–41	19
Reclassified as assets held for sale	–273	–
Balance at December 31	**2,483**	**2,501**
Gross carrying amount at December 31	3,609	3,676
Accumulated depreciation	–1,126	–1,175

Assets leased out relate to commercial vehicles that are leased to customers on the basis of operating leases or sold to customers with buyback options.

Future revenue from noncancelable operating leases

€ million	12/31/2013	12/31/2012
Due within one year	510	508
Due between one and five years	697	734
Due after more than five years	34	39
	1,241	**1,281**

For sales with buyback options, the customer payments still to be received by the date of expected return are recognized as future revenue.

20 Financial services receivables

€ million	12/31/2013	12/31/2012
Noncurrent financial services receivables	–	1,071
Current financial services receivables	–	575

The 2013 consolidated financial statements do not contain any financial services receivables because MAN Finance is classified as held for sale in accordance with IFRS 5; see **note (25).**

In the previous year, certain volumes of receivables were sold depending on the market situation and liquidity requirements. Provided that the significant opportunities and risks associated with the receivables remained with the MAN Group, the receivables continued to be reported in the balance sheet. The carrying amount of financial services receivables as of December 31, 2012, was €4 million. The corresponding liabilities were contained in financial liabilities; see **note (25).**

Bad debt allowances on financial services receivables changed as follows:

€ million	2013	2012
Balance at January 1	**116**	**110**
Additions	62	42
Utilization	– 13	– 23
Reversals	– 17	– 13
Exchange rate effects and other changes	– 1	0
Reclassified as assets held for sale	– 147	–
Balance at December 31	**–**	**116**

Financial services receivables contained the following finance lease receivables:

€ million	12/31/2013	12/31/2012
Noncurrent finance lease receivables	–	897
Current finance lease receivables	–	407

Finance lease receivables as of December 31, 2012, related to commercial vehicle leases. The gross investment in the lease was the aggregate of the minimum lease payments receivable until expiration of the lease plus the unguaranteed residual value of the vehicle at the end of the lease. The present value was obtained by discounting the gross investment in the lease at the interest rate implicit in the lease.

Gross investment in finance leases

€ million	12/31/2013	12/31/2012
Due within one year	–	559
Due between one and five years	–	966
Due after more than five years	–	21
	–	**1,546**

The maturities of the present value of minimum lease payments due under finance lease receivables were as follows:

€ million	12/31/2013	12/31/2012
Due within one year	–	404
Due between one and five years	–	868
Due after more than five years	–	18
	–	**1,290**

Reconciliation of the gross investment in leases to the present value of minimum lease payments:

€ million	12/31/2013	12/31/2012
Gross investment in finance leases	–	1,546
Discount	–	–144
Bad debt allowances	–	–98
Net investment in finance leases	**–**	**1,304**
of which unguaranteed residual value	–	–14
Minimum lease payments	**–**	**1,290**

Bad debt allowances on finance lease receivables changed as follows:

€ million	2013	2012
Balance at January 1	**98**	**96**
Additions	55	37
Utilization	–13	–22
Reversals	–15	–13
Exchange rate effects and other changes	0	0
Reclassified as assets held for sale	–125	–
Balance at December 31	**–**	**98**

21 Inventories

€ million	12/31/2013	12/31/2012
Raw materials, consumables, and supplies	458	445
Work in progress and finished products	2,122	2,294
Merchandise	430	499
Prepayments	102	135
	3,112	**3,373**

Consumption of inventories amounting to €7,926 million (previous year: €8,152 million) is recognized as cost of goods sold and services rendered in the reporting period. Inventories of €648 million (previous year: €701 million) were recognized at net realizable value. The impairment loss amounted to €93 million (previous year: €94 million).

22 Trade receivables

€ million	12/31/2013	12/31/2012
Customer receivables	2,031	1,886
PoC receivables	241	195
Receivables from investees	74	60
	2,346	**2,141**

€17 million of the trade receivables (previous year: €15 million) is due between one and five years. The remaining €2,329 million (previous year: €2,126 million) is due in less than one year.

Bad debt allowances on customer receivables, PoC receivables, and receivables from investees changed as follows:

€ million	2013	2012
Balance at January 1	**113**	**113**
Additions	70	40
Utilization	–11	–12
Reversals	–13	–31
Exchange rate effects and other changes	–4	3
Reclassified as assets held for sale	–16	–
Balance at December 31	**139**	**113**

Certain volumes of receivables are sold depending on the market situation and liquidity requirements. Provided that the significant opportunities and risks associated with the receivables remain with the MAN Group, the receivables continue to be reported in the balance sheet. The carrying amount in the trade receivables at the end of the reporting period was €17 million (previous year: €8 million). The corresponding liabilities are contained in financial liabilities; see **note (25).**

PoC receivables recognized using the percentage of completion method are calculated as follows:

€ million	12/31/2013	12/31/2012
Contract costs and proportionate contract profit/loss of construction contracts	1,429	1,622
Exchange rate effects	–3	–2
PoC receivables, gross	**1,426**	**1,620**
Prepayments received	–1,185	–1,425
	241	**195**

Other prepayments of €362 million (previous year: €399 million) received on construction contracts for which no contract costs have yet been incurred are recognized as liabilities.

Revenue from construction contracts amounted to €341 million (previous year: €970 million). Orders and part-orders billed to customers are reported in customer receivables.

23 Other assets

€ million	12/31/2013	12/31/2012
Loans to Group companies	1,174	5
Claim against Truck & Bus GmbH for absorption of the net loss of MAN SE under German GAAP	724	–
Other tax receivables	240	207
VAT receivables	226	165
Deferred income	85	100
Derivatives	54	27
Other noncurrent receivables from investees	21	31
Loans to and other receivables from third parties	8	16
Advances, clearing accounts	8	10
Reserve from pension liability insurance	8	9
Miscellaneous other assets	237	319
	2,785	**889**

Other assets are reported as follows:

€ million	12/31/2013	12/31/2012
Other noncurrent assets	833	237
Other current assets	1,952	652

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

Other assets amounting to €832 million (previous year: €253 million) are due after more than one year, including €20 million (previous year: €29 million) due after more than five years. The remaining €1,953 million (previous year: €636 million) is due in less than one year.

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 Truck & Bus GmbH and MAN SE on April 26, 2013, which came into effect on its entry in the relevant 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 AktG. This supplements the dividend rights attached to common and preferred shares described above.

The common shares are voting shares, while preferred shares do not generally carry voting rights. Under section 140 (2) of the *Aktiengesetz* (AktG – German Stock Corporation Act), this does not apply if the preferred dividend is not paid in a given year, or is not paid in full, and the shortfall is not made good in the following year in addition to the full preferred dividend for that year. In such cases, holders of preferred shares 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 the law or the Articles of Association. In light of the domination and profit and loss transfer agreement between 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, will not actually be 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.

Authorized Capital 2010

The resolution dated June 3, 2005, authorizing the creation of Authorized Capital 2005, supplemented by a resolution of the Annual General Meeting on April 3, 2009, was superseded when the authorizing resolution of the Annual General Meeting dated April 1, 2010, to create Authorized Capital 2010 took effect.

The Annual General Meeting on April 1, 2010, resolved to authorize the Executive Board of the Company to increase the share capital, with the consent of the Supervisory Board, by up to €188,211,200 (= 50%) by issuing common bearer shares on one or more occasions against cash contributions and/or noncash contributions in the period up to March 31, 2015 (Authorized Capital 2010).

The shareholders must generally be granted preemptive rights. However, the Executive Board is authorized, with the consent of the Supervisory Board, to disapply preemptive rights when shares are issued against noncash contributions for the purpose of acquiring companies, investments in companies, or significant assets of companies. In the case of cash capital increases, the Executive Board is also authorized, with the consent of the Supervisory Board, to disapply preemptive rights

(i) to the extent necessary to grant the holders of convertible bonds or bonds with warrants that were or will be issued by the Company or its Group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their conversion rights or options if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation (antidilution provision); and/or
(ii) if the issue price of the new shares is not more than 5% lower than the quoted market price and the shares issued in accordance with section 186 (3) sentence 4 of the AktG do not in the aggregate exceed 10% of the share capital. Shares issued or sold by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations in issue at the time of utilization in accordance with this provision shall also count towards the above-mentioned 10% limit; and/or
(iii) to settle any fractions needed to round the share capital; and/or
(iv) to issue new shares against cash contributions to employees with managerial responsibility (managers) of the Company and/or of Group companies in respect of a proportion of Authorized Capital 2010 of up to €4,000,000. It may also be stipulated that the contribution to be paid must be covered in accordance with section 204 (3) of the AktG.

Apart from the issue of shares to employees with managerial responsibility while disapplying preemptive rights, the authorization is restricted to the extent that, after the authorization is exercised, the total shares issued under Authorized Capital 2010 and/or under Contingent Capital 2010 while disapplying preemptive rights may not exceed 20% of the share capital existing at the time the authorization took effect (= €75,284,480) or – if lower – the share capital existing at the time the authorization was utilized. Further details are governed by Article 4 (4) of the Articles of Association.

Issuance of convertible bonds and/or bonds with warrants, Contingent Capital 2010

The resolution dated June 3, 2005, authorizing the creation of Contingent Capital 2005, supplemented by a resolution of the Annual General Meeting on May 10, 2007, was superseded when the authorizing resolution of the Annual General Meeting dated April 1, 2010, to create Contingent Capital 2010 to issue convertible bonds and/or bonds with warrants took effect.

By way of a resolution of the Annual General Meeting dated April 1, 2010, the Company's Executive Board was authorized, with the consent of the Supervisory Board, to issue convertible bonds and/or bonds with warrants – hereinafter referred to collectively as "bonds" – of MAN SE in the aggregate principal amount of up to €2.5 billion on one or more occasions until March 31, 2015, and to grant the bondholders options or conversion rights or to establish conversion obligations on new common bearer shares of MAN SE with a notional interest in the share capital of up to €76,800,000 (approximately 20%) as specified in greater detail by the option or conversion terms. The bonds are issuable against cash contributions.

The authorization also includes the option to guarantee bonds issued by other Group companies and to grant shares of MAN SE to settle the conversion rights or options or conversion obligations conveyed by these bonds. Furthermore, the authorization allows the Executive Board, with the consent of the Supervisory Board, to define the additional terms of the bonds, in particular the interest rate, issue price, duration and denomination, the subscription or conversion ratio, the option or conversion price, and the option or conversion period, or to do so in consultation with the governing bodies of the issuing Group companies.

The bonds must be offered for subscription by the shareholders. However, the Executive Board is also authorized, with the consent of the Supervisory Board, to disapply preemptive rights

(i) to the extent that the issue price of the bond is not materially lower than its theoretical market value calculated by recognized financial techniques. In addition, the disapplication of preemptive rights within the meaning of section 86 (3) sentence 4 of the AktG only applies to bonds with rights to shares with a notional interest in the share capital that does not in the aggregate exceed 10% of the share capital. Shares issued, sold, or issuable by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization;
(ii) to the extent that this is necessary to settle fractions that result from the subscription ratio;
(iii) to grant the bondholders with existing conversion rights/options on, or obligations to convert bonds to, shares of the Company, preemptive rights to the extent to which they would be entitled if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation, in order to prevent dilution of the economic value of these rights.

The authorization to issue convertible bonds or bonds with warrants or with conversion obligations is restricted to the extent that, after the conversion rights/options or the conversion obligations are exercised, the total shares issuable while disapplying preemptive rights under Contingent Capital 2010 and/or issued under Authorized Capital 2010 – apart from the issue of shares to employees with managerial responsibility while disapplying preemptive rights – may not exceed 20% of the share capital existing at the time the authorization took effect (= €75,284,480) or – if lower – the share capital existing at the time the authorization was utilized.

At the same time, the Annual General Meeting on April 1, 2010, resolved to contingently increase the share capital by up to €76,800,000, composed of up to 30,000,000 common bearer shares. The contingent capital increase will only be implemented to the extent that the holders of convertible bonds or bonds with warrants or of conversion obligations issued for cash consideration by MAN SE or its Group companies by virtue of the authorizing resolution of the Annual General Meeting on April 1, 2010, exercise their conversion rights or options or settle their conversion obligations, and provided that other forms of settlement are not used. The new shares carry dividend rights for the first time for the fiscal year in which they are issued (Contingent Capital 2010).

Share repurchase

The resolution dated April 3, 2009, to purchase the Company's own shares was superseded when the authorizing resolution of the Annual General Meeting on April 1, 2010, to purchase the Company's own shares took effect.

The resolution of the Annual General Meeting on April 1, 2010, authorized the Executive Board to purchase common and/or nonvoting preferred shares of the Company, with the consent of the Supervisory Board, on one or more occasions until March 31, 2015, up to a maximum total amount of 10% of the share capital. Together with other treasury shares held by the Company or attributable to the Company in accordance with sections 71d and 71e of the AktG, the shares purchased by virtue of this authorization may not account for more than 10% of the existing share capital at any time. The shares may also be purchased by other Group companies and/or third parties for the account of MAN SE or other Group companies.

The shares may be purchased on the stock exchange or by means of a public purchase offer to the holders of the class of shares concerned. If the shares are purchased on the stock exchange, the purchase price (net of transaction costs) may not exceed or fall below the price for the relevant class of shares determined by the opening auction on the trading day in Xetra trading (or a comparable successor system) by more than 10%. In the case of a public purchase offer, the bid price or the bid price range per share (net of transaction costs) may not exceed or fall below the average price for the relevant class of shares determined by the closing auction in Xetra trading (or in a comparable successor system) on the three market days before the date of the public announcement of the offer by more than 10%. The purchase offer or the invitation to submit such an offer may entail additional conditions. If the total stock tendered exceeds the volume of the purchase offer, it must be accepted on a proportionate basis. The terms of the offer may provide for preferred acceptance of small numbers of shares to the extent provided by law, but in any case up to no more than a maximum of 100 shares tendered per shareholder. Additional details and conditions relating to the offer may be established in the conditions of the offer.

The Executive Board has been additionally authorized, with the consent of the Supervisory Board, to use purchased common shares of the Company for all purposes permitted by law in addition to sale on the stock exchange or by a public offer to all shareholders, and to disapply shareholders' preemptive rights. This applies in particular

(i) if the purchased common shares are sold at a price that is not materially lower than the quoted market price; and/or
(ii) to the extent that they are used as consideration in a business combination or to acquire companies or investments in companies or assets of companies; and/or
(iii) to the extent that they are used to settle options or conversion rights or conversion obligations established by the Company or a Group company when bonds were issued. The shares transferred by virtue of this authorization may not in the aggregate exceed 10% of the share capital where they are used to settle conversion rights or options, or conversion obligations established in corresponding application of section 186 (3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations issued at the time of utilization in accordance with this provision shall also count towards this limit; and/or
(iv) to the extent that the common shares are used to settle stock bonus commitments to employees with managerial responsibility (managers) of the Company and/or of Group companies.

The Annual General Meeting on April 1, 2010, further authorized the Executive Board to redeem the Company's own common shares and/or nonvoting preferred shares with the consent of the Supervisory Board, but without any further resolution by the Annual General Meeting.

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

As described in **note (25)**, MAN SE has entered into various material agreements that are affected by a change of control.

b) Significant shareholdings in MAN SE

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 Truck & Bus GmbH had exceeded the limit of 75% on April 16, 2013, and amounted to 75.03% at that time. Volkswagen Aktiengesellschaft notified MAN SE on June 6, 2012, 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 Aktiengesellschaft had exceeded the limit of 75% on June 6, 2012, and amounted to 75.03% at that time. Volkswagen Aktiengesellschaft contributed the relevant shares to Truck & Bus GmbH, Wolfsburg, on April 16, 2013. The relevant shares are now attributable to Volkswagen Aktiengesellschaft via 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 Aktiengesellschaft's interest – now 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, or of any changes in the above-mentioned interests.

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) and the net retained profits of MAN SE amounting to €21 million (previous year: €168 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 Executive and Supervisory Boards of MAN SE will propose to the Annual General Meeting to use the net retained profits of €21 million (previous year: €168 million) to pay a dividend of €0.14 (previous year: €1.00) per share carrying dividend rights and to appropriate the residual amount to retained earnings. The proposed total dividend payout is therefore €21 million (previous year: €147 million). As this dividend per no-par value share will be lower than the guaranteed dividend (€3.07), Truck & Bus GmbH will pay every MAN free float shareholder the corresponding difference between it and the guaranteed dividend.

d) Other comprehensive income

€ million	12/31/2013	12/31/2012
Currency translation differences	–267	105
Fair value measurement of marketable securities and financial investments	293	463
Fair value of derivatives	–22	–7
Remeasurements of pension plans	–475	–597
Other comprehensive income for the period from equity-method investments	–3	1
Deferred taxes	124	151
	–350	**116**

Of the deferred taxes of €124 million (previous year: €151 million), €115 million (previous year: €150 million) is attributable to remeasurements of pension plans, €11 million (previous year: €7 million) is attributable to the measurement of derivatives, and €–2 million (previous year: €–6 million) to the fair value measurement of marketable securities and financial investments.

The total other comprehensive income amounting to €–350 million (previous year: €116 million) contains €–12 million (previous year: –) attributable to assets held for sale. For further information, see **note (6).**

e) Noncontrolling interests

The noncontrolling interests are mainly attributable to Renk Aktiengesellschaft, Augsburg, in which MAN holds a 76% interest.

f) Capital management

The most important goals of MAN SE's capital management are to sustainably increase its enterprise value and to safeguard the Group's liquidity and creditworthiness. This is achieved not only by reducing the cost of capital and improving cash flow from financing activities, but also by optimizing the capital structure and implementing effective risk management.

MAN SE uses the modified measure referred to as "delta to the cost of capital" (ROCE – WACC) to measure and manage its business activities and to optimize capital allocation in the Group. This corresponds to the difference between ROCE and the weighted average cost of capital (WACC).

After Moody's linked the MAN Group's rating to that of Volkswagen AG in June 2013, MAN decided to end the cooperation with the rating agency as of the end of March 2014 for commercial reasons. Moody's most recently confirmed MAN's A3 long-term rating in September 2013 and lifted its outlook from "stable" to "positive" in line with Volkswagen AG's rating in June 2013.

The Group's capital employed for capital management purposes comprises equity, pension obligations, and financial liabilities.

€ million	12/31/2013	12/31/2012*
Equity	5,227	5,632
Pensions and other post-employment benefits	452	591
Financial liabilities	3,627	5,299
Capital employed	**9,306**	**11,522**

* Adjusted to reflect the retrospective application of IAS 19 (2011). See also "New and revised accounting pronouncements."

Equity decreased by €405 million or 7.2% year-on-year in fiscal 2013. This was attributable primarily to the negative total comprehensive income amounting to €978 million, which is composed of the net loss of €513 million and other comprehensive income amounting to €–465 million. In turn, this is a result of losses of €372 million (previous year: €192 million) on the translation of financial statements of foreign Group companies, the fall in the fair value of the investment in Scania amounting to €167 million net (€457 million), and offsetting remeasurements of pension plans amounting to €89 million net (€–97 million). The negative total comprehensive income was offset primarily by the loss absorption by Truck & Bus GmbH amounting to €724 million, less the dividend payment of €147 million on June 7, 2013. Pensions and other post-employment benefits decreased by 24% year-on-year in particular because of the positive effect of remeasurements of pension plans, with the positive remeasurements resulting primarily from the use of a higher discount rate. Financial liabilities declined by 32% because of the reclassification of MAN Finance as held for sale in accordance with IFRS 5; see **note (25).** Overall, this resulted in a €2,216 million (19%) decrease in capital employed in fiscal 2013.

MAN SE's Articles of Association do not stipulate any capital requirements.

25 Financial liabilities

€ million	12/31/2013	12/31/2012
Bonds	2,724	3,311
Bank borrowings and other liabilities	895	1,085
Structured finance	8	903
	3,627	**5,299**

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2013	12/31/2012
Noncurrent financial liabilities		
due after more than one year	2,267	2,966
of which: due after more than five years	6	8
Current financial liabilities		
due within one year	1,360	2,333

MAN SE placed a €200 million promissory note loan and a €1.5 billion bond in two tranches in 2009 to provide long-term financing for the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., São Paulo/Brazil.

Previously, MAN SE had launched an EMTN program so that it could issue securities flexibly and at short notice if required so as to raise funds on the basis of existing master documentation. There are two promissory note loans in the total amount of €23 million expiring in 2019 (amortizing) that bear an interest rate of 6.76%. Two bond tranches issued in 2009 and 2012, each amounting to €500 million, maturing in 2015 and 2016, and with coupons of 1.000% and 7.250%, respectively, are also outstanding. Additionally, a €750 million bond issued in 2012 that matures in 2017 and bears a coupon of 2.125% is outstanding. As in 2012, MAN SE also issued privately placed notes with a variable interest rate, all of which are denominated in euros. The privately placed notes have a total volume of €980 million and mature between January 2014 and April 2015.

The carrying amount of the bond tranche maturing on May 20, 2016, amounted to €498 million at the reporting date, and its fair value was €575 million. The carrying amounts of the bonds issued in 2012 expiring on March 13, 2017, and September 21, 2015, amounted to €747 million and €499 million, respectively, and their fair values were €774 million and €503 million, respectively.

Structured finance includes liabilities of €8 million (previous year: €12 million) relating to sales of receivables. The MAN Group also used asset-backed financing arrangements, in particular to refinance its financial services business. All asset-backed financing arrangements in the amount of €722 million that assure the financing of the amortizing portfolio until the end of the term were reported as liabilities associated with assets held for sale as of December 31, 2013. In the previous year, current financial liabilities included asset-backed financing arrangements amounting to €892 million.

Volkswagen AG extended a loan of €200 million to MAN SE and a loan of €1,100 million to MAN Finance in order to refinance maturing liabilities, among other reasons. The loan to MAN Finance is presented in liabilities associated with assets held for sale. For further information, see **notes (6)** and **(35).**

Bank borrowings, whose interest terms are oriented on the relevant market conditions, serve to finance international MAN Group companies, among other things.

The €1.5 billion variable-rate syndicated credit line, which had been provided by a syndicate of 23 banks until December 2015, was terminated regularly by MAN SE as of December 2013. It was replaced by a credit facility from Volkswagen AG in the same amount that expires in December 2016.

Liabilities are not generally collateralized in the MAN Group.

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

The promissory note loans issued in the amount of €23 million can be terminated with immediate effect if one or more persons acting in concert acquire the majority of voting rights in MAN SE. The arranging banks notified the creditors about Volkswagen AG's acquisition of a majority stake in MAN SE. None of the creditors exercised their rights to call in the promissory note loans.

Repayment of the publicly offered bonds (€1.75 billion) and the privately placed notes (€980 million) 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. The acquisition by Volkswagen AG of a majority stake in MAN SE did not lead to the Company's rating being downgraded to noninvestment grade.

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 €163 million in 2013 (previous year: €162 million). Of this total amount, contributions of €159 million (previous year: €159 million) were paid into the statutory pension insurance scheme in Germany.

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

€ million	2013	2012
Present value of funded obligations	2,361	2,260
Fair value of plan assets	–2,007	–1,775
Funded status at December 31	**354**	**485**
Present value of unfunded obligations	97	105
Amount not recognized as an asset because of the limit in IAS 19	0	1
Carrying amounts at December 31	**451**	**591**
of which: pension provisions	452	591
of which: other assets	–1	0

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 directly linked to the capital markets and is determined by a basket of indices and other suitable parameters. 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 a variety of old 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. The assets attributable to the current pension plans are generally invested with the objective of covering the performance risk resulting from the return parameters of the lifecycle concept.

There is a 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 to new entrants and grant lifelong final salary 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 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."

In France, Austria, and Poland, there are defined benefit pension plans with a low level of obligations that are funded by provisions. Additionally, mandatory post-employment benefits are granted in certain countries, e. g., the compulsory "Abfertigung" severance pay arrangements in Austria.

c) Funded status

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

	Germany		Other countries*	
in %	2013	2012	2013	2012
Discount rate at December 31	3.70	3.20	3.69	3.61
Payroll trend	3.32	2.70	2.55	2.63
Pension trend	1.80	1.80	1.63	2.97
Employee turnover rate	4.65	4.65	6.21	3.87

* 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 "S1NA medium cohort 1.5% underpin" and "BVG 2010 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 change in the present value of the defined benefit obligation is attributable to the following factors:

€ million	2013	2012
Present value of DBO at January 1	2,365	2,023
Current service cost	72	56
Interest cost	78	94
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	0	0
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–87	258
Actuarial gains (–)/losses (+) arising from experience adjustments	7	–45
Employee contributions	15	14
Pension payments from company assets	–27	–27
Pension payments by the plan	–79	–80
Reclassified as liabilities associated with assets held for sale	–10	–
Other changes	139	69
Currency translation differences from plans outside Germany	–15	3
Present value of DBO at December 31	**2,458**	**2,365**

Two MAN companies in Switzerland are members of a pension institution that formerly allowed departing employers to leave obligations to pensioners in the pension plan. Departing employers were no longer required to guarantee these obligations. The Board of Trustees of this pension institution decided in 2013 that, in the future, obligations to pensioners and the attributable assets can no longer be left in the pension institution if the original employer leaves, but must be transferred to the new pension institution. Because of this change in risk allocation, obligations to pensioners amounting to €138 million and pension assets of €138 million had to be recognized in the balance sheet for the first time as of January 1, 2013.

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

Present value of DBO if		€ million	%
Discount rate	is 0.5 percentage points higher	2,324	–5.45
	is 0.5 percentage points lower	2,608	6.12
Payroll trend	is 0.5 percentage points higher	2,471	0.53
	is 0.5 percentage points lower	2,446	–0.48
Pension trend	is 0.5 percentage points higher	2,563	4.26
	is 0.5 percentage points lower	2,378	–3.23
Longevity	increases by 1 year	2,514	2.28

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: 13 years).

The present value of the defined benefit obligation is attributable as follows to the members of the plan:

€ million	2013	2012
Active members	1,070	1,081
Former members	257	247
Pensioners	1,131	1,037
Total	**2,458**	**2,365**

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	2013	2012
Payments due within one year	114	114
Payments due between one and five years	392	421
Payments due after more than five years	1,952	1,830
Total	**2,458**	**2,365**

Changes in plan assets are shown in the following table:

€ million	2013	2012
Plan assets at January 1	1,775	1,645
Interest income on plan assets calculated using the discount rate	61	82
Return on plan assets not included in interest income	50	65
Employer contributions to plan assets	67	51
Employee contributions to plan assets	15	9
Pension payments from plan assets	– 79	– 80
Reclassified as liabilities associated with assets held for sale	– 6	–
Other changes	138	–
Currency translation differences from foreign plans	– 14	3
Plan assets at December 31	**2,007**	**1,775**

The investment of plan assets resulted in income of €111 million (previous year: €147 million), of which €73 million (previous year: €109 million) was attributable to Germany and €38 million (previous year: €38 million) to other countries.

Employer contributions to plan assets are expected to amount to €66 million in the next annual reporting period.

Plan assets are invested in the following asset classes:

	12/31/2013			12/31/2012		
€ million	Quoted prices in an active market	No quoted prices in an active market	Total	Quoted prices in an active market	No quoted prices in an active market	Total
Cash and cash equivalents	34	–	34	39	–	39
Equity instruments	57	–	57	–	3	3
Debt instruments	139	–	139	–	–	–
Direct investments in real estate	–	71	71	–	32	32
Equity funds	377	–	377	387	–	387
Bond funds	780	–	780	801	–	801
Real estate funds	27	1	28	–	26	26
Other funds	17	2	19	–	–	–
Other instruments	41	461	502	60	427	487
Fair value of plan assets	**1,472**	**535**	**2,007**	**1,287**	**488**	**1,775**

33% of the plan assets are invested in German assets, 52% in other European assets, and 15% in assets in other regions.

d) Pension expense

The following amounts were recognized in the income statement:

€ million	2013	2012
Current service cost	72	56
Net interest expense (+)/income (–)	17	12
Total	**89**	68

27 Other provisions

€ million	As of 12/31/2012[1,2]	Change in consolidated Group structure, currency translation	Utilization	Additions	Reversals	Interest unwinding and change in discount rate	Reclassified[3]	As of 12/31/2013
Warranties	832	–15	–218	337	–75	–8	–	853
Outstanding costs	209	–5	–67	156	–27	–1	–	265
Other business-related obligations	373	–11	–94	119	–80	0	0	307
Obligations to employees	138	–9	–25	33	–9	0	0	128
Miscellaneous other provisions	298	–42	–62	261	–49	0	–7	399
	1,850	**–82**	**–466**	**906**	**–240**	**–9**	**–7**	**1,952**

1 Adjusted to reflect the retrospective application of IAS 19 (2011). See also "New and revised accounting pronouncements."
2 The prior-year figures for miscellaneous other provisions have been adjusted to enhance comparability.
3 Relates to reclassification as liabilities associated with assets held for sale.

Other provisions are reported in the following balance sheet items:

€ million	12/31/2013 Noncurrent	12/31/2013 Current	12/31/2012[2] Noncurrent[1]	12/31/2012[2] Current
Warranties	383	470	365	467
Outstanding costs	43	222	52	157
Other business-related obligations	16	291	26	347
Obligations to employees	108	20	124	14
Miscellaneous other provisions	94	305	117	181
	644	**1,308**	**684**	**1,166**

[1] Adjusted to reflect the retrospective application of IAS 19 (2011). See also "New and revised accounting pronouncements."
[2] The prior-year figures for miscellaneous other provisions have been adjusted to enhance comparability.

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. Miscellaneous other provisions for business risks relate to provisions for expected losses from executory contracts as well as other obligations.

Other business-related obligations in fiscal 2011 contained provisions of €65 million that were recognized in connection with the investigation of potential irregularities in the handover of four-stroke marine diesel engines at MAN Diesel & Turbo. See **note (29)** for further information.

The additions to provisions for warranty risks and the additions to other business-related obligations also reflect the risk provisions recognized in the Power Engineering business area.

Obligations to employees relate to anniversary payments, termination benefits, and partial retirement obligations.

28 Other liabilities

€ million	12/31/2013	12/31/2012
Deferred purchase price payments for assets leased out	2,959	1,633
Employee-related liabilities	345	402
Miscellaneous other tax payables	306	181
Derivatives	65	66
Deferred income	11	26
Miscellaneous other liabilities	196	232
	3,882	**2,540**

Deferred purchase price payments for assets leased out originate from sales of commercial vehicles accounted for as operating leases because of a buyback obligation. The long-term buyback obligation amounts to €1,129 million (previous year: €752 million in total) and is reported as a financial liability. See **notes (32)** and **(33)**.

Employee-related liabilities relate mainly to wages, salaries, and social security contributions outstanding at the end of the reporting period, accrued vacation pay, and annual bonuses.

Other 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 in the balance sheet items of the underlyings.

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2013	12/31/2012
Other noncurrent liabilities	1,922	1,106
Other current liabilities	1,960	1,434

Of the other noncurrent liabilities, €87 million (previous year: €62 million) is due in more than five years.

Other disclosures

29 Litigation/legal proceedings

Based on indications of irregularities in the course of the handover of four-stroke marine diesel engines by MAN Diesel & Turbo SE, MAN SE's Executive Board launched an investigation by MAN SE's Compliance function and external advisers in fiscal 2011. The investigation showed that it was possible to externally manipulate the technically calculated fuel consumption figures for four-stroke marine diesel engines on test beds operated by MAN Diesel & Turbo SE (formerly: MAN Diesel SE) such that the figures displayed differed from the actual test results. MAN notified the Munich Public Prosecution Office (I) of its investigation. The matter was passed to the Public Prosecution Office in Augsburg at the end of 2011. The Augsburg Local Court imposed an administrative fine on MAN Diesel & Turbo SE in the single-digit millions in fiscal 2013. The investigations by the Augsburg Public Prosecution Office into MAN Diesel & Turbo SE were terminated on payment of this amount. See **note (27)** for further information on provisions.

The investigation by the European Commission into suspected possible antitrust violations in the commercial vehicles business launched in 2011 is still ongoing. MAN is continuing to cooperate in full with the European Commission. 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 is currently examining an appeal against the administrative fine.

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.

30 Contingent liabilities

€ million	12/31/2013	12/31/2012
Contingent liabilities under guarantees	89	131
Contingent liabilities under buyback guarantees	111	128

The contingent liabilities under guarantees relate mainly to guarantees issued for trade obligations of investees, former investees, and other companies. 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 €78 million (previous year: €121 million). MAN's guarantees for Ferrostaal are largely covered by indemnities, depending on the origination date of the guarantee.

Customer liabilities to financing companies that finance the purchase of the Group's products by third parties are covered by standard industry buyback guarantees. These relate to commercial vehicles and amount to €111 million (previous year: €128 million).

The contingent liabilities disclosed are generally measured in the maximum amount of any claim that may be asserted against MAN. Any recourse claims are not offset.

There are various project-related risks in connection with the completion of major projects at MAN Diesel & Turbo. The assessment of these risks will change in line with new information and increasing progress.

MAN Finance has proportionate additional payment obligations in the event of losses at an associate.

Purchase commitments for items of property, plant, and equipment amounted to €193 million at the end of the reporting period (previous year: €255 million).

31 Other financial obligations

Other financial obligations comprise rental and lease obligations. The future rental and lease obligations under operating leases are due as follows until expiration of the lease terms:

€ million	12/31/2013	12/31/2012
Investment leases		
Due within one year	29	29
Due between one and five years	34	43
Due after more than five years	9	3
	72	**75**
Rental and lease obligations		
Due within one year	103	102
Due between one and five years	287	289
Due after more than five years	376	418
	766	**809**

Rental and lease obligations contain the sale of leased vehicles and are partly offset by future income from subleases amounting to €5 million (previous year: €5 million).

32 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 carrying amounts, the measurement categories by class, the fair values, and the fair value hierarchy classifications as of December 31, 2013.

€ million	Carrying amount	Of which within the scope of IFRS 7	IAS 39 measurement category*	Fair value	Fair value hierarchy classification
Assets					
Financial investments	1,522	1,522	AfS	1,522	
of which quoted in active markets	1,485	1,485	AfS	1,485	Level 1
of which other financial investments	37	37	AfS	37	Level 3
Other noncurrent and current assets	2,785	2,049		2,049	–
Other financial assets	2,049	2,049		2,049	–
Available for sale	4	4	AfS	4	Level 2
At fair value through profit or loss	41	41	aFV	41	Level 2
Derivatives in hedging relationships	13	13	n/a	13	Level 2
Other assets	1,991	1,991	LaR	1,991	Level 2
Assets not within the scope of IFRS 7	736	–	n/a	–	–
Trade receivables	2,346	2,346	LaR	2,346	Level 2
Marketable securities	1	1	AfS	1	Level 2
Cash and cash equivalents	1,137	1,137	LaR	1,137	Level 1
Assets held for sale					
Financial assets	3,054	3,054		3,091	–
Noncurrent and current financial services receivables	2,841	2,841	n/a	2,878	Level 2
Derivatives in hedging relationships	2	2	n/a	2	Level 2
Other assets	140	140	LaR	140	Level 2
Cash and cash equivalents	71	71	LaR	71	Level 1
Assets not within the scope of IFRS 7	51	–	n/a	–	–
Liabilities					
Noncurrent and current financial liabilities	3,627	3,627	OL	3,735	–
for which fair value is available as directly observable quoted prices in active markets	2,724	2,724	OL	2,832	Level 1
for which fair value can be derived from observable market data for similar financial instruments	903	903	OL	903	Level 2
Other noncurrent and current liabilities	3,882	1,918		1,933	–
Other financial liabilities	1,918	1,918		1,933	–
At fair value through profit or loss	32	32	aFV	32	Level 2
Derivatives in hedging relationships	33	33	n/a	33	Level 2
Other liabilities	1,853	1,853	OL	1,868	Level 2
Liabilities not within the scope of IFRS 7	1,964	–	n/a	–	–
Trade payables	1,922	1,922	OL	1,922	Level 2
Liabilities associated with assets held for sale					
Financial liabilities	3,291	3,291		3,291	Level 2
At fair value through profit or loss	2	2	aFV	2	Level 2
Derivatives in hedging relationships	15	15	n/a	15	Level 2
Other liabilities	3,274	3,274	OL	3,274	Level 2
Liabilities not within the scope of IFRS 7	39	–	n/a	–	–

* AfS: available-for-sale financial assets;
LaR: loans and receivables;
aFV: at fair value through profit or loss;
OL: other financial liabilities measured at amortized cost;
n/a: not applicable.

The following table shows the carrying amounts, the measurement categories by class, the fair values, and the fair value hierarchy classifications as of December 31, 2012.

€ million	Carrying amount	Of which within the scope of IFRS 7	IAS 39 measurement category*	Fair value	Fair value hierarchy classification
Assets					
Financial investments	1,702	1,702	AfS	1,702	
of which quoted in active markets	1,656	1,656	AfS	1,656	Level 1
of which other financial investments	46	46	AfS	46	Level 3
Noncurrent and current financial services receivables	1,646	1,646	n/a	1,655	Level 2
Other noncurrent and current assets	889	206		206	–
Other financial assets	206	206		206	–
Available for sale	7	7	AfS	7	Level 2
At fair value through profit or loss	16	16	aFV	16	Level 2
Derivatives in hedging relationships	11	11	n/a	11	Level 2
Other assets	172	172	LaR	172	Level 2
Assets not within the scope of IFRS 7	683	–	n/a	–	–
Trade receivables	2,141	2,141	LaR	2,141	Level 2
Marketable securities	1	1	AfS	1	Level 2
Cash and cash equivalents	1,366	1,366	LaR	1,366	Level 1
Liabilities					
Noncurrent and current financial liabilities	5,299	5,299	OL	5,454	–
for which fair value is available as directly observable quoted prices in active markets	3,181	3,181	OL	3,336	Level 1
for which fair value can be derived from observable market data for similar financial instruments	2,118	2,118	OL	2,118	Level 2
Other noncurrent and current liabilities	2,540	953		942	–
Other financial liabilities	953	953		942	–
At fair value through profit or loss	51	51	aFV	51	Level 2
Derivatives in hedging relationships	15	15	n/a	15	Level 2
Other liabilities	887	887	OL	876	Level 2
Liabilities not within the scope of IFRS 7	1,587	–	n/a	–	–
Trade payables	2,006	2,006	OL	2,006	Level 2

* AfS: available-for-sale financial assets;
LaR: loans and receivables;
aFV: at fair value through profit or loss;
OL: other financial liabilities measured at amortized cost;
n/a: not applicable.

The cumulative carrying amounts of the financial instruments classified by IAS 39 measurement category are as follows:

IAS 39 measurement category

	12/31/2013		12/31/2012	
€ million	Assets	Liabilities	Assets	Liabilities
AfS	1,527	–	1,710	–
aFV	41	34	16	51
LaR	5,685	–	3,679	–
OL	–	10,676	–	8,192

Fair values were measured on the basis of the market conditions available at the end of the reporting period or using 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 by 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. In addition, an appropriate impairment loss is recognized for trade receivables if there are objective indications of impairment.

The fair value of finance lease receivables corresponds to the present value of the cash flows expected to be received for the assets, discounted using current interest rate parameters that reflect changes in market and counterparty-related conditions and expectations.

The fair values of listed bonds are based on the quoted prices at the end of the reporting period. The fair value of OTC bonds, 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.

Available-for-sale (AfS) financial assets include the investment in Scania; see **note (18).** The effect of the change in fair value was recognized in other comprehensive income in the fiscal year and resulted in a carrying amount of €1,485 million at the end of the reporting period (previous year: €1,656 million). If the share price had been 10% higher or lower at December 31, 2012, equity would have been €166 million higher or lower. If the share price had been 10% higher or lower at December 31, 2013, equity would have been €149 million higher or lower. The remaining portion amounting to €42 million (previous year: €54 million) is attributable to investments and shares measured at cost. These are investments in and shares of unlisted entities that were not measured using a discounted cash flow method because the related cash flows could not be reliably measured. No quoted market prices are available for the shares of unlisted entities as no active market exists for these shares. The Company currently has no intention to sell these shares.

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 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.

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.

€ million	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts that are not set off in the balance sheet		Net amount at Dec. 31, 2012
				Financial instruments	Collateral received	
Derivatives	27	–	27	–20	–	7
Trade receivables	2,141	–	2,141	–	–290	1,851

€ million	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts that are not set off in the balance sheet		Net amount at Dec. 31, 2013
				Financial instruments	Collateral received	
Derivatives	54	–	54	–29	–	25
Trade receivables	2,346	–	2,346	–	–348	1,998

€ million	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts that are not set off in the balance sheet		Net amount at Dec. 31, 2012
				Financial instruments	Collateral pledged	
Derivatives	66	–	66	–20	–	46

€ million	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts that are not set off in the balance sheet		Net amount at Dec. 31, 2013
				Financial instruments	Collateral pledged	
Derivatives	65	–	65	–29	–	36

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. 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, including amounts relating to assets and liabilities that have not been set off.

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)

In fiscal 2013 and 2012, there were no reclassifications between Level 1 and Level 2 in fair value measurement, and there were no reclassifications into or out of Level 3 in relation to fair value measurement. If circumstances arise that require a different classification, fair values are reclassified on a quarterly basis.

Net gains and losses on financial instruments are presented in the following table:

€ million	2013	2012
Loans and receivables	–97	–49
Available-for-sale financial assets	62	63
Financial liabilities at cost	–21	2
Financial assets and liabilities at fair value through profit or loss	18	8

Net gains and losses on loans and receivables primarily contain changes in valuation allowances, income from payments received on loans and receivables written off, currency translation differences, and reversals of impairment losses.

Net gains and losses on available-for-sale financial assets relate to net income from investments. They were included in net losses for the category; see also **note (18).**

Net gains and losses on financial liabilities measured at cost are principally composed of gains and losses from currency translation.

Net currency expenses on the items mentioned above amounted to €16 million (previous year: €1 million).

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 are as follows:

€ million	2013	2012
Interest income	191	212
Interest expenses	–219	–281

Interest income of €189 million (previous year: €211 million) and interest expenses of €195 million (previous year: €254 million) relate to items that are not measured at fair value through profit or loss. Interest income on impaired financial assets is insignificant because receipt of payment is expected in the short term in most cases.

33 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. Financial instruments 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.

MAN Finance, which is responsible for the MAN Group's financial services activities, was sold on January 1, 2014. Please see **note (6)** for further details of this transaction.

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 U.S. dollars, Brazilian reais, and 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 2013, net gains of €1 million (previous year: €2 million) from cash flow hedges were recognized in other comprehensive income. In the course of the fiscal year, gains of €16 million (previous year: losses of €21 million) were reclassified from other comprehensive income to net income.

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 other operating expenses and other operating income. For the past fiscal year, this related to total losses from hedge ineffectiveness of €0.1 million (previous year: €0.8 million).

The maximum remaining term of cash flow hedges of forecast transactions was 38 months at the end of fiscal 2013. 41% (previous year: 38%) of the hedged forecast transactions are expected to occur and thus affect net income in the first quarter of 2014. A further 47% (previous year: 46%) of the forecast transactions are expected to be implemented by the end of 2014.

There were no fair value hedges as of December 31, 2013. Losses relating to fair value hedging instruments in the fiscal year amounted to €3 million (previous year: €13 million) and gains on the related hedged items amounted to €3 million (previous year: €13 million).

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 ten percent increase/decrease in a currency per exchange rate were as follows as of December 31, 2013:

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 financial services activities of MAN Finance. The customer financing transactions of the MAN Finance companies, especially leases, are mainly entered into at fixed rates of interest. Interest rate-sensitive financial liabilities at the end of the reporting period related in particular to fixed- and variable-rate euro-denominated bond issues. There were also liabilities from asset-back securities, promissory note loans, bank borrowings, and other fixed and 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.

	12/31/2013				12/31/2012			
€ million	Other comprehensive income		Net income/loss for the period		Other comprehensive income		Net income/loss for the period	
Exchange rate	+10%	–10%	+10%	–10%	+10%	–10%	+10%	–10%
Euro/Brazilian real	0	0	13	–13	7	–7	15	–15
Euro/Danish krone	4	–4	–20	20	1	–1	–21	21
US dollar/Brazilian real	2	–2	0	0	21	–21	–1	1
Euro/sterling	9	–9	58	–58	15	–15	4	–4
Euro/Russian ruble	0	0	–5	5	0	0	10	–10
Euro/Swiss franc	6	–6	7	–7	3	–3	–12	12
Euro/US dollar	7	–7	–6	6	8	–8	0	0
Euro/Norwegian krone	3	–3	0	0	3	–3	1	–1

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, cross-currency swaps, and, in specific cases, swaptions, caps, and floors 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, changes in market rates of interest affect future interest payments and have only a very limited impact on fair values. They are therefore included in the calculation of cash flow risk.

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):

	12/31/2013		12/31/2012	
€ million	+ 100 bp	– 100 bp	+ 100 bp	– 100 bp
Variable-rate nonderivative financial instruments (cash flow risk)	– 17	+ 17	– 12	+ 12
Derivatives (fair value risk)	+ 36	– 36	+ 21	– 21

Any earnings effects of the interest rate sensitivity analysis would be recognized exclusively in net income for the period.

c) Commodity price risk

Changes in commodity prices cause volatility in MAN's costs, resulting in commodity price risks that cannot always be passed on to customers. MAN SE has increasingly entered into cash-settled commodity futures since fiscal 2011 to mitigate these risks.

The commodity 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 nonferrous metals, precious metals, and rubber with a fair value of € –1.4 million (previous year: € –0.1 million).

The maximum remaining term of hedges of forecast transactions was 23 months at the end of fiscal 2013. 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 net income of the change in the fair value of the commodity futures is €+2 million (previous year: €+2 million) for + 10% or € –2 million (previous year: € –2 million) for – 10%, respectively.

d) Credit risk

The MAN Group is exposed to credit risk because of its business operations and certain financing and leasing 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 (32).**

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. The limits and their utilization are regularly reviewed. The MAN Group's risk management policy stipulates that the majority of liquid funds must be invested with banks with an investment grade rating. To reduce the default risk of financial institutions as counterparties for derivatives, we only enter into derivatives transactions with financial institutions with an investment grade rating.

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 collectibility is in doubt, are measured on an item-by-item basis. The contractual terms governing trade receivables were not changed in the reporting period (in 2012, the payment terms in the contracts governing receivables amounting to €2 million were renegotiated). 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 €348 million (€290 million).

Credit risk from MAN Finance's financing and lease activities is monitored on the basis of the portfolio at risk. Customer credit quality is continuously monitored by assigning customers to a number of risk classes, based on information provided by the MAN Finance companies as well as on data provided by external providers. Nonrecourse factoring of parts of the receivables portfolio additionally limits the maximum credit risk. As a rule, additional collateral is provided by assignment of the financed vehicle as security, as well as by customer prepayments if appropriate.

The MAN Group recognizes adequate risk provisions for the credit risk from financing and leasing activities. If individual contracts are breached, measures are taken to renegotiate the existing contract terms in line with the customer's economic situation or to recover the financed asset. As of December 31, 2013, the payment terms for contracts with an outstanding volume of receivables of €43 million (previous year: €56 million) had been renegotiated. Contract terms are renegotiated only if the customer's liquidity problems are deemed by MAN Finance to be no more than temporary. Customer-specific risk provisions are recognized to reflect certain criteria. These provisions cover expected losses due to the uncollectibility of installments, potential realization losses from marketing the financed assets, as well as other expenses expected to be incurred if the contract is terminated prematurely. Measurement of the risk provision reflects the estimated fair value of the financed assets serving as collateral, as well as prepayments received and other collateral. In addition, risk provisions are recognized for the relevant MAN Finance company depending on certain indicators. The amount of these provisions is measured in particular on the basis of actual credit losses in the recent past.

The maximum default risk exposure for financial services receivables is reduced by the collateral of €1,061 million (previous year: €991 million) deriving from the ability to realize vehicles covered by finance leases. Vehicles with a carrying amount of €8 million had been recovered at the reporting date.

There were no material concentrations of credit risk in the MAN Group in the past fiscal year. Maturity overview of financial assets not individually impaired:

€ million	12/31/2013			12/31/2012		
	Trade receivables	Financial services receivables	Other financial assets	Trade receivables	Financial services receivables	Other financial assets
up to 30 days past due	295	22	–	241	11	–
31 – 90 days	136	16	–	123	11	–
91 – 180 days	67	4	–	56	9	–
181 days – 1 year	59	2	–	58	2	–
More than 1 year	70	0	–	89	1	–
Total financial assets past due but not individually impaired	627	44	–	567	34	–
Financial assets neither individually impaired nor past due	1,691	2,549	2,111	1,510	1,387	206
Carrying amounts of financial assets not individually impaired	2,318	2,593	2,111	2,077	1,421	206

The maturity overview also contains financial assets of MAN Finance that are not individually impaired. As of December 31, 2013, €78 million of this amount was attributable to trade receivables, €2,593 million to financial services receivables, and €62 million to other financial assets.

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.

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 counter 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.

To the extent permitted, financial management for the operating units is mainly implemented centrally using a cash pooling process in which cash funds from both 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.

MAN will continue to keep a close eye on the capital markets in 2014 and, where appropriate, take measures to safeguard its financial capacity to act and to take advantage of opportunities that arise. Currently, bonds with a principal amount of €2.73 billion are outstanding under the €5 billion EMTN program, of which €1.75 billion is attributable to three fixed-rate public issues (maturing in 2015, 2016, and 2017) and €0.98 billion is attributable to variable-rate private placements (mainly maturing in 2014). The increasing integration with the Volkswagen Group also enables the MAN Group to draw on intragroup financing. For example, the existing (undrawn) €1.5 billion syndicated credit line was terminated regularly by MAN SE as of December 10, 2013, and replaced by an internal credit line in the same amount.

There are also committed bilateral credit lines with financial institutions in the amount of €861 million (previous year: €1.2 billion), of which €652 million (previous year: €817 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).**

The MAN Group's rolling financing needs will decline from 2014 as a result of the sale of the financial services arm. 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:

The maturity overview shown above also contains the cash outflows of MAN Finance, in particular the cash outflows from nonderivative financial liabilities. As of December 31, 2013, €2,521 million of this amount was attributable to outflows in 2014 and €689 million to outflows in the years 2015 to 2018.

f) Classification of hedging instruments by type of hedge

The following table shows the fair values of hedging instruments. These relate mainly to currency forwards:

€ million	12/31/2013 with a positive fair value	12/31/2013 with a negative fair value	12/31/2012 with a positive fair value	12/31/2012 with a negative fair value
Fair value hedges	–	–	2	0
Cash flow hedges	15	48	9	15
	15	**48**	**11**	**15**

Maturity overview [1] € million	12/31/2013 2014	12/31/2013 2015 – 2018	12/31/2013 > 2018	12/31/2012 2013	12/31/2012 2014 – 2017	12/31/2012 > 2017
Cash outflows from nonderivative financial liabilities [2]	6,575	4,221	52	4,827	3,619	43
of which: financial liabilities	3,893	3,112	4	2,449	3,139	8
of which: trade payables	1,965	12	0	2,005	1	0
of which: other financial liabilities [3]	717	1,097	48	373	479	35
Cash outflows from derivatives with a negative fair value [2]	42	20	0	45	24	0
of which: settled gross [4]	14	3	0	14	2	0
of which: settled net	28	17	0	31	22	0
Potential cash flows from contingent liabilities [5]	200	0	0	259	0	0
of which: for contingent liabilities under guarantees	89	0	0	131	0	0
of which: for contingent liabilities under buyback guarantees	111	0	0	128	0	0

[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. The prior-year figures were adjusted accordingly.

[4] In the case of derivatives that are settled gross, both the cash outflow and the cash inflow from the settlement of the derivative are included.

[5] Contingent liabilities under guarantees relate to guarantees issued for trade obligations. Contingent liabilities under standard industry buyback guarantees exist in respect of financing companies that finance the purchase of the Group's products by third parties. The maximum possible cash outflows are presented. The amounts are assumed to be due in the first year.

The table presented above also contains MAN Finance's hedging instruments. As of December 31, 2013, €2 million of this amount was attributable to hedging instruments with positive fair values and €15 million to hedging instruments with negative fair values.

34 Share-based payment

Share-based payment for members of MAN SE's Executive Board and the directors and other beneficiaries of MAN companies was based on the MAN Stock Program (MSP) established in 2005. Under the MSP, the beneficiaries received taxable cash payments on condition that they use 50% of the payment amount to purchase MAN SE common shares. Purchase and safekeeping of the shares were undertaken centrally by MAN SE on behalf and for the account of the beneficiaries. The MSP participants were able to freely dispose of the purchased shares after a four-year vesting period (three years for share purchases up to and including 2009). During the vesting period, the shares could not be sold, pledged, or hedged. If the beneficiary retired or left the MAN Group for other reasons, the vesting period was reduced to one year from the date the beneficiary left the MAN Group. The long-term remuneration component, which previously took the form of the MSP, was redesigned in fiscal year 2012 and resolved by the Supervisory Board. Share-based payment arrangements were discontinued starting in fiscal 2012. The vesting period for shares received by members of the Executive Board under the MSP until 2011 was revoked effective February 7, 2013.

In addition, starting in fiscal 2010 the members of MAN SE's Executive Board were required to use 25% of their variable remuneration based on ROE (return on equity before tax) to purchase MAN SE common shares (share bonus) under the terms of the MSP; the vesting period for shares purchased in this way was originally four years. The Supervisory Board of MAN SE also resolved in fiscal 2012 to change the way in which this remuneration component is paid out. It will be paid out in cash, starting with fiscal 2012. The vesting period for shares received by members of the Executive Board until 2011 was also revoked effective February 7, 2013.

35 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, 2013 are:

- 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 Truck & Bus GmbH,
  - the members of the Board of Management and Supervisory Board of Volkswagen AG,
  - associates,
  - unconsolidated subsidiaries.

Truck & Bus GmbH, Wolfsburg (Truck & Bus GmbH), a wholly owned direct subsidiary of Volkswagen AG, notified MAN SE on April 18, 2013, in accordance with section 21 (1) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) that its share of the voting rights in MAN SE on April 16, 2013, had exceeded the limits of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% and subsequently amounted to 75.03% (corresponding to 105,769,788 voting rights).

The Annual General Meeting of MAN SE on June 6, 2013, approved the domination and profit and loss transfer agreement entered into by Truck & Bus GmbH and MAN SE on April 26, 2013. The domination and profit and loss transfer agreement was entered in MAN SE's commercial register on July 16, 2013, and has been effective since that date.

On December 31, 2013, Truck & Bus GmbH held 75.23% of MAN SE's voting rights and 73.98% of its share capital.

The volume of transactions with 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	12/31/2013	12/31/2012
Sales and services to		
Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart*	7	4
Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	146	86
Purchases and services received from		
Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart*	18	53
Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	24	28
Receivables from		
Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart*	779	1
Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	21	62
Liabilities to		
Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart*	1,377	25
Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	63	45

* Porsche Automobil Holding SE, Stuttgart, including its affiliated companies and related parties.

The receivables from Truck & Bus GmbH include the claim for absorption of MAN SE's net loss for the fiscal year under German GAAP for fiscal 2013 amounting to €724 million.

Please refer to **note (25)** for an explanation of the increase in the liabilities to Volkswagen AG.

Related party entities that are significant for the MAN Group are the associates, joint ventures, and unconsolidated subsidiaries with which it exchanges goods and services as part of normal business transactions. The following table shows the volume of such relationships:

€ million	12/31/2013	12/31/2012
Revenue and other income generated with		
unconsolidated subsidiaries	47	41
associates and joint ventures	237	246
Goods and services purchased from		
unconsolidated subsidiaries	2	2
associates and joint ventures	249	325
Receivables from		
unconsolidated subsidiaries	39	33
associates and joint ventures	27	37
Liabilities to		
unconsolidated subsidiaries	33	46
associates and joint ventures	37	59

€0 million (previous year: €4 million) of the revenue from associates relates to income received in connection with the licensing agreement with Sinotruk governing TGA truck technology, including engines, vehicle chassis, and axles. Any intercompany profits arising were eliminated. See **note (17)** for further information.

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to **notes (36)** and **(37)** below.

36 Remuneration of the Executive Board

The remuneration of the members of the Executive Board was as follows:

€ thousand	2013	2012
Executive Board members in office as of December 31, 2013[1]		
Fixed remuneration	2,556	1,835
Variable cash bonus[2]	3,214	3,121
Pension expense	1,348	1,050
Former Executive Board members[2]		
Fixed remuneration	90	872
Variable cash bonus[2]	–	1,311
Pension expense	43	479
Total	**7,251**	**8,668**

[1] Dr. Georg Pachta-Reyhofen (Chief Executive Officer), Dr.-Ing. René Umlauft, Jochen Schumm since July 1, 2012, Ulf Berkenhagen since September 1, 2012.
[2] Frank H. Lutz until February 18, 2013; Jörg Schwitalla until June 30, 2012.

The variable remuneration in fiscal 2013 contains €–322 thousand from the adjustment of the bonus for fiscal 2012, based on the figures for 2013 now available.

In addition, severance payments amounting to a total of €21,064 thousand (including €2,541 thousand for pensions) were attributable to the four Executive Board members who left in fiscal 2009. These termination benefits relate to Dipl.-Ing. Håkan Samuelsson (total of €7,323 thousand), Prof. Dr. h.c. Karlheinz Hornung (total of €4,494 thousand), Dipl.-Ökonom Anton Weinmann (total of €4,839 thousand), and Dr. jur. Matthias Mitscherlich (total of €4,408 thousand). In addition, a severance payment in the total amount of €3,310 thousand (including €519 thousand for pensions) was attributable to Klaus Stahlmann, who left the Executive Board in fiscal 2011. Moreover, a severance payment in the total amount of €4,161 thousand (including €674 thousand for pensions) was attributable to Jörg Schwitalla, who left the Executive Board in fiscal 2012. Finally, a severance payment in the total amount of €1,350 thousand was attributable to Frank H. Lutz, who left the Executive Board in fiscal 2013. The following payments have been made to date in relation to these severance payments:

Year	Amount in €	Former Executive Board members
2009	4,408	Dr. jur. Matthias Mitscherlich
2009	604	Dipl.-Ing. Håkan Samuelsson Prof. Dr. h.c. Karlheinz Hornung Dipl.-Ökonom Anton Weinmann
2010	7,142	Dipl.-Ing. Håkan Samuelsson Prof. Dr. h.c. Karlheinz Hornung Dipl.-Ökonom Anton Weinmann
2011	2,930	Prof. Dr. h.c. Karlheinz Hornung Dipl.-Ökonom Anton Weinmann Klaus Stahlmann
2012	1,480	Klaus Stahlmann Jörg Schwitalla
2013	3,930	Dipl.-Ing. Håkan Samuelsson Jörg Schwitalla Frank H. Lutz

Corresponding provisions were recognized for the termination benefits granted in excess of this amount. Until the Annual General Meeting of MAN SE adopts a decision on the settlement agreement between MAN SE and Dipl.-Ing. Håkan Samuelsson, there is a liability (classified under “Other liabilities”) to Dipl.-Ing. Håkan Samuelsson amounting to €1,250 thousand.

The present value of pension obligations as of December 31, 2013, to members of the Executive Board in office as of the end of the year amounted to €4,096 thousand (previous year: €4,567 thousand). The total pension expense amounted to €1,391 thousand in 2013 (previous year: €1,529 thousand), of which €685 thousand (previous year: €1,067 thousand) related to current service and €112 thousand (previous year: €178 thousand) to interest. This amount includes both the current service and the interest cost for Frank H. Lutz in fiscal 2013 and Jörg Schwitalla in fiscal 2012 on a pro rata basis for the periods until the dates they left the Executive Board. The pension expense also includes the agreed amounts recharged for Jochen Schumm and Ulf Berkenhagen for pension obligations outside MAN. These recharged amounts were determined on a pro rata basis in fiscal 2012 in line with their activity as Executive Board members. The pension expense for fiscal 2013 contains a nonrecurring component amounting to €458 thousand relating to the retirement benefit arrangements for Ulf Berkenhagen agreed in 2012. There is also a special agreement on the total remuneration for Ulf Berkenhagen.

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 €2,913 thousand as of December 31, 2013 (previous year: €8,523 thousand). A total of €46,057 thousand (previous year: €47,955 thousand) was recognized as of December 31, 2013, for provisions for pension obligations to former Executive Board members and their surviving dependents.

The members of the Executive Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on **page 190**, 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 is shown in the following table:

37 Remuneration of the Supervisory Board

The components of the remuneration of the Supervisory Board are as follows:

€ thousand	2013	2012
Fixed remuneration	479	511
Variable remuneration	–	179
Remuneration for committee membership	202	210
Attendance fees	48	52
Total	**729**	**952**

The members of the Supervisory Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on **pages 188 f.**, and more detailed information on the remuneration structure and its components is also disclosed in the Remuneration Report.

Executive Board remuneration 2013/(2012)

€ thousand	Fixed remuneration	Variable remuneration	Pension expense	Total
Executive Board members in office as of December 31, 2013				
Dr. Georg Pachta-Reyhofen (Chief Executive Officer)	779 (776)	454 (1,176)	480 (491)	**1,713** **(2,443)**
Dr.-Ing. René Umlauft	549 (550)	319 (826)	274 (275)	**1,142** **(1,651)**
Jochen Schumm (since July 1, 2012)	621 (308)	395 (437)	– (258)	**1,016** **(1,003)**
Ulf Berkenhagen (since September 1, 2012)	607 (201)	2,046 (682)	594 (26)	**3,247** **(909)**
Former Executive Board members				
Frank H. Lutz (until February 18, 2013)	90 (582)	– (874)	43 (323)	**133** **(1,779)**
Jörg Schwitalla (until June 30, 2012)	– (290)	– (437)	– (156)	**–** **(883)**
Total	**2,646** **(2,707)**	**3,214** **(4,432)**	**1,391** **(1,529)**	**7,251** **(8,668)**

The individual remuneration of the active members of the Supervisory Board is shown in the following table:

Supervisory Board remuneration

€ thousand	Period of membership	Fixed remuneration	Variable remuneration	Remuner-ation for committee membership	Attendance fees	Total 2013	Total 2012
Name							
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman	Full-year	70	–	35	–	105	130
Jürgen Kerner, Deputy Chairman since September 27, 2013*	Full-year	40	–	9	3	52	50
Thomas Otto, Deputy Chairman until June 30, 2013*	until June 30, 2013	26	–	18	4	48	114
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz, Deputy Chairman	Full-year	52	–	35	7	94	112
Michael Behrendt	Full-year	35	–	35	6	76	89
Marek Berdychowski*	Full-year	35	–	–	3	38	50
Detlef Dirks*	Full-year	35	–	–	3	38	50
Jürgen Dorn*	Full-year	35	–	35	7	77	89
Gerhard Kreutzer*	Full-year	35	–	35	7	77	90
Wilfrid Loos*	until March 31, 2013	9	–	–	0	9	50
Nicola Lopopolo*	since April 1, 2013	26	–	–	2	28	–
Dr. h.c. Leif Östling	Full-year	–	–	–	–	–	–
Angelika Pohlenz	Full-year	35	–	–	2	37	50
Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch	Full-year	–	–	–	–	–	–
Karina Schnur*	since Sept. 10, 2013	11	–	–	1	12	–
Erich Schwarz*	Full-year	35	–	–	3	38	50
Prof. Rupert Stadler	Full-year	–	–	–	–	–	–
Prof. Dr. Dr. h.c. mult. Martin Winterkorn	Full-year	–	–	–	–	–	–
Members who left the Supervisory Board in 2012							28
Total 2013		**479**	**–**	**202**	**48**	**729**	–
Total 2012		**511**	**179**	**210**	**52**	**–**	**952**

* **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 of supervisory boards of other companies in the MAN Group, Mr. Dirks received €11 thousand (previous year: €4 thousand), Mr. Dorn received €11 thousand (previous year: €11 thousand), Mr. Kerner received €0 thousand (previous year: €4 thousand), Mr. Kreutzer received €11 thousand (previous year: €8 thousand), Mr. Loos received €1 thousand (previous year: €3 thousand), Mr. Otto received €16 thousand (previous year: €22 thousand), and Ms. Schnur received €5 thousand (previous year: €0 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €19 thousand in the fiscal year (previous year: €20 thousand).

38 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 2013. The joint declaration of conformity by the Executive Board and the Supervisory Board has been published on MAN SE's website at → www.man.eu/corporate.

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

39 Events after the reporting period

The transfer of the shares of MAN Finance by MAN SE to VWFS became effective as of January 1, 2014. See **notes (1)** and **(6)** for further information. The transaction will lead to a minor disposal gain in the first quarter of 2014.

40 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/ Consolidation and Reconciliation” mainly comprises MAN's Corporate Center. Companies with no operating activities and the Scania, Sinotruk, and Roland investments are allocated to the Corporate Center.

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 the largest truck manufacturer in Latin America. It is the number one in the truck market in Brazil and is a leading supplier of commercial vehicles and bus chassis for growth markets, with one of the most advanced production facilities worldwide for trucks and buses.

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. For further information on discontinued operations, see **note (6).**

The earnings measure used to assess the performance of a segment is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). To enhance the long-term assessment of operating activities, effects relating to tangible and intangible assets resulting from business combinations and acquisitions of equity-method investments are eliminated from operating profit. In individual cases, an adjustment is also made for nonrecurring items, which represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business.

Segment assets and liabilities correspond to the total assets and liabilities of the individual business areas. "Net liquidity/net financial debt" is a financial control measure and is calculated as cash and cash equivalents, loans to Group companies, and marketable securities, less financial liabilities.

Segment financial information is presented in accordance with the disclosure and measurement policies applied to preparation of the consolidated financial statements. 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, and investees (excluding assets leased out) allocated to the individual divisions. See "Financial control system and value management" in the Combined Management Report for information on the key performance indicator ROS.

The following table contains segment-related information and a reconciliation from operating profit to earnings before tax, and from net liquidity/net financial debt to free cash flow.

Segment information reporting period from January 1 to December 31 and as of December 31

	Commercial Vehicles					
	MAN Truck & Bus incl. MAN Finance		MAN Latin America		Commercial Vehicles[2]	
€ million	2013	2012[3]	2013	2012	2013	2012[3]
Segment order intake[1]	**9,336**	**9,150**	**2,950**	**2,870**	**12,286**	**12,020**
of which: Germany	2,941	2,756	1	1	2,942	2,757
of which: other countries	6,395	6,394	2,949	2,869	9,344	9,263
Intersegment order intake	–178	–130	–10	–15	–188	–145
Group order intake	9,158	9,020	2,940	2,855	12,098	11,875
Segment revenue	**9,054**	**8,822**	**2,950**	**2,870**	**12,004**	**11,692**
of which: Germany	2,823	2,642	1	1	2,824	2,643
of which: other countries	6,231	6,180	2,949	2,869	9,180	9,049
Intersegment revenue	–186	–136	–10	–15	–196	–151
Group revenue	8,868	8,686	2,940	2,855	11,808	11,541
Order backlog at December 31, 2013, and December 31, 2012	**1,902**	**2,122**	**–**	**–**	**1,902**	**2,122**
Total assets at December 31, 2013, and December 31, 2012	**13,271**	**11,193**	**2,633**	**3,046**	**15,904**	**14,239**
of which: inventories	1,433	1,558	500	551	1,933	2,109
of which: trade and financial services receivables	1,254	2,730	298	226	1,552	2,956
of which: cash and cash equivalents, marketable securities	972	817	173	348	1,145	1,165
Segment liabilities at December 31, 2013, and December 31, 2012	**10,407**	**8,593**	**1,354**	**1,567**	**11,761**	**10,160**
of which: trade payables	1,013	977	380	418	1,393	1,395
Operating profit/loss	**228**	**229**	**230**	**229**	**458**	**458**
Earnings effects from purchase price allocations	–5	–12	–71	–91	–76	–103
Gains/losses from nonrecurring items	–38	–41	–	–	–38	–41
Earnings before interest and taxes (EBIT)	**185**	**176**	**159**	**138**	**344**	**314**
Net interest income/expense	–20	–67	–48	–49	–68	–116
Earnings before tax (EBT) of continuing operations	**165**	**109**	**111**	**89**	**276**	**198**
Earnings before interest, taxes, depreciation, and amortization (EBITDA) of continuing operations	**468**	**449**	**283**	**283**	**751**	**732**
of which: depreciation and amortization	–256	–222	–124	–145	–380	–367
of which: impairment losses	–27	–51	–	–	–27	–51
Net liquidity/net financial debt	**311**	**–2,842**	**–100**	**16**	**211**	**–2,826**
Reconciliation to free cash flow	306	–2,309	11	–5	317	–2,314
Free cash flow	**5**	**–533**	**–111**	**21**	**–106**	**–512**
of which: net cash provided by/used in operating activities	322	95	–43	102	279	197
of which: net cash used in investing activities	–317	–628	–68	–81	–385	–709
Capital expenditures	**340**	**640**	**78**	**100**	**418**	**740**
Additional information by segment:						
Headcount including subcontracted employees at December 31, 2013, and December 31, 2012 (no.)	**34,533**	**34,879**	**2,008**	**1,937**	**36,541**	**36,816**
of which: Germany	20,449	20,474	–	–	20,449	20,474
of which: other countries	14,084	14,405	2,008	1,937	16,092	16,342
Headcount at December 31, 2013, and December 31, 2012 (no.)	**33,904**	**34,294**	**2,008**	**1,937**	**35,912**	**36,231**
ROS (%)	2.5	2.6	7.8	8.0	3.8	3.9

[1] This supplementary information on order intake is reported on a voluntary basis and does not form part of the audited consolidated financial statements.
[2] Gross presentation excluding consolidation effects.
[3] Total assets, segment liabilities, operating profit/loss, EBIT, EBT, EBITDA, and ROS adjusted to reflect the retrospective application of IAS 19 (2011); see also “New and revised accounting pronouncements.”

Power Engineering						Others/Consolidation and Reconciliation						Group	
MAN Diesel & Turbo		Renk		Power Engineering[2]		Corporate Center[3]		Cons./ Reconcil.		Total			
2013	2012[3]	2013	2012[3]	2013	2012[3]	2013	2012[3]	2013	2012[3]	2013	2012[3]	2013	2012[3]
3,407	3,510	504	525	3,911	4,035	17	22	–227	–188	–210	–166	15,987	15,889
351	335	196	176	547	511	17	21	–31	–37	–14	–16	3,475	3,252
3,056	3,175	308	349	3,364	3,524	0	1	–196	–151	–196	–150	12,512	12,637
–3	–4	–21	–19	–24	–23	–15	–20	227	188	212	168	–	–
3,404	3,506	483	506	3,887	4,012	2	2	–	–	2	2	15,987	15,889
3,396	3,780	485	476	3,881	4,256	17	22	–238	–198	–221	–176	15,664	15,772
318	381	168	165	486	546	17	21	–34	–40	–17	–19	3,293	3,170
3,078	3,399	317	311	3,395	3,710	0	1	–204	–158	–204	–157	12,371	12,602
–3	–4	–24	–23	–27	–27	–15	–20	238	198	223	178	–	–
3,393	3,776	461	453	3,854	4,229	2	2	–	–	2	2	15,664	15,772
3,245	3,367	648	634	3,893	4,001	–	–	–19	–29	–19	–29	5,776	6,094
3,790	3,833	598	554	4,388	4,387	5,336	5,602	–2,610	–4,316	2,726	1,286	23,018	19,912
1,034	1,110	157	164	1,191	1,274	–	–	–12	–10	–12	–10	3,112	3,373
833	826	86	85	919	911	10	2	–135	–82	–125	–80	2,346	3,787
826	1,046	167	125	993	1,171	2,193	2,828	–3,193	–3,797	–1,000	–969	1,138	1,367
2,383	2,545	296	288	2,679	2,833	6,089	5,699	–2,738	–4,412	3,351	1,287	17,791	14,280
613	631	35	40	648	671	13	14	–132	–74	–119	–60	1,922	2,006
–27	437	67	66	40	503	–23	–6	0	14	–23	8	475	969
–	–	–	–	–	–	–	–7	–	–	–	–7	–76	–110
–	–	–	–	–	–	–	–190	–	–	–	–190	–38	–231
–27	437	67	66	40	503	–23	–203	0	14	–23	–189	361	628
–6	–3	–1	–1	–7	–4	–122	–192	8	–	–114	–192	–189	–312
–33	434	66	65	33	499	–145	–395	8	14	–137	–381	172	316
57	519	83	80	140	599	–15	–3	–5	6	–20	3	871	1,334
–84	–82	–16	–14	–100	–96	–8	–9	5	8	–3	–1	–483	–464
0	0	–	–	0	0	0	–191	–	–	0	–191	–27	–242
549	759	167	124	716	883	–2,325	–1,985	83	–	–2,242	–1,985	–1,315	–3,928
755	626	111	89	866	715	–2,215	–1,065	107	53	–2,108	–1,012	–925	–2,611
–206	133	56	35	–150	168	–110	–920	–24	–53	–134	–973	–390	–1,317
–94	291	85	66	–9	357	–110	–572	–24	–66	–134	–638	136	–84
–112	–158	–29	–31	–141	–189	0	–348	0	13	0	–335	–526	–1,233
112	164	30	31	142	195	9	8	–7	–14	2	–6	562	929
14,413	14,863	2,228	2,245	16,641	17,108	327	359	–	–	327	359	53,509	54,283
7,470	7,614	2,053	2,069	9,523	9,683	324	356	–	–	324	356	30,296	30,513
6,943	7,249	175	176	7,118	7,425	3	3	–	–	3	3	23,213	23,770
13,758	13,728	2,186	2,167	15,944	15,895	326	355	–	–	326	355	52,182	52,481
–0.8	11.6	13.7	13.9	1.0	11.8	–	–	–	–	–	–	3.0	6.1

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
2013				
Noncurrent assets (excl. financial instruments and deferred taxes) at December 31	3,813	2,087	1,487	**7,387**
Capital expenditures	390	83	89	**562**
Revenue[2]	3,293	5,733	6,638	**15,664**
Headcount at December 31 (no.)	29,539	16,146	6,497	**52,182**
Headcount including subcontracted employees at December 31 (no.)	30,296	16,331	6,882	**53,509**
2012				
Noncurrent assets (excl. financial instruments and deferred taxes) at December 31	3,581	2,788	1,818	**8,187**
Capital expenditures	520	128	281	**929**
Revenue[2]	3,170	5,897	6,705	**15,772**
Headcount at December 31 (no.)	29,360	16,552	6,569	**52,481**
Headcount including subcontracted employees at December 31 (no.)	30,513	16,864	6,906	**54,283**

[1] Detailed segment information relating to MAN Latin America is contained in the “Segment information” table.
[2] Allocation of revenue to the regions follows the destination principle.

List of shareholdings as of December 31, 2013

Name and domicile of the company	Equity interest
1. Consolidated companies with an exemption under section 264 (3) of the HGB and section 264b of the HGB	
MAN HR Services GmbH, Munich, Germany	100.00%
MAN Financial Services GmbH, Munich, Germany	100.00%
MAN Finance International GmbH, Munich, Germany	100.00%
MAN Versicherungsvermittlung GmbH, Munich, Germany	100.00%
MAN Vermietungs-GmbH, Munich, Germany	100.00%
MAN Immobilien GmbH, Munich, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich, Germany	100.00%
MAN Truck & Bus AG, Munich, Germany	100.00%
MAN Truck & Bus Deutschland GmbH, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Beta KG, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Alpha KG, Munich, Germany	100.00%
MAN Service und Support GmbH, Munich, Germany	100.00%
Kosiga GmbH & Co. KG, Pullach i. Isartal, Germany	94.00%
NEOPLAN Bus GmbH, Plauen, Germany	100.00%
EURO-Leasing GmbH, Sittensen, Germany	100.00%
MAN GHH Immobilien GmbH, Oberhausen, Germany	100.00%
MAN Diesel & Turbo SE, Augsburg, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Werk Deggendorf DWE KG, Munich, Germany	100.00%
2. Other consolidated companies	
MAN Financial Services SpA, Dossobuono di Villafranca VR, Italy	100.00%
MAN Financial Services SAS, Evry Cedex, France	100.00%
MAN Financial Services España S.L., Coslada (Madrid), Spain	100.00%
MAN Financial Services Tüketici Finansmani A.S., Ankara, Turkey	100.00%
MAN Financial Services GesmbH, Eugendorf, Austria	100.00%
OOO MAN Financial Services, Moscow, Russian Federation	100.00%
MAN Financial Services Portugal, Unipessoal, Lda., Lisbon, Portugal	100.00%
MAN Financial Services Poland Sp. z o.o., Nadarzyn, Poland	100.00%
MAN Location & Services S.A.S., Evry Cedex, France	100.00%
Trucknology S.A., Luxembourg, Luxembourg	0.00%[1]
MAN Finance and Holding S.A., Luxembourg, Luxembourg	100.00%
MAN Finance Luxembourg S.A., Luxembourg, Luxembourg	100.00%
MAN Capital Corporation, New Jersey, USA	100.00%
MAN Trucks Sp. z o.o., Niepolomice, Poland	100.00%
MAN Accounting Center Sp. z o.o., Poznan, Poland	100.00%
MAN Verwaltungs-Gesellschaft mbH, Munich, Germany	100.00%
MAN Truck & Bus Vertrieb Österreich AG, Vienna, Austria	100.00%
MAN Truck & Bus Mexico S.A. de C.V., El Marques, Mexico	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 (Korea) Limited, Seoul, South Korea	100.00%
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn, Poland	100.00%
MAN TRUCKS India Pvt. Ltd., Akurdi, India	100.00%
MAN ERF Ireland Properties Limited, Dublin, Ireland	100.00%
ERF Limited, Swindon, UK	100.00%
MAN Iberia S.A.U., Coslada (Madrid), Spain	100.00%
MAN Truck & Bus Trading (China) Co., Ltd., Beijing, China	100.00%
Euro-Leasing A/S, Padborg, Denmark	100.00%
EURO-LEASING Sp. z o.o., Szczecin, Poland	100.00%
EURO-Leasing Hellas E.P.E. Thessaloniki, Greece	100.00%
MAN Camions & Bus SAS, Evry Cedex, France	100.00%

[1] Consolidated special purpose entity with an equity interest of 0.00%.

Name and domicile of the company	Equity interest
Neoplan France SARL, Noisy-le-Grand, France	100.00%
Neoman France Eurl, Noisy-le-Grand, France	100.00%
MAN Truck & Bus Danmark A/S, Glostrup, Denmark	100.00%
MAN Truck & Bus N.V., Kobbegem (Brussels), Belgium	100.00%
TOV MAN Truck & Bus Ukraine, Kiev, Ukraine	100.00%
MAN Truck & Bus Kazakhstan LLP, Almaty, Kazakhstan	100.00%
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg, South Africa	100.00%
MAN Truck & Bus (S.A.) (Pty.) Ltd., Johannesburg, 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 Nutzfahrzeuge Immobilien GesmbH, Steyr, Austria	100.00%
MAN Hellas Truck & Bus S.A., Aspropygros, Greece	100.00%
MAN Engines & Components Inc., Pompano Beach, USA	100.00%
MAN Truck & Bus Schweiz AG, Otelfingen, Switzerland	100.00%
MAN Truck & Bus Italia SpA, Verona, Italy	100.00%
MAN Truck & Bus Iberia S.A.U., Coslada (Madrid), Spain	100.00%
MAN Truck & Bus UK Limited, Swindon (Wiltshire), UK	100.00%
MAN Truck & Bus Norge A/S, Lorenskog, Norway	100.00%
MAN Truck & Bus Österreich AG, Steyr, Austria	99.99%
MAN Truck & Bus Czech Republic s.r.o., Cestlice, Czech Republic	100.00%
MAN Truck & Bus Sverige AB, Kungens Kurva, Sweden	100.00%
MAN Truck & Bus Slovenija d.o.o., Ljubljana, Slovenia	100.00%
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100.00%
MAN Türkiye A.S., Akyurt Ankara, Turkey	99.99%
MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey	100.00%
MAN Truck & Bus Portugal S.U. Lda., Algés (Lisbon), Portugal	100.00%
IPECAS-Gestao de Imoveis S.A., Algés (Lisbon), Portugal	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, Saint Petersburg, Russian Federation	100.00%
MAN Financial Services plc, Swindon (Wiltshire), UK	100.00%
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	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 Ltd., Aurangabad, India	93.44%
MAN Diesel & Turbo Canada Ltd., Oakville, Canada	100.00%
MAN Diesel & Turbo Pakistan (Private) Limited, Lahore, Pakistan	100.00%
MAN Diesel & Turbo Operations Pakistan (Private) Ltd., Lahore, Pakistan	100.00%
MAN Diesel & Turbo España S.A.U., Madrid, Spain	100.00%
MAN Diesel & Turbo Brasil Limitada, Rio de Janeiro, Brazil	100.00%
MAN Diesel & Turbo France SAS, Villepinte, 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 Ltd., 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., Woodbridge, USA	100.00%
MAN Diesel & Turbo Korea Ltd., Busan, South Korea	100.00%
PBS Turbo s.r.o., Velká Biteš, Czech Republic	100.00%
MAN Diesel & Turbo Middle East (LLC), Dubai, United Arab Emirates	100.00%
MAN Diesel & Turbo Saudi Arabia LLC, Jeddah, Saudi Arabia	100.00%
Société de Mécanique de Précision de l'Aubois, Jouet, France	100.00%
MECOS AG, Winterthur, Switzerland	100.00%
MAN Turbo India Pvt. Ltd., Baroda (Vadodara), India	100.00%

Name and domicile of the company	Equity interest
MAN Diesel & Turbo Shanghai Co., Ltd., Shanghai, China	100.00%
Gulf Turbo Services LLC, Doha, Qatar	55.00%
Renk Aktiengesellschaft, Augsburg, Germany	76.00%
RENK Corporation, Duncan, USA	100.00%
RENK-MAAG GmbH, Winterthur, Switzerland	100.00%
ADMOS-Gleitlager Produktions- und Vertriebsgesellschaft mbH, Berlin, Germany	100.00%
RENK Test System GmbH, Augsburg, Germany	100.00%
RENK LABECO Test Systems Corporation, Camby, USA	100.00%
RENK France SAS, Saint-Ouen-l'Aumône, France	100.00%
3. Unconsolidated companies (section 296 (2) of the HGB)	
MAN Grundstücksgesellschaft mbH, Oberhausen, Germany	100.00%
MAN IT Services GmbH, Munich, Germany	100.00%
MAN-Unterstützungskasse GmbH, Munich, Germany	100.00%
MAN Erste Beteiligungs GmbH, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Gamma KG, Munich, Germany	100.00%
MBC Mobile Bridges Corp., Houston, Texas, USA (inactive)	100.00%
MAN Personal Services GmbH, Dachau, Germany	100.00%
MAN Truck & Bus India pvt. Ltd., Mumbai, India (inactive)	100.00%
MAN Truck & Bus (M) Sdn. Bhd., Rawang, Malaysia	70.00%
ERF (Holdings) plc, Swindon, UK (inactive)	100.00%
MAN Truck & Bus Singapore Pte. Ltd., Singapore, Singapore	100.00%
Truck Rental Solutions Hungaria Kft., Budapest, Hungary	100.00%
MAN Properties (Pinetown) (Pty.) Ltd., Pinetown, South Africa (inactive)	100.00%
MAN Properties (Midrand) (Pty.) Ltd., Midrand, South Africa (inactive)	100.00%
MAN Properties (Pty.) Ltd., Johannesburg, South Africa (inactive)	100.00%
LKW Komponenten s.r.o., Bánovce nad Bebravou, Slovakia	100.00%
MAN IT Services Österreich GesmbH, Steyr, Austria (inactive)	100.00%
Railway Mine & Plantation Equipment Ltd., London, UK (inactive)	100.00%
MAN Turbo (UK) Limited, London, UK	100.00%
RENK (UK) Ltd., London, UK (inactive)	100.00%
MAN Latin America Importação, Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	100.00%
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Objekt Heilbronn KG, Oberhausen, Germany	100.00%
tcu Turbo Charger GmbH, Augsburg, Germany	100.00%
Aumonta GmbH, Augsburg, Germany	100.00%
MAN Diesel Turbochargers Shanghai Co. Ltd., Shanghai, China	100.00%
MAN Diesel & Turbo Shanghai Logistics Co., Ltd., 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%
MAN Diesel Services Ltd., Stockport, UK (inactive)	100.00%
MAN Diesel Electrical Services Ltd., Essex, UK (inactive)	100.00%
Ruston Diesels Ltd., Stockport, UK (inactive)	100.00%
MAN Diesel ve Turbo Satis Servis Limited Sirketi, Istanbul, Turkey	100.00%
MAN Diesel & Turbo Kenya Ltd., Nairobi, Kenya	100.00%
Metalock Denmark A/S, Copenhagen, Denmark (inactive)	100.00%
MAN Diesel & Turbo Poland Sp. z o.o., Gdansk, Poland	100.00%
MAN Diesel & Turbo Sverige AB, Gothenburg, Sweden	100.00%
Caribbean Power Application, S.L., Madrid, Spain	100.00%
MAN Diesel & Turbo Italia S.r.l., Genoa, Italy	100.00%
MAN Diesel & Turbo Chile Limitada, Valparaíso, Chile	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 Limitada, San José, Costa Rica	100.00%
MAN Diesel & Turbo Japan Ltd., Kobe, Japan	100.00%
MAN Diesel & Turbo Norge A/S, Oslo, Norway	100.00%

Name and domicile of the company	Equity interest
MAN Iran Power Sherkate Sahami Khass, Tehran, Iran	96.00%
MAN Diesel & Turbo Panama Enterprises Inc., Panama City, Panama	100.00%
OOO MAN Diesel & Turbo Russia, Moscow, Russian Federation	100.00%
MAN Diesel & Turbo Latvia SIA, Riga, Latvia (inactive)	100.00%
Centrales Diesel Export SAS, Villepinte, France	100.00%
MAN Diesel & Turbo Jordan Limited Liability Company, Aqaba, Jordan	100.00%
MAN Diesel Shanghai Co. Ltd., Shanghai, China	100.00%
MAN Diesel & Turbo Philippines Inc., Manila, Philippines	100.00%
MAN Diesel & Turbo Canarias S.L., Las Palmas (Canary Island), Spain	100.00%
MAN Diesel & Turbo Guatemala Ltda., Guatemala City, Guatemala	100.00%
MAN Diesel & Turbo Qatar Navigation LLC, Doha, Qatar	49.00%
MAN Diesel & Turbo Lanka (Private) Limited, Colombo, Sri Lanka	100.00%
MAN Diesel & Turbo Mexico, S. de R.L. de C.V., Mexico City, Mexico	100.00%
MAN Diesel & Turbo Argentina S.A., Buenos Aires, Argentina	100.00%
PT MAN Diesel & Turbo Indonesia, Jakarta, Indonesia	92.62%
MAN Diesel & Turbo Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	49.00%
RENK Shanghai Service and Commercial Co., Ltd., Shanghai, China	100.00%
COFICAL RENK Mancais do Brasil LTDA, Guaramirim, Brazil	98.00%
RENK Transmisyon Sanayi A.S., Istanbul, Turkey	55.00%
4. Other companies	
A. Equity-method investments	
A1. Associates	
Sinotruk (Hong Kong) Limited, Hong Kong, China	25.00%
Hörmann Automotive Gustavsburg GmbH, Ginsheim-Gustavsburg, Germany	40.00%
OOO EURO-Leasing RUS, Ryazan, Russian Federation	60.00%
JV MAN AUTO – Uzbekistan Limited Liability Company, Samarkand City, Uzbekistan	49.00%
Rheinmetall MAN Military Vehicles GmbH, Munich, Germany	49.00%
Atlas Power Ltd., Karachi, Pakistan	33.54%
A2. Joint ventures	
MAN Financial Services SA (Pty) Ltd., Johannesburg, South Africa	50.00%
B. Companies carried at cost	
Roland Holding GmbH, Munich, Germany	22.83%[2]
Scania AB, Södertälje, Sweden	13.35%[3]
Scania-MAN Administration ApS, Frederiksberg, Denmark	50.00%
Verwaltungsgesellschaft Wasseralfingen mbH, Aalen, Germany	50.00%
FFK Fahrzeugservice Förtsch GmbH Kronach, Kronach, Germany	30.00%
Coburger Nutzfahrzeuge Service GmbH, Coburg, Germany (inactive)	30.00%
PosernConnect GmbH, Sittensen, Germany	49.00%
Grundstücksverwaltungsgesellschaft EURO-Leasing GmbH, Matthias Hinners und Helge Richter GbR, Sittensen, Germany	50.00%
MTC Marine Training Center Hamburg GmbH, Hamburg, Germany	24.83%
RENK U.A.E. LLC, Abu Dhabi, United Arab Emirates	49.00%

[2] Share of voting rights: 32.82%.
[3] Share of voting rights: 17.37%.

Governing Bodies

Members of the Supervisory Board and their appointments

Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch
Salzburg / Austria,
Supervisory Board Chairman
[1] Volkswagen AG (Chairman)
AUDI AG
Dr. Ing. h.c. F. Porsche AG
Porsche Automobil Holding SE
[3] Ducati Motor Holding S.p.A., Italy
Porsche Ges.m.b.H., Austria
Porsche Holding Gesellschaft m.b.H., Austria
Porsche Holding Stuttgart GmbH
Porsche Piëch Holding GmbH, Austria
Scania AB, Sweden
Scania CV AB, Sweden

Jürgen Kerner*
Frankfurt,
Executive Board Member of IG Metall
Deputy Chairman of the Supervisory Board
since September 27, 2013
[1] Airbus Operations GmbH
Eurocopter GmbH
Premium Aerotec GmbH
Siemens AG

Thomas Otto*
Ottweiler,
Executive Assistant to the Executive Board Chairman of Saarland Chamber of Employment
Deputy Chairman of the Supervisory Board
(Member of the Supervisory Board until June 30, 2013)
[1] MAN Diesel & Turbo SE
MAN Truck & Bus Deutschland GmbH

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] Bayer AG
RWE AG

Michael Behrendt
Hamburg,
Chief Executive Officer 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
Hamburgische Staatsoper GmbH

Marek Berdychowski*
Tarnowo, Podgórne / Poland,
Deputy Chairman of the Metalowcy labor union and member of the Works Council at MAN Bus Sp. z o.o., Tarnowo plant, Podgórne

Detlef Dirks*
Diedorf,
Works Council Chairman of MAN Diesel & Turbo SE, Augsburg plant
[1] MAN Diesel & Turbo SE

Jürgen Dorn*
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)
Volkswagen AG

Gerhard Kreutzer*
Oberhausen,
Deputy Chairman of the Group Works Council of MAN SE, as well as the SE Works Council
[1] MAN Diesel & Turbo SE

Wilfrid Loos*
Dortmund,
Chairman of the Works Council and Deputy Chairman of the Supervisory Board of MAN Truck & Bus Deutschland GmbH
(Member of the Supervisory Board until March 31, 2013)
[1] MAN Truck & Bus Deutschland GmbH (Deputy Chairman)

Nicola Lopopolo*
Hanover,
Chairman of the Works Council of
Renk Aktiengesellschaft, Hanover plant
(Member of the Supervisory Board since April 1, 2013)

Dr. h.c. Leif Östling
Stockholm / Sweden,
Member of the Board of Management of Volkswagen AG
[2] MAN Truck & Bus AG
[3] Aktiebolaget SKF, Sweden (Chairman)
EQT Holdings AB, Sweden
[4] Scania AB, Sweden
Scania CV AB, Sweden

Angelika Pohlenz
Wiesbaden,
Secretary General of the International Chamber
of Commerce (ICC), Berlin

Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch
Wolfsburg,
Member of the Board of Management of Volkswagen AG and
Member of the Executive Board of Porsche Automobil Holding SE
[1] Bertelsmann SE & Co. KGaA
[2] AUDI AG
Autostadt GmbH (Chairman)
Dr. Ing. h.c. F. Porsche AG
Volkswagen Financial Services AG (Chairman)
[4] Bentley Motors Ltd., United Kingdom
Porsche Austria Gesellschaft m.b.H., Austria
(Deputy Chairman)
Porsche Holding Gesellschaft m.b.H., Austria
(Deputy Chairman)
Porsche Holding Stuttgart GmbH
Porsche Retail GmbH, Austria (Deputy Chairman)
Scania AB, Sweden
Scania CV AB, Sweden
VfL Wolfsburg-Fußball GmbH (Deputy Chairman)
Volkswagen Group of America, Inc., USA
Volkswagen (China) Investment Company Ltd., China
(Deputy Chairman)

Karina Schnur*
Ingolstadt,
Labor Union Secretary of IG Metall
(Member of the Supervisory Board since September 10, 2013)
[1] MAN Truck & Bus AG

Erich Schwarz*
Steyr / Austria,
Chairman of the Works Council of MAN Truck & Bus
Österreich AG and Deputy Chairman of the SE Works Council
[3] MAN Truck & Bus Österreich AG, Austria

Prof. Rupert Stadler
Ingolstadt,
Chief Executive Officer of AUDI AG and Member of the
Board of Management of Volkswagen AG
[1] FC Bayern München AG
[2] MAN Truck & Bus AG (Chairman)
[4] Automobili Lamborghini Holding S.p.A., Italy (Chairman)
Ducati Motor Holding S.p.A., Italy (Chairman)
Italdesign Giugiaro S.p.A., Italy
Porsche Holding Gesellschaft m.b.H., Austria
VOLKSWAGEN GROUP ITALIA S.P.A., Italy (Chairman)

Prof. Dr. Dr. h.c. mult. Martin Winterkorn
Groß Schwülper,
Chairman of the Board of Management of Volkswagen AG
and Chairman of the Executive Board of Porsche Automobil
Holding SE
[1] FC Bayern München AG
[2] AUDI AG (Chairman)
Dr. Ing. h.c. F. Porsche AG
[4] Bentley Motors Ltd., United Kingdom
Italdesign Giugiaro S.p.A., Italy (Chairman)
Porsche Austria Gesellschaft m.b.H., Austria
Porsche Holding Gesellschaft m.b.H., Austria
Porsche Holding Stuttgart GmbH
Porsche Retail GmbH, Austria
Scania AB, Sweden (Chairman)
Scania CV AB, Sweden (Chairman)
SKODA AUTO a.s., Czech Republic
Volkswagen Group of America, Inc., USA (Chairman)
Volkswagen (China) Investment Company Ltd., China
(Chairman)

* Elected by the workforce.
As of December 31, 2013, or date of departure.
[1] Membership of supervisory boards of German companies.
[2] Membership of supervisory boards of German companies, Group appointments.
[3] Membership of comparable German or foreign governing bodies.
[4] Membership of comparable German or foreign governing bodies, Group appointments.

Supervisory Board committees of MAN SE

Presiding Committee

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Michael Behrendt
Jürgen Dorn
Jürgen Kerner
Gerhard Kreutzer
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Audit Committee

Prof. Rupert Stadler (Chairman)
Michael Behrendt
Jürgen Dorn
Jürgen Kerner (Deputy Chairman)
Gerhard Kreutzer
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Nomination Committee

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch
Michael Behrendt
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Members of the Executive Board and their appointments

Dr. Georg Pachta-Reyhofen

Niederpöcking,
Chief Executive Officer
[2] MAN Diesel & Turbo SE (Chairman)
MAN Truck & Bus AG
Renk Aktiengesellschaft
[3] Sinotruk (Hong Kong) Ltd.
[4] MAN Latin America Indústria e Comércio de Veículos Ltda. (Chairman)

Ulf Berkenhagen

Wolfsburg,
Chief Procurement Officer
Chief Procurement Officer of MAN Truck & Bus AG
[2] MAN Diesel & Turbo SE
[4] MAN Latin America Indústria e Comércio de Veículos Ltda.

Frank H. Lutz

Munich,
Chief Financial Officer
(until February 18, 2013)
[2] MAN Diesel & Turbo SE
MAN Pensionsfonds AG (Chairman)
MAN Truck & Bus AG
Renk Aktiengesellschaft (Chairman)
[3] Börse München
[4] MAN Capital Corporation, USA (Chairman)
MAN Latin America Indústria e Comércio de Veículos Ltda.

Jochen Schumm

Groß Schwülper,
Chief Human Resources Officer
Chief Human Resources Officer of MAN Truck & Bus AG
[2] MAN Diesel & Turbo SE
MAN Pensionsfonds AG (Chairman)
[4] MAN Latin America Indústria e Comércio de Veículos Ltda.
MAN Truck & Bus Österreich AG

Dr.-Ing. René Umlauft

Erlangen,
Deputy Member of the Executive Board
Chief Executive Officer of MAN Diesel & Turbo SE
[4] MAN Diesel & Turbo India Ltd. (Chairman)
MAN Diesel & Turbo Russia Ltd. (Chairman)
MAN Diesel & Turbo South Africa (Pty) Ltd.

Executive and management boards of Group companies

MAN Truck & Bus AG
Munich
Anders Nielsen, Chief Executive Officer
Jörg Astalosch
Ulf Berkenhagen
Dr. Frank Hiller (until January 31, 2013)
Dr. Carsten Intra
Heinz-Jürgen Löw (since March 1, 2013)
Dipl.-Ing. Bernd Maierhofer
Jochen Schumm

MAN Latin America Indústria e Comércio de Veículos Ltda.
São Paulo
Antonio Roberto Cortes, Chairman
Helmut Dieter Hümmerich

MAN Diesel & Turbo SE
Augsburg
Dr.-Ing. René Umlauft, Chief Executive Officer
Frank Burnautzki (since October 1, 2013)
Dr.-Ing. Hans-O. Jeske
Arnd Löttgen
Dr. Peter Park
Wilfried von Rath (since October 1, 2013)
Dr.-Ing. Stephan Timmermann

Renk Aktiengesellschaft
Augsburg
Dipl.-Ing. (FH) Florian Hofbauer, Spokesman of the Executive Board
Ulrich Sauter

As of December 31, 2013, or date of departure.
[1] Membership of supervisory boards of German companies.
[2] Membership of supervisory boards of German companies, Group appointments.
[3] Membership of comparable German or foreign governing bodies.
[4] Membership of comparable German or foreign governing bodies, Group appointments.

04/ Further Information

Unaudited Additional Information: Overview by Quarter (1/3)

	2013					2012				
€ million	Total 2013	Q4	Q3	Q2	Q1	Total 2012	Q4	Q3	Q2	Q1
Order intake by division										
MAN Truck & Bus	9,336	2,111	2,746	2,338	2,141	9,150	2,274	1,835	2,496	2,545
MAN Latin America	2,950	656	719	753	822	2,870	765	681	584	840
Commercial Vehicles	12,286	2,767	3,465	3,091	2,963	12,020	3,039	2,516	3,080	3,385
MAN Diesel & Turbo	3,407	1,126	680	874	727	3,510	906	911	784	909
Renk	504	83	184	121	116	525	121	123	147	134
Power Engineering	3,911	1,209	864	995	843	4,035	1,027	1,034	931	1,043
Others/Consolidation	–210	–25	–32	–101	–52	–166	–29	–26	–51	–60
Order intake	**15,987**	**3,951**	**4,297**	**3,985**	**3,754**	**15,889**	**4,037**	**3,524**	**3,960**	**4,368**
Commercial Vehicles order intake (units)	**139,271**	**30,971**	**41,072**	**34,054**	**33,174**	**136,339**	**34,689**	**26,962**	**34,256**	**40,432**
MAN Truck & Bus	78,914	16,403	25,584	18,838	18,089	80,034	19,812	14,093	22,708	23,421
MAN Latin America	60,357	14,568	15,488	15,216	15,085	56,305	14,877	12,869	11,548	17,011
Intersegment order intake[2]	–1,528	–206	–310	–467	–545	–1,839				
Group order intake	137,743	30,765	40,762	33,587	32,629	134,500				
Revenue by division										
MAN Truck & Bus	9,054	2,735	2,066	2,355	1,898	8,822	2,263	2,187	2,290	2,082
MAN Latin America	2,950	656	719	753	822	2,870	765	681	584	840
Commercial Vehicles	12,004	3,391	2,785	3,108	2,720	11,692	3,028	2,868	2,874	2,922
MAN Diesel & Turbo	3,396	981	796	874	745	3,780	1,059	949	916	856
Renk	485	135	125	102	123	476	135	126	110	105
Power Engineering	3,881	1,116	921	976	868	4,256	1,194	1,075	1,026	961
Others/Consolidation	–221	–46	–42	–97	–36	–176	–32	–55	–51	–38
Revenue	**15,664**	**4,461**	**3,664**	**3,987**	**3,552**	**15,772**	**4,190**	**3,888**	**3,849**	**3,845**
Commercial Vehicles unit sales (units)	**141,919**	**42,898**	**33,471**	**34,752**	**30,798**	**136,271**	**34,984**	**32,904**	**33,381**	**35,002**
MAN Truck & Bus	81,562	28,330	17,983	19,536	15,713	79,966	20,107	20,035	21,833	17,991
MAN Latin America	60,357	14,568	15,488	15,216	15,085	56,305	14,877	12,869	11,548	17,011
Intersegment sales[2]	–1,586	–447	–442	–371	–326	–2,026				
Group sales	140,333	42,451	33,029	34,381	30,472	134,245				
Order backlog[1]	**5,776**	**5,776**	**6,710**	**6,184**	**6,169**	**6,094**	**6,094**	**6,489**	**7,101**	**7,105**
Commercial Vehicles production (units)	**142,517**	**37,834**	**36,662**	**35,941**	**32,080**	**125,977**	**30,499**	**32,918**	**32,436**	**30,124**
MAN Truck & Bus	81,193	26,000	19,671	19,085	16,437	78,133	17,874	19,304	20,337	20,618
MAN Latin America	61,324	11,834	16,991	16,856	15,643	47,844	12,625	13,614	12,099	9,506
Intersegment production[2]	–1,306	–308	–393	–307	–298	–1,673				
Group production	141,211	37,526	36,269	35,634	31,782	124,304				

1 As of the reporting date.
2 Disclosed starting in fiscal 2012; consolidation effects in previous periods were immaterial.
This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Unaudited Additional Information: Overview by Quarter (2/3)

	2013					2012				
€ million	Total 2013	Q4	Q3	Q2	Q1	Total 2012	Q4	Q3	Q2	Q1
Operating profit/loss by division										
MAN Truck & Bus	228	148	45	58	– 23	229	94	52	15	68
MAN Latin America	230	71	52	52	55	229	54	45	50	80
Commercial Vehicles	458	219	97	110	32	458	148	97	65	148
MAN Diesel & Turbo	– 27	105	89	– 99	– 122	437	144	81	103	109
Renk	67	20	19	12	16	66	16	23	13	14
Power Engineering	40	125	108	– 87	– 106	503	160	104	116	123
Others/Consolidation	– 23	– 48	– 16	49	– 8	8	1	– 14	38	– 17
Operating profit/loss	**475**	**296**	**189**	**72**	**– 82**	**969**	**309**	**187**	**219**	**254**
Earnings effects from purchase price allocations	– 76	– 11	– 18	– 23	– 24	– 110	– 33	– 26	– 23	– 28
Losses from nonrecurring items	– 38	–	– 38	–	–	– 231	– 41	–	– 190	–
Earnings before interest and taxes (EBIT)	**361**	**285**	**133**	**49**	**– 106**	**628**	**235**	**161**	**6**	**226**
Depreciation, amortization, and impairment losses	510	118	146	123	123	706	172	118	304	112
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**871**	**403**	**279**	**172**	**17**	**1 334**	**407**	**279**	**310**	**338**
Earnings before tax (EBT)	**172**	**225**	**77**	**14**	**– 144**	**316**	**128**	**116**	**– 116**	**188**
Income taxes	– 377	– 138	9	– 55	– 193	– 124	– 40	– 54	28	– 58
Loss from discontinued operations, net of tax	– 308	– 4	– 304	–	–	–	–	–	–	–
Net income/loss	**– 513**	**83**	**– 218**	**– 41**	**– 337**	**192**	**88**	**62**	**– 88**	**130**
ROS (%)	**3.0**	**6.7**	**5.2**	**1.8**	**– 2.3**	**6.1**	**7.4**	**4.8**	**5.7**	**6.6**
MAN Truck & Bus	2.5	5.4	2.2	2.5	– 1.2	2.6	4.2	2.4	0.6	3.3
MAN Latin America	7.8	10.8	7.3	6.8	6.8	8.0	7.1	6.6	8.6	9.5
Commercial Vehicles	3.8	6.4	3.5	3.5	1.2	3.9	4.9	3.3	2.2	5.1
MAN Diesel & Turbo	– 0.8	10.7	11.2	– 11.3	– 16.4	11.6	13.6	8.6	11.2	12.8
Renk	13.7	14.2	15.8	11.0	13.3	13.9	11.7	18.4	11.7	13.6
Power Engineering	1.0	11.1	11.8	– 9.0	– 12.2	11.8	13.4	9.7	11.2	12.9
Cash earnings	204	57	88	121	– 62	980	328	160	270	222
Net cash provided by/used in operating activities	136	417	254	– 385	– 150	– 84	662	– 262	– 379	– 105
Net cash used in investing activities attributable to operating activities	– 526	– 223	– 100	– 118	– 85	– 1,233	– 258	– 164	– 157	– 654
Free cash flow	**– 390**	**194**	**154**	**– 503**	**– 235**	**– 1,317**	**404**	**– 426**	**– 536**	**– 759**
Net financial debt[1]	**– 1,315**	**– 1,315**	**– 4,641**	**– 4,797**	**– 4,152**	**– 3,928**	**– 3,928**	**– 4,309**	**– 3,853**	**– 3,016**

[1] As of the reporting date.
[2] Operating profit/loss, EBIT, EBITDA, EBT, income taxes, net income/loss, and ROS adjusted to reflect the retrospective application of IAS 19 (2011); see also “New and revised accounting pronouncements.”
This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Unaudited Additional Information: Overview by Quarter (3/3)

	2013					2012				
€ million	Total 2013	Q4	Q3	Q2	Q1	Total 2012	Q4	Q3	Q2	Q1
ROCE (%)	**6.9**	**17.4**	**11.0**	**4.1**	**–4.7**	**13.9**	**17.1**	**10.3**	**12.6**	**16.1**
ROE (%)[3]	**–2.7**	**17.9**	**0.1**	**1.1**	**–10.4**	**5.6**	**9.2**	**8.6**	**–8.1**	**12.8**
Headcount[1,4]	**53,509**	**53,509**	**54,118**	**53,769**	**54,168**	**54,283**	**54,283**	**54,970**	**55,235**	**54,802**
of which: subcontracted employees	1,327	1,327	1,923	1,693	1,865	1,802	1,802	2,038	2,402	2,388
Capital markets information										
Earnings per share from continuing operations (in €)	**–1.47**	**0.57**	**0.56**	**–0.29**	**–2.31**	**1.23**	**0.58**	**0.40**	**–0.62**	**0.87**
Earnings/loss per share from continuing operations excl. effects from purchase price allocations and nonrecurring items (in €)	**–0.86**	**0.62**	**0.91**	**–0.19**	**–2.20**	**3.34**	**1.04**	**0.52**	**0.78**	**1.00**
MAN share price (in €)[5]										
High	89.74	89.72	88.14	86.51	89.74	102.45	82.53	83.77	102.45	99.83
Low	82.35	88.02	84.00	83.76	82.35	70.76	72.22	70.76	76.98	72.42
Quarter-end	89.25	89.25	88.14	83.90	83.87	80.75	80.75	71.25	80.54	99.83
MAN share performance (%)										
Performance of MAN shares	10.5	1.3	1.5	0.0	3.9	17.5	13.3	–11.5	–19.3	45.3
Dax performance	25.5	11.1	8.0	2.1	2.4	29.1	5.5	12.5	–7.6	17.8
MDax performance	39.1	10.2	9.7	2.9	11.8	33.9	8.5	6.1	–3.4	20.3

1 As of the reporting date.
2 ROCE, ROE, earnings per share from continuing operations, and earnings per share from continuing operations excluding effects from purchase price allocations and nonrecurring items adjusted to reflect the retrospective application of IAS 19 (2011); see also “New and revised accounting pronouncements”.
3 ROE including earnings effects of discontinued operations.
4 Including subcontracted employees.
5 Xetra closing prices, Frankfurt.
This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

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 Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, January 30, 2014

MAN SE

The Executive Board

Dr. Georg Pachta-Reyhofen **Ulf Berkenhagen**

Jochen Schumm **Dr.-Ing. René Umlauft**

Auditors' Report

We have audited the consolidated financial statements – 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 – and the group management report prepared by MAN SE, Munich, for the fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group 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 group 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 group 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 group 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 group 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 group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position, and suitably presents the opportunities and risks of future development.

Munich, January 30, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Jan Konerding
Wirtschaftsprüfer

Petra Justenhoven
Wirtschaftsprüferin

Glossary

Capital employed (CE)

The MAN Group's CE is derived from the capital side. It comprises the Group's total equity, pension provisions, and financial liabilities, less marketable securities, cash and cash equivalents, loans to Group companies, and in the previous year, less the financing business (leasing) not covered by the equity of MAN Finance. The divisions' CE is derived from the asset side. For the Industrial Business it comprises total assets excluding certain liquid assets and tax assets, less all provisions and liabilities with the exception of financial liabilities, pension provisions, and income taxes. Effects from acquisitions relating to finite-lived tangible and intangible assets are also eliminated when calculating CE. Prepayments received are only deducted if they have already been used in order processing.

Cash earnings

Cash earnings reflect the net cash provided by or used in operating activities. They are the net amount of operating profit, interest, taxes (excl. deferred taxes), depreciation, amortization, impairment losses and reversals of impairment losses, and other noncash income and expense.

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 noncurrent assets (intangible assets, property, plant, and equipment, and investments) are covered by equity.

European Medium Term Notes (EMTN) Program

Framework agreement between companies and traders of notes, which enables companies to issue securities in the European capital market to procure external capital within a very short period of time.

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.

Free cash flow

Cash flow from operating activities plus cash flow from investing activities attributable to operating activities. Free cash flow reflects the funds generated by a company during the fiscal year.

Functional expenses

Functional expenses comprise the cost of goods sold and services rendered, selling 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.

Net liquidity / net financial debt

Net liquidity/net financial debt is a financial control measure comprising cash and cash equivalents, short-term loans to unconsolidated investments, and marketable securities, less financial liabilities.

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 and hedges (marking to market) and remeasurements of pensions, after adjustment for deferred taxes.

Operating profit

Earnings measure for calculating ROS and thus for assessing and measuring the performance of MAN Group divisions. As a rule, it corresponds to earnings before interest and taxes (EBIT). An adjustment is made for earnings effects from purchase price allocation and, in individual cases, for nonrecurring items. These items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business.

Operating profit = EBIT ± Nonrecurring items + Earnings effects of purchase price allocation

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.

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.

Rating

Assessment of a company's creditworthiness issued by independent rating agencies on the basis of a thorough analysis. Ratings are expressed by means of rating classes, which are defined differently by individual rating agencies.

Return on capital employed (ROCE)

Ratio of operating profit to annual average capital employed.

$$ROCE = \frac{\text{Operating profit}}{CE}$$

Return on equity (ROE)

Ratio of earnings before tax to annual average equity.

$$ROE = \frac{\text{Earnings before tax}}{\text{Annual average MAN Group equity}}$$

Return on sales (ROS)

Ratio of operating profit to revenue.

$$ROS = \frac{\text{Operating profit}}{\text{Revenue}}$$

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.

Syndicated credit line

Committed credit line granted by a banking syndicate.

Weighted average cost of capital (WACC)

For management purposes, the MAN Group's WACC is fixed for the long term at 10% before tax.

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Financial Diary

Financial diary (expected dates)*	
Report on Q1/2014	May 5, 2014
Annual General Meeting for fiscal 2013 (Hanover)	May 15, 2014
Half-yearly report 2014	July 30, 2014
Report on Q3/2014	October 28, 2014

* The latest information can be found on MAN's website at
→ www.man.eu/corporate under "Investor Relations"

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← Seven-Year Overview

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MAN Group: Seven-Year Overview

€ million	2013	2012	2011	2010	2009	2008	2007
Order intake	**15,987**	**15,889**	**17,145**	**15,072**	**9,860**	**14,033**	**17,818**
of which: Germany	3,475	3,252	3,646	3,489	2,388	3,306	4,549
of which: other countries	12,512	12,637	13,499	11,583	7,472	10,727	13,269
Order intake by division							
MAN Truck & Bus	9,336	9,150	9,514	8,023	5,224	9,130	12,684
MAN Latin America	2,950	2,870	3,579	3,140	1,412	–	–
MAN Diesel & Turbo	3,407	3,510	3,692	3,475	2,936	4,515	4,825
Renk	504	525	456	525	294	443	439
Others/Consolidation	– 210	– 166	– 96	– 91	– 6	– 55	– 130
Revenue	**15,664**	**15,772**	**16,472**	**14,675**	**12,026**	**14,945**	**14,063**
of which: Germany	3,293	3,170	3,515	3,058	2,751	3,704	4,073
of which: other countries	12,371	12,602	12,957	11,617	9,275	11,241	9,990
Revenue by division							
MAN Truck & Bus	9,054	8,822	8,984	7,446	6,395	10,610	10,410
MAN Latin America	2,950	2,870	3,579	3,140	1,412	–	–
MAN Diesel & Turbo	3,396	3,780	3,610	3,766	3,796	3,870	3,286
Renk	485	476	389	403	474	527	430
Others/Consolidation	– 221	– 176	– 90	– 80	– 51	– 62	– 63
Order backlog[1]	**5,776**	**6,094**	**6,640**	**7,025**	**7,422**	**10,416**	**12,335**
of which: Germany	1,114	1,067	1,172	1,264	1,107	1,626	2,331
of which: other countries	4,662	5,027	5,468	5,761	6,315	8,790	10,004
Headcount including subcontracted employees[1]	**53,509**	**54,283**	**52,542**	**47,669**	**47,743**	**51,321**	**50,399**
of which: Companies within Germany	30,296	30,513	30,187	27,354	26,768	28,753	28,963
of which: Companies outside Germany	23,213	23,770	22,355	20,315	20,975	22,568	21,436
Subcontracted employees[1]	**1,327**	**1,802**	**2,364**	**1,976**	**1,643**	**2,197**	**3,519**
Headcount[1]	**52,182**	**52,481**	**50,178**	**45,693**	**46,100**	**49,124**	**46,880**
Annual average headcount	**52,321**	**52,499**	**48,986**	**45,885**	**47,365**	**48,787**	**47,128**
MAN share data							
Common shares (in €)[1]	89.25	80.75	68.70	88.99	54.44	38.72	113.80
Common shares, high (in €)	89.74	102.45	98.72	96.44	61.23	110.91	123.73
Common shares, low (in €)	82.35	70.76	52.51	47.99	30.31	27.78	68.46
Common shares, price/earnings ratio[1,2,3]	–	65.7	14.9	16.8	–	5.0	15.7
Preferred shares (in €)[1]	88.56	75.50	48.35	58.21	41.00	43.05	108.65
Preferred shares, high (in €)	88.95	85.51	69.94	62.24	49.95	110.00	117.39
Preferred shares, low (in €)	75.35	50.54	37.02	38.02	35.45	32.56	62.69
Preferred shares, price/earnings ratio[1,2,3]	–	61.4	10.5	11.0	–	5.5	14.9
Dividend per share (in €)	0.14	1.00	2.30	2.00	0.25	2.00	3.15
Earnings per share (IAS 33) (in €)[2,3]	– 1.47	1.23	4.62	5.30	– 2.69	7.76	7.27
Cash earnings per share (in €)	1.39	6.57	7.36	5.46	2.52	10.43	10.52
Equity per share (in €)	36.50	37.70	39.00	37.40	35.50	35.70	30.30

[1] Number at December 31.
[2] For continuing operations.
[3] Adjusted in 2012 to reflect the retrospective application of IAS 19 (2011), see also the “Notes to the Condensed Interim Consolidated Financial Statements.”

€ million	2013	2012	2011	2010	2009	2008	2007
Noncurrent assets[1]	10,430	11,746	10,623	10,046	8,661	6,010	6,891
Inventories	3,112	3,373	3,513	2,852	3,037	3,275	3,279
Other current assets[1]	8,338	3,426	3,576	3,462	3,561	7,140	4,471
Marketable securities and cash and cash equivalents	1,138	1,367	958	1,071	636	105	1,520
Equity[6]	5,227	5,632	5,590	5,990	5,129	5,396	5,177
Pension obligations	452	591	378	226	160	74	132
Noncurrent and current financial liabilities	3,627	5,299	3,170	2,849	3,270	1,736	1,967
Prepayments received	852	908	823	762	913	1,099	2,031
Other liabilities and provisions[6]	12,860	7,482	8,709	7,604	6,423	8,225	6,854
Total assets/total capital[6]	**23,018**	**19,912**	**18,670**	**17,431**	**15,895**	**16,530**	**16,161**
Revenue	**15,664**	**15,772**	**16,472**	**14,675**	**12,026**	**14,945**	**14,063**
Cost of goods sold and services rendered[2]	−12,760	−12,499	−12,791	−11,400	−9,455	−11,243	−10,722
Gross margin	**2,904**	**3,273**	**3,681**	**3,275**	**2,571**	**3,702**	**3,341**
Other income and expenses[3,6]	−2,429	−2,304	−2,198	−2,240	−2,067	−1,973	−1,790
Operating profit[4,6]	**475**	**969**	**1,483**	**1,035**	**504**	**1,729**	**1,551**
Earnings effects from purchase price allocations	−76	−110	−109	−109	−62	–	–
Gains/losses from nonrecurring items	−38	−231	−118	357	−656	−106	183
Net interest income/expense	−189	−312	−134	−158	−117	20	−55
Earnings before tax[6]	**172**	**316**	**1,122**	**1,125**	**−331**	**1,643**	**1,679**
Income taxes[6]	−377	−124	−434	−338	−53	−488	−600
Income/loss from discontinued operations, net of tax	−308	–	−441	−65	126	92	146
Net income/loss[6]	**−513**	**192**	**247**	**722**	**−258**	**1,247**	**1,225**
Noncontrolling interests	−11	−12	−9	−9	−12	−14	−9
Withdrawals from/transfer to reserves[6]	545	−33	100	−419	307	−939	−753
Total dividend paid by MAN SE	**21**	**147**	**338**	**294**	**37**	**294**	**463**
Earnings before interest, taxes, depreciation, and amortization (EBITDA)[6]	**871**	**1,334**	**2,360**	**1,393**	**590**	**1,947**	**2,131**
Depreciation, amortization, and impairment losses	−510	−706	−1,129	−467	−804	−324	−397
Reversals of impairment losses on equity-method investments	–	–	25	357	–	–	–
Earnings before interest and taxes (EBIT)[6]	**361**	**628**	**1,256**	**1,283**	**−214**	**1,623**	**1,734**
Capital expenditures and financing							
Property, plant, and equipment, and intangible assets	558	754	601	391	366	603	459
Investments	4	175	70	5	1,937	270	259
Research and development expenditures	879	830	740	626	504	493	433
Cash earnings	204	980	1,094	815	396	1,619	1,661
Net cash provided by/used in operating activities	136	−84	518	1,427	1,462	137	2,109
Net cash used in investing activities	−526	−1,233	−637	−374	−2,584	−707	−426
Free cash flow	−390	−1,317	−119	1,053	−1,122	−570	1,683
Key performance indicators							
ROS (%)	3.0	6.1	9.0	7.1	4.2	11.6	11.0
ROCE (%)[5]	6.9	13.9	24.4	17.4	8.8	40.2	31.9

[1] Change in presentation of finance lease receivables from 2009.
[2] 2008 figure after reclassification of €−61 million (2007: €−35 million) of cost of goods sold and services rendered to gains/losses from nonrecurring items.
[3] Including net interest income of Financial Services.
[4] Industrial Services reported as discontinued operations from 2007.
[5] CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made in 2009).
[6] Adjusted in 2012 to reflect the retrospective application of IAS 19 (2011), see also the "Notes to the Condensed Interim Consolidated Financial Statements."

MAN SE 2013 Annual Report

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