# EFFICIENCY

2014
ANNUAL REPORT

Engineering the Future – since 1758.

MAN SE

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

# MAN AT A GLANCE

2014

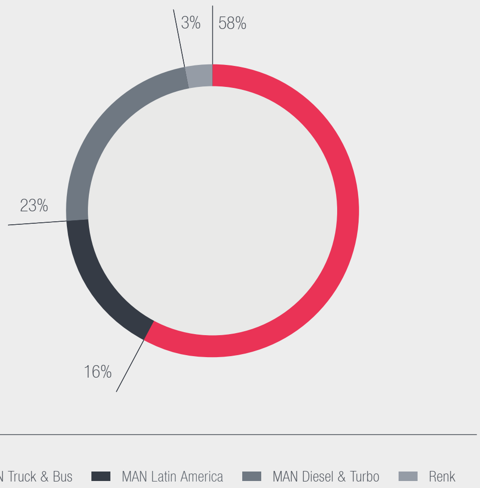
| | |
|---|---|
| **15.3** billion euro | **ORDER INTAKE DOWN 5%** [ 2013: 16.2 billion euro ] |
| **14.3** billion euro | **SALES REVENUE 10% LOWER YEAR-ON-YEAR** [ 2013: 15.9 billion euro ] |
| **384** million euro | **SLIGHT IMPROVEMENT IN OPERATING PROFIT** [ 2013: 309 million euro ] |
| **2.7** percent | **OPERATING RETURN ON SALES UP, BUT AT A LOW LEVEL** [ 2013: 1.9% ] |
| **–0.8** billion euro | **NET CASH FLOW IMPACTED BY NONRECURRING ITEMS** [ 2013: –390 million euro ] |

## Group key figures (IFRSs)

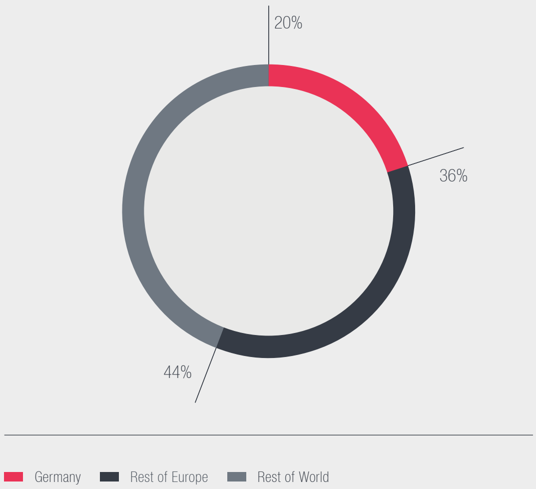
| | 2014 | 2013 | Change in % |
|---|---|---|---|
| **Order intake** | **15,332** | **16,207** | **– 5.4** |
| Germany | 3,267 | 3,570 | – 8.5 |
| Other countries | 12,066 | 12,637 | – 4.5 |
| **Sales revenue** | **14,286** | **15,861** | **– 9.9** |
| Germany | 2,906 | 3,388 | – 14.2 |
| Other countries | 11,380 | 12,472 | – 8.8 |
| **Order backlog**[1] | **6,244** | **5,776** | **8.1** |
| **Headcount**[1] | **55,903** | **56,102** | **– 0.4** |
| **Income statement** | | | **Change** € million |
| Operating profit | 384 | 309 | 75 |
| Operating return on sales (%) | 2.7 | 1.9 | 0.8 |
| Profit before tax from continuing operations | 242 | 172 | 70 |
| Profit/loss after tax | 267 | – 513 | 780 |
| **Balance sheet** | | | |
| Total assets | 17,538 | 22,537 | – 4,999 |
| Total equity[1] | 5,485 | 5,227 | 258 |
| Equity ratio (%) | 31.3 | 23.2 | 8.1 |
| Net financial debt[1] | – 1,360 | – 1,315 | – 45 |
| Cash and cash equivalents[1] | 525 | 1,137 | – 612 |
| **Cash flow** | | | |
| Net cash provided by/used in operating activities | – 695 | 136 | – 831 |
| Net cash used in investing activities attributable to operating activities | – 154 | – 526 | 372 |
| Net cash flow | – 849 | – 390 | – 459 |
| **Shares** | | | **Change** in € |
| Earnings per share from continuing operations in € | 0.88 | – 1.47 | 2.35 |
| Annual cash compensation payment/guaranteed dividend per share in €[2,3] | 3.07 | 3.07 | – |

[1] As of December 31, 2014, vs. December 31, 2013.
[2] 2013: Cash dividends of MAN SE in the amount of €0.14 are part of the guaranteed dividend of Truck & Bus GmbH.
[3] MAN SE will not distribute any further dividends from fiscal 2014 onwards as a result of the DPLTA. Instead, Truck & Bus GmbH has agreed to make annual cash compensation payments of €3.07 per common or preferred share for the full fiscal year to MAN SE free float shareholders for the duration of the DPLTA, starting in fiscal 2014.

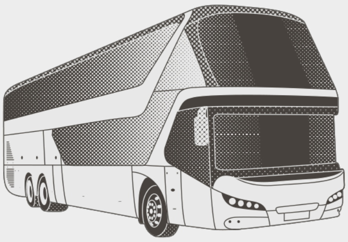
## Revenue distribution by segment

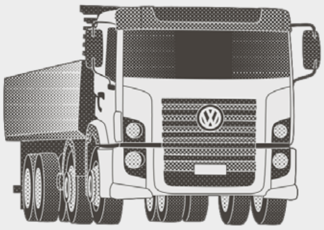



## Revenue distribution by region



# THE MAN GROUP





## COMMERCIAL VEHICLES

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

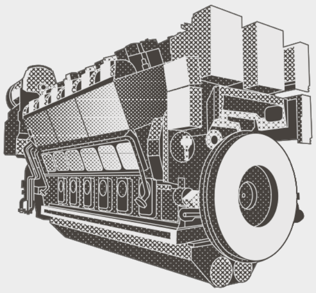
- Trucks with a gross vehicle weight of 7.5 to 44 t
- Heavy special-purpose vehicles with a gross train weight of up to 250 t
- MAN-branded city and intercity buses, coaches, and bus chassis as well as NEOPLAN-branded luxury coaches
- Industrial, marine, and on- and off-road engines
- End-to-end passenger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

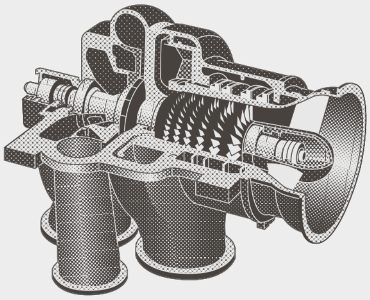
| € million | 2014 | 2013 |
|---|---|---|
| Order intake | 9,269 | 9,551 |
| Sales revenue | 8,412 | 9,251 |
| Operating profit | 152 | 244 |
| Headcount (on December 31) | 36,450 | 36,887 |
| Operating return on sales (%) | 1.8 | 2.6 |

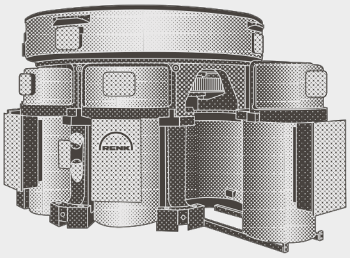
**MAN Latin America**
is the largest truck manufacturer in Brazil. It has been the local market leader in the over 5 t class for twelve years and is a leading supplier of commercial vehicles and bus chassis for growth markets, with one of the most advanced production facilities worldwide for trucks and 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 | 2014 | 2013 |
|---|---|---|
| Order intake | 2,253 | 2,955 |
| Sales revenue | 2,253 | 2,955 |
| Operating profit | 65 | 220 |
| Headcount (on December 31) | 1,999 | 2,020 |
| Operating return on sales (%) | 2.9 | 7.4 |







## 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 | 2014 | 2013 |
|---|---|---|
| Order intake | 3,280 | 3,407 |
| Sales revenue | 3,273 | 3,390 |
| Operating profit/loss | 206 | – 41 |
| Headcount (on December 31) | 14,947 | 14,560 |
| Operating return on sales (%) | 6.3 | – 1.2 |

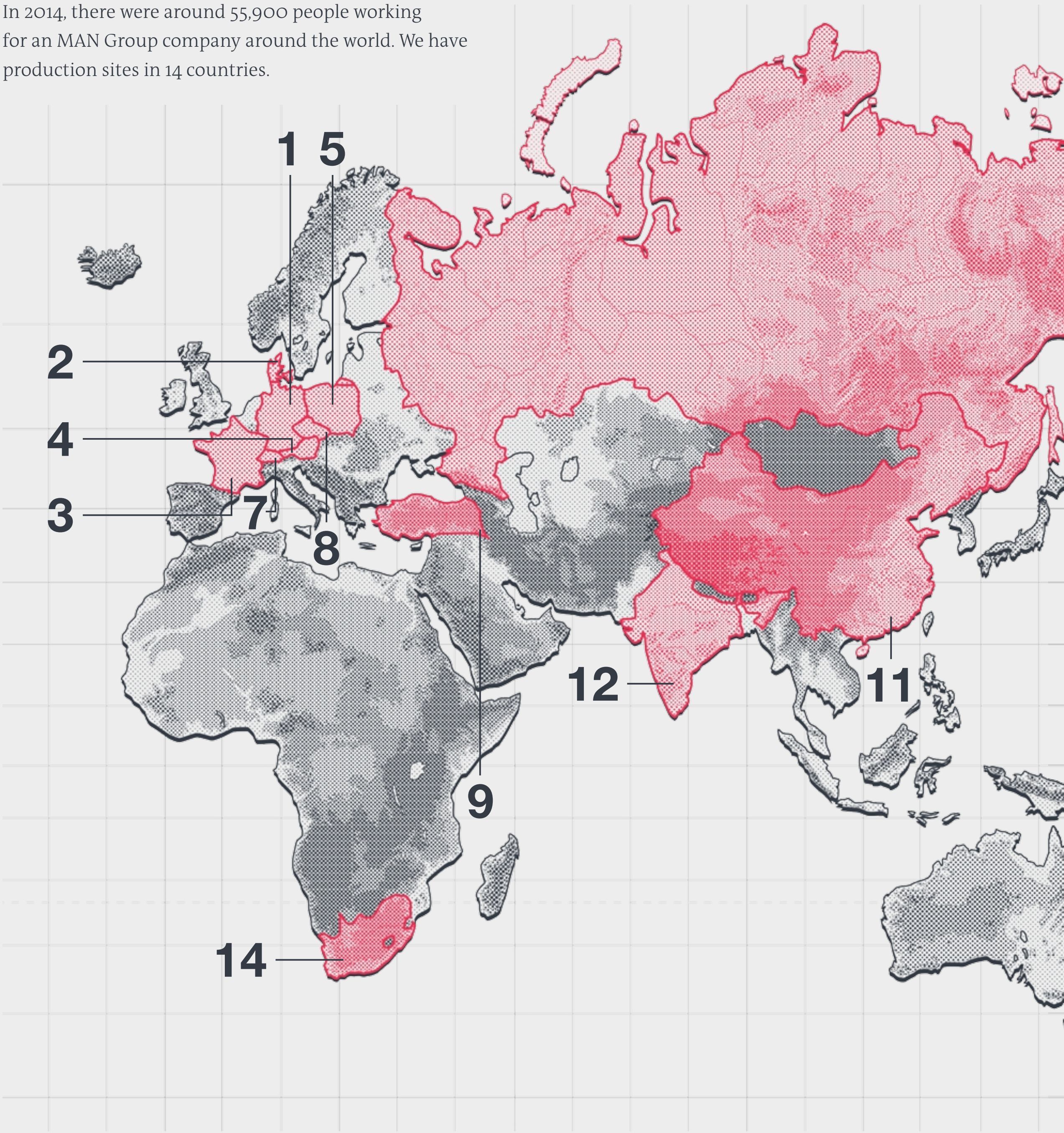
**Renk** (76%)
is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems:

- 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 | 2014 | 2013 |
|---|---|---|
| Order intake | 666 | 504 |
| Sales revenue | 480 | 485 |
| Operating profit | 72 | 66 |
| Headcount (on December 31) | 2,196 | 2,306 |
| Operating return on sales (%) | 15.0 | 13.5 |

# THE WORLD OF MAN

In 2014, there were around 55,900 people working for an MAN Group company around the world. We have production sites in 14 countries.




### 1 GERMANY

- **Employees[1]:** 32,309
- **Production sites:**
  Munich, Nuremberg, Plauen, Salzgitter (MAN Truck & Bus)
  Augsburg, Berlin, Deggendorf, Hamburg, Hanover, Oberhausen, Rheine (MAN Diesel & Turbo, Renk)

### 2 DENMARK

- **Employees[1]:** 2,197
- **Production sites**:
  Frederikshavn, Copenhagen (MAN Diesel & Turbo)

### 3 FRANCE

- **Employees[1]:** 1,410
- **Production site:**
  Saint-Nazaire (MAN Diesel & Turbo)

### 7 SWITZERLAND

- **Employees[1]:** 1,224
- **Production site:**
  Zurich (MAN Diesel & Turbo)

### 8 CZECH REPUBLIC

- **Employees[1]:** 317
- **Production site:** Velká Bíteš (MAN Diesel & Turbo)

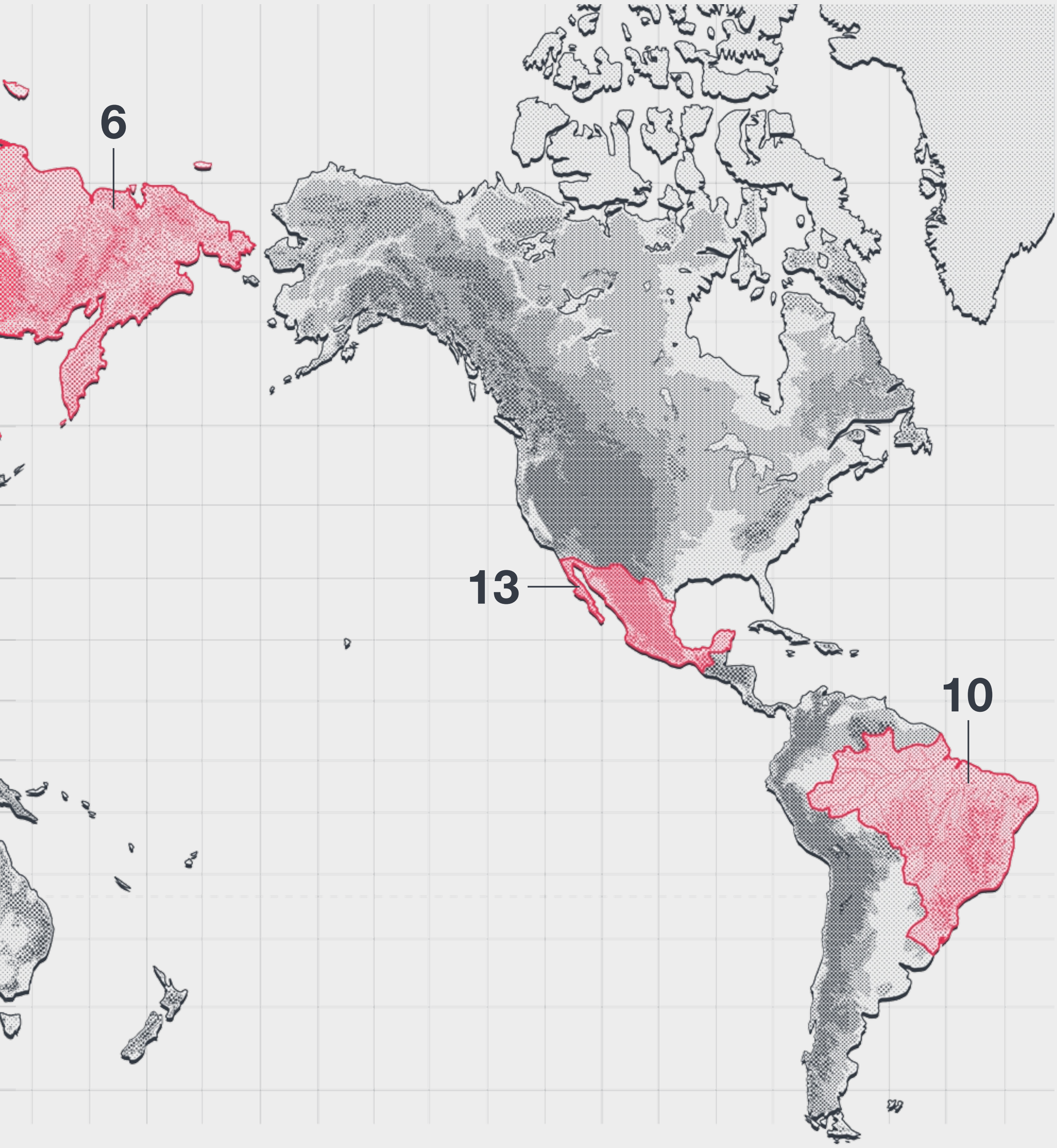
### 9 TURKEY

- **Employees[1]:** 1,982
- **Production site:** Ankara (MAN Truck & Bus)

### 10 BRAZIL

- **Employees[1]:** 2,251
- **Production site:** Resende (MAN Latin America)

[1] As of December 31, 2014; all MAN companies nationwide




### 4 AUSTRIA

- **Employees[1]:** 3,195
- **Production site:** Steyr (MAN Truck & Bus)

### 5 POLAND

- **Employees[1]:** 3,527
- **Production sites:** Cracow, Poznań, Starachowice (MAN Truck & Bus)

### 6 RUSSIA

- **Employees[1]:** 454
- **Production site:** St. Petersburg (MAN Truck & Bus)

### 11 CHINA

- **Employees[1]:** 710
- **Production site:** Changzou (MAN Diesel & Turbo)

### 12 INDIA

- **Employees[1]:** 1,282
- **Production sites:** Pithampur (MAN Truck & Bus), Aurangabad (MAN Diesel & Turbo)

### 13 MEXICO

- **Employees[1]:** 94
- **Production site:** Querétaro (MAN Latin America)

### 14 SOUTH AFRICA

- **Employees[1]:** 1,003
- **Production sites:** Olifantsfontain, Pinetown (MAN Truck & Bus)

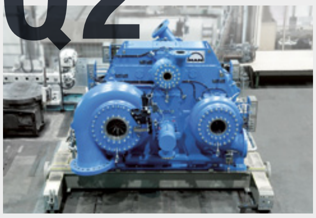
# HIGHLIGHTS 2014

## Q1

1

2

## Q2



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### MARCH 20, 2014

**MAN Latin America receives two major orders in Brazil**

The National Fund for Education Development orders 500 Delivery 9.160 trucks (image) and AMBEV, South America's largest beer brewery, orders 314 Worker 23.230 vehicles. [1]

### MARCH 25, 2014

**French rail operator orders MAN engines again**

Following its first series production order for 500 engines, Alstom places a follow-up order with MAN Truck & Bus for 200 six-cylinder in-line engines boasting 338 kilowatts (460 horsepower) for use in its Régiolis railcars. [2]

### MAY 2, 2014

**MAN Latin America supplies rolling communication centers**

The specially equipped truck from the Constellation 15.190 series is premiered at a security trade fair in Rio de Janeiro. 22 of them will be helping out with security at the FIFA World Cup in Brazil.

### MAY 10, 2014

**FC Bayern Munich celebrates with the MAN convertible**

The team travels from the MAN Corporate Center through downtown Munich in a special-purpose vehicle and enjoys the cheers to mark its 24th championship title. The partnership with the club has been extended until 2016. [4]

### JUNE 3, 2014

**MAN Diesel & Turbo offer decentralized energy supply solutions**

The international energy trade fair Power-Gen in Cologne sees the company present its innovative and diverse portfolio of natural gas-powered engines and turbines, including the 35/44G pure gas engine.

### JUNE 4, 2014

**MAN Diesel & Turbo receives order for 100th geared compressor**

The company has continuously developed the integrally geared compressor and established it as a key component in air separation trains. They are in particular demand for the production of liquid hydrocarbons. [3]

### JUNE 12, 2014

**MAN is one of Germany's most valuable brands**

A survey conducted by well-known consulting firm Interbrand ranks MAN 20th. Brands were judged among other things on the financial earnings power, the significance of the brand in terms of customer buying decisions, as well as brand strength.

### JUNE 29, 2014

**MAN Salzgitter plant celebrates 50th anniversary**

The family day is attended by around 2,500 employees. The origins of the site on which commercial vehicles are built can be traced back to Heinrich Büssing: the Büssing lion is still part of the MAN Truck & Bus logo today.

# Q3


5

6

# Q4

7

8

## AUGUST 25, 2014

**MAN natural gas bus named Bus of the Year 2015**
Clean, powerful, and economical: these benefits of the MAN Lion's City GL CNG wowed the judging panel of trade journalists from across Europe. When running on biogas or e-gas, the articulated bus is virtually carbon neutral. [6]

## SEPTEMBER 8, 2014

**MAN Diesel & Turbo introduces new high speed engine**
The SMM maritime trade fair in Hamburg plays host to the première of the MAN 175 D. With it, the company has set itself the goal of offering the most efficient engine throughout its lifetime.

## SEPTEMBER 22, 2014

**MAN Diesel & Turbo ready for the new Tier III emission standard**
MAN is the first manufacturer to be awarded a certificate from the DNV GL classification society confirming the Tier III-compatibility of a four-stroke engine with selective catalytic reduction.

## SEPTEMBER 22, 2014

**Colorful MAN Tattoo Trucks unveiled in Hanover**
The six semitrailer tractors sporting creative designs are the result of an international design competition. Artists give song texts from Peter Maffay's new album "Wenn das so ist" shape and color.

## SEPTEMBER 24, 2014

**MAN showcases state-of-the-art trucks and buses at the IAA**
The star of the show is the TGX D38, the top truck model, which is presented to the public for the first time in Hanover at the leading trade fair for mobility, transportation, and logistics. At its heart is a new D38 six-cylinder in-line engine. [5]

## SEPTEMBER 30, 2014

**MAN secures top spot in 2014 TÜV report**
MAN is the most reliable brand for trucks over 7.5 tons. For the third year in a row, MAN Truck & Bus is the truck manufacturer with the highest number of vehicles passing the TÜV inspection with no defects.

## OCTOBER 17, 2014

**MAN is listed in key climate protection index**
The Carbon Disclosure Project (CDP) organization lists MAN in its index with a top spot in the "Industrials" sector. The company is commended for its climate strategy implementation efforts in particular. [7]

## DECEMBER 1, 2014

**World's largest container ship powered by MAN engine**
Shipper China Shipping's CSCL Globe embarks on its maiden voyage. It is currently the biggest container ship in the world and is powered by a two-stroke MAN Diesel & Turbo engine, which is the largest ever built.

x

# EFFICIENCY COUNTS

For MAN, efficiency is more than a trademark – it forms the basis of our actions. MAN products help our customers to operate as cost-effectively as possible. In order to achieve this, we do more than just work continuously on the physical effectiveness of our engines and turbines – we also do everything we can internally to shape our processes intelligently and practically.

MAN believes that efficiency also includes conserving scarce resources, which we want to make the best possible use of. We have our sights firmly set on these goals in our day-to-day work so that we can deliver what really counts to us: **efficiency**.

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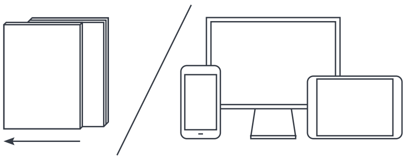
## 2014 COMPANY REPORT

In this report, we show what efficiency means for MAN and provide an insight into our strategy and our wide-ranging portfolio. You will find the 2014 Company Report and the 2014 Annual Report online at **annualreport2014.man.eu**.



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# TO OUR SHAREHOLDERS

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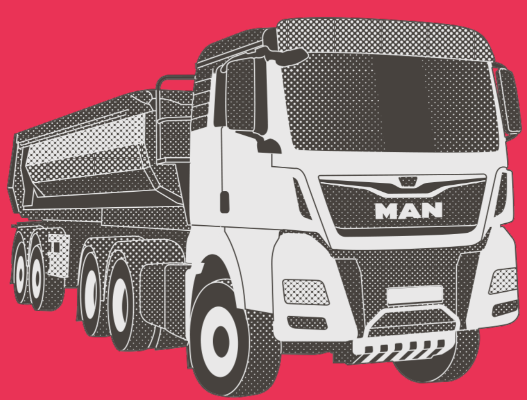

**MAN TGX D38 33.520**

The new D38 engine is perfect for construction vehicles – even if it doesn't break any horsepower records. After all, it was designed to offer the ideal combination of superior performance and high efficiency.

**NEOPLAN SKYLINER**

MAN's premium double-decker is still a success 40 years on: it has been available in Euro 6 since June 2015. The vehicle strikes the perfect balance between cost-effectiveness, eco-friendliness, and comfort.

1

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## TO OUR SHAREHOLDERS

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## Dear Shareholders,

Fiscal 2014 was not an easy year for the MAN Group. While the economic situation in 2013 was still plagued by the European debt crisis, in 2014 economic growth was weighed down by regional conflicts and stagnating markets, particularly in the BRIC countries. Although the global economy grew slightly faster in the reporting period than in the previous year, the pace of growth was slower than initially expected. The fact that economic growth ground to a halt in the key Brazilian market came as a particular blow to us. This brought with it negative effects on the investment climate and exchange rates, and led to sharp declines in MAN Latin America's unit sales and profit. In Europe, the conflict in Ukraine led to customer uncertainty and triggered a pronounced market slump in Russia. Like our competitors, MAN Truck & Bus recorded a roughly 30% decline in unit sales there. These factors contributed to vehicle sales figures in the Commercial Vehicles business area that fell significantly below our expectations. Moreover, as expected the European commercial vehicles market has still not fully recovered from the pull-forward effects from the Euro 6 emission standard. Despite this, we succeeded in defending our position in the key commercial vehicles markets. Even in Brazil, we maintained our truck market leadership for the twelfth consecutive year. As in the majority of other markets, declining unit sales figures led to more intense competition and lower returns there.

The situation in the Power Engineering business area was mixed. At MAN Diesel & Turbo, a slight upturn in merchant shipbuilding led to a healthy order intake in this business. Orders for new ships — and hence demand for propulsion and auxiliary units — were at a high level, most notably in the first half of 2014. Demand for special-purpose ships also remained high. By contrast, growth in the market for power plant solutions slackened. Demand was also low in the Turbomachinery strategic business unit, primarily due to the weak market situation in China, India, and Brazil. By contrast, our Renk investee again recorded an outstanding fiscal year. The company's largest-ever single order was a contributing factor here.

The economic conditions described above naturally had a significant impact on our figures. The MAN Group generated sales revenue of €14.3 billion in 2014, down 10% year-on-year. Both the Commercial Vehicles and the Power Engineering business areas posted declines. MAN Truck & Bus generated sales revenue of €8.4 billion, down 9% compared with the previous year, while MAN Latin America saw its sales revenue drop 24% year-on-year to €2.3 billion. The decrease at MAN Diesel & Turbo was not quite as significant, with sales revenue declining 3% to €3.3 billion. At €480 million, Renk again recorded sales revenue on a level with the previous year.

The MAN Group's order intake amounted to €15.3 billion, down 5% on the prior-period figure. Order intake in the Commercial Vehicles business area decreased 9% to €11.4 billion, while the figure for large-bore engines, turbomachinery, and gear units remained roughly level year-on-year, at €3.9 billion.

By contrast, there was a slight improvement in operating profit, which increased from €309 million in 2013 to €384 million. This is attributable exclusively to the Power Engineering business area. While the prior-year figure of €25 million in this business area had been impacted by very high provisions for a power plant project that had not yet been completed, it improved to €278 million in 2014. MAN Diesel & Turbo contributed €206 million, while Renk generated €72 million. At €221 million, operating profit in the Commercial Vehicles business area was down sharply year-on-year due to the decline in sales revenue. MAN Truck & Bus recorded an operating profit of €152 million, while MAN Latin America contributed €65 million. The MAN Group's operating return on sales increased from 1.9% in the previous year to 2.7% in 2014.

It was difficult to predict many of the difficulties we faced in 2014, or at least to predict that their effects would be so intense. Consequently, the MAN Group was unable to meet its targets for 2014, particularly in the Commercial Vehicles business area. We regularly notified the capital markets about new developments as a matter of course. The Executive Board has stepped up programs to increase efficiency and cut costs in all divisions in response to the situation in our sector. For example, we resolved and have started implementing measures to change the production structure in the bus business.

Expenditures are a particular focus in financially difficult times, and we are now benefitting from those cost savings that we made in the past. In addition, our competitiveness is already being boosted by the procurement synergies stemming from our membership of the Volkswagen Group. We intend to continue on this track and to proceed with the next stage of our cooperation with Scania and Volkswagen Commercial Vehicles following an initial phase of exploratory discussions. For example, at the IAA Commercial Vehicles in Hanover we announced that MAN and Scania are cooperating on the development of a new gearbox.

We also unveiled the MAN TGX D38, our new lead model in long-distance and heavy-goods transport, at the IAA Commercial Vehicles. The first test reports attest to the model's outstanding features and highly efficient Euro 6 engine. In addition, the MAN Lion's City GL CNG was named Bus of the Year 2015 at the show in Hanover. This city bus's particularly clean and economical gas drive and sophisticated overall design impressed the judges. MAN Diesel & Turbo exhibited further product innovations at the SMM in Hamburg, the world's leading maritime trade fair. The highlight was the completely new MAN 175D, an extremely efficient high-speed engine that can be used in large yachts or small ferries. The new model fills the last remaining gap in our large-bore engine program and means that we now offer MAN engines between 37 kW and 82,440 kW for almost all purposes.

The theme of this Annual Report is “efficiency”. Our products must live up to this challenge in the same way as our actions and business activity. Our outlook shows that we need to continue focusing more intensely on this in fiscal 2015:

In the Commercial Vehicles business area, we expect unit sales for 2015 to be slightly below the previous year, with sales revenue remaining level year-on-year. Operating profit and the operating return on sales will be slightly down on the prior-year figures amid continued strong competition. In the Power Engineering business area, we expect order intake in 2015 to be slightly below the prior-year level. Sales revenue should be slightly higher year-on-year. Operating profit and the operating return on sales will show moderate improvement. The currently flat markets will continue to be negatively impacted by ongoing high competitive pressure in 2015. As a consequence, we are assuming a higher single-digit operating return on sales.

The MAN Group will thus see sales revenue on a level with the previous year and a stable operating profit. The operating return on sales will remain at roughly the 2014 figure.

Sincerely

**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.

## 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.

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

Born in 1967. Studied mechanical engineering and completed a doctorate. Joined Sulzer Turbo – now MAN Diesel & Turbo – in 2000. Named Head of the Oil & Gas business unit in 2010. Executive Board member since October 2014 with responsibility for global Sales and After-Sales activities. Chief Executive Officer of MAN Diesel & Turbo SE since January 1, 2015.

# REPORT OF THE SUPERVISORY BOARD[1]

## Dear Shareholders,

The Supervisory Board of MAN SE addressed the Company's position and development regularly and in detail over the course of fiscal 2014. In accordance with the recommendations of the German Corporate Governance Code and the legal requirements, we regularly advised the Executive Board in its management of the Company and monitored its activities.

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

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

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

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

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 four regular meetings in fiscal 2014. In addition, resolutions on urgent matters were adopted in writing.

The attendance at all Supervisory Board meetings was 100%.

### Committee activities

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

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

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

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 2014 is provided on page 181 of this Annual Report.

The **Presiding Committee** met a total of four times in 2014.

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** did not meet in 2014.

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

The **Audit Committee** held a total of four 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, 2014. 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 2014, the areas of emphasis of the audit, and the statement regarding the auditors' independence in accordance with section 7.2.1 of the German Corporate Governance Code.

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

In addition, the Audit Committee discussed corporate planning issues and financial and tax matters.

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

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

### Issues addressed by the Supervisory Board

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

The following additional information relates to the Supervisory Board meetings held in 2014:

### Supervisory Board meeting on February 7, 2014

Our meeting on February 7, 2014, focused on the annual financial statements for 2013. After detailed examination, we approved the consolidated financial statements prepared by the Executive Board and the annual financial statements of MAN SE for 2013, plus the combined management report of MAN SE and the MAN Group.

We also conducted our routine review of the basic remuneration awarded to the members of MAN SE's Executive Board and resolved to grant a performance-related, long-term remuneration component to the Executive Board for fiscal 2014. Further information is provided in the remuneration report for fiscal 2014, which has been published in the combined management report of MAN SE and the MAN Group, see also pages 61 ff. of this Annual Report, **MAN Group Management Report**.

Another focus of our February 7 meeting was the settlement agreements (the "individual settlements") with former Executive Board members, against whom the Company asserted claims for damages incurred as a result of and in connection with the ISAR compliance case, as well as the settlement agreements with the D&O insurers with respect to the ISAR case ("ISAR D&O Settlement"). We approved the agreements after reviewing them in detail. These ISAR settlements were also addressed in the resolution by the 2014 Annual General Meeting, the agenda for which was also discussed in our meeting on February 7.

### Supervisory Board meeting on May 15, 2014

On May 15, 2014, we resolved to engage PwC to audit MAN SE's annual financial statements for 2014 and its risk early recognition system.

### Supervisory Board meeting on September 26, 2014

At our meeting on September 26, 2014, we primarily dealt with the strategic focus of the Commercial Vehicles business area. For example, we addressed at length strategic matters relating to MAN Truck & Bus AG and MAN Latin America.

We asked MAN to establish efficiency programs, not least in light of the further deterioration in the economic outlook for MAN subsidiaries' key markets in the fall of last year.

We also resolved on September 26 to assert claims against another former Executive Board member for damages incurred by MAN as a result of and in connection with the Ferrostaal compliance case.

### Supervisory Board meeting on November 14, 2014

At our meeting on November 14, 2014, we discussed in particular the status of the efficiency programs and the MAN Group's corporate planning for the years 2015 to 2019.

We also addressed strategic matters and corporate governance issues.

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

In urgent cases, we adopted authorization resolutions in writing in accordance with section 32 (1) of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act).

### Conflicts of interest

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

### 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 14, 2014.

In December 2014, the Executive Board and Supervisory Board issued the 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 June 24, 2014, with the exception of section 5.3.2 sentence 3 (independence of the Chairperson of the Audit Committee), section 5.4.6 paragraph 2 sentence 2 (performance-related compensation of the Supervisory Board), and section 5.4.1 paragraphs 4–6 (disclosure of election recommendations).

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 2014.

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

### Composition of the Supervisory Board and the Executive Board

The scheduled term of office of Dr. René Umlauft as a member of the Executive Board expired as of the end of August 31, 2014. Dr. Umlauft also left the Executive Board of MAN Diesel & Turbo SE. We would like to thank Dr. Umlauft for his dedication.

There were no changes to the composition of the Supervisory Board in the course of fiscal 2014.

**Audit of the annual and consolidated financial statements**

In accordance with our proposal, the Annual General Meeting on May 15, 2014, elected PwC as the auditors for fiscal 2014. The Supervisory Board issued the concrete audit engagement letter to PwC in line with the Audit Committee's recommendations and specified the areas of emphasis of the audit.

The auditors issued unqualified audit opinions on the annual financial statements of MAN SE and the consolidated financial statements for the MAN Group, plus the combined management report.

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

The members of the Audit Committee and the members of the Supervisory Board received the documents relating to the annual financial statements and the audit reports prepared by the auditors in good time for the meetings of these committees on February 6, 2015, and February 9, 2015, 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 9, 2015. 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 9, 2015, and approved the annual financial statements prepared by the Executive Board and the consolidated financial statements. The annual financial statements are thus adopted.

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

On behalf of the Supervisory Board:
Munich, February 9, 2015

**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 2014, 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, and in the version dated June 24, 2014, identical in wording with regard to the recommendations, published in the official section of the Federal Gazette on September 30, 2014, were complied with in the period since the last Declaration of Conformity was issued in December 2013, and will continue to be complied with, except for section 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), section 5.4.1 paragraphs 4 through 6 (disclosure in the case of election recommendations), and section 5.4.6 paragraph 2 sentence 2 (performance-related Supervisory Board compensation).

**1.** The recommendation in section 5.3.2 sentence 3 of the Code is not followed only to the extent that the Chairman of the Audit Committee of the Supervisory Board, 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 Volkswagen Group.

* 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 June 24, 2014.

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.

**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."

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 three members. Please refer to the "Governing Bodies" section in the Annual Report for further information on its composition. The Executive Board is responsible for performing managerial and operational tasks. Its responsibilities extend in particular to the MAN Group's strategic focus, which it agrees with the Supervisory Board. The Executive Board is also responsible for 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.

All four aims have been fulfilled or taken into consideration respectively.

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

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

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

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 AG 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 commercial vehicles 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 in the Annual Report for information on the remuneration system for the Executive and Supervisory Boards.

### Compliance/risk management

MAN SE's Executive Board established a 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 Compliance function operates the Compliance Helpdesk, which all employees can contact with compliance-relevant questions. The Compliance Helpdesk answered 527 employee questions in the reporting period.
- The Compliance function held compliance awareness training for 1,916 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 training sessions on antitrust law and combating corruption for employees who are particularly exposed to risks from these areas. As part of these special training sessions, 1,591 employees received in-depth instruction. Special classroom sessions were also held for 155 procurement employees and business partners in the period under review.

In addition, 4,082 employees received training on the Code of Conduct in the period under review as part of the first module of the e-learning compliance program. This e-learning course covers the fundamentals of combating corruption, antitrust law, and data protection. The second training module on the Code of Conduct was rolled out in the fourth quarter. In the reporting period, 22,370 employees received training on conduct during searches, dealing with conflicts of interest, and preventing money laundering. Finally, since August 2013, employees who are exposed to an increased corruption risk (e.g., in sales and purchasing) are trained on corruption prevention though an in-depth web-based training module. In the year under review, 3,989 employees took part in this e-learning course.

- A horizontal compliance risk assessment was conducted for the first time in the year under review. This analyzed in particular the superordinate responsibility structures for compliance-relevant areas. A total of 33 areas (e.g., employment law, tax compliance, environmental protection) were firstly identified and compiled in a legal register. The responsibility structures within the MAN Group were then evaluated with respect to all of these areas. In this way, the horizontal analysis complements the vertical compliance risk assessment conducted in the previous year, which evaluated specific compliance risks in the areas of combating corruption, antitrust law, money laundering, and data protection in over 100 MAN Group companies.

- 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 current 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 2014. 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

The price of MAN shares recorded year-on-year growth. Major equity indices also posted slight gains in 2014, achieving historic highs at times. Nonetheless, the stock markets were unnerved by the renewed downturn in the global economy and geopolitical crises in the reporting period.

### Key indicators for MAN common shares

| | 2014 | 2013 |
|---|---|---|
| Earnings per share in €[1] | 0.88 | – 1.47 |
| Market capitalization (as of December 31)[2] in € million | 13,546 | 13,119 |
| Closing price in € | 92.16 | 89.25 |
| High in € | 93.80 | 89.74 |
| Low in € | 87.99 | 82.35 |
| Number in thousands[3] | 140,974 | 140,974 |
| Annual cash compensation payment / guaranteed dividend in €[4] | 3.07 | 3.07 |
| Dividend yield[5] in % | 3.3 | 3.4 |
| Total return[6] in % | 6.7 | 11.8 |
| Dax yield in % | 2.7 | 25.5 |
| MDax yield in % | 2.2 | 39.1 |
| Euro Stoxx yield in % | 4.1 | 23.7 |

[1] For continued operations.
[2] Basis: 140,974,350 common shares and 6,065,650 preferred shares.
[3] Only common shares.
[4] 2013: Cash dividends of MAN SE in the amount of €0.14 are part of the guaranteed dividend of Truck & Bus GmbH.
[5] Annual cash compensation payment / guaranteed dividend of €3.07 based on the closing price on December 31.
[6] Assumes reinvestment of the guaranteed dividend / cash dividend on the last trading day of the month in which the Annual General Meeting was held.

Source: Bloomberg

## High volatility in the stock markets

Stock markets in Europe and the U.S.A. reached new record highs in 2014 despite high volatility.

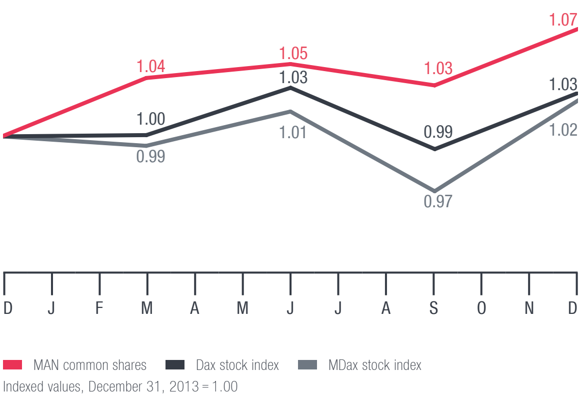
The political tensions, in particular in Ukraine and Syria, the crisis in the emerging economies, and the weakening economy in Europe triggered sharp price fluctuations at times in the global financial markets. Nevertheless, the stock markets recorded slight gains in the reporting period as a result of the historically low interest rates, further expansionary monetary policies at central banks, and the increasingly robust economy in the U.S.A.

The Euro Stoxx, the index of Europe's most important stocks, rose by around 4% in full-year 2014. The German benchmark index, the Dax, recorded growth of around 3% in the same period, closing at 9,806 points at the end of the year. In June 2014, the Dax exceeded the 10,000 point mark for the first time and even reached new highs once again in December 2014.

## Performance of MAN common shares

In this volatile stock market environment, MAN common shares also gained ground in full-year 2014.

### MAN common shares vs. Dax and MDax




Indexed values, December 31, 2013 = 1.00

Source: Bloomberg

During the period from January to December 2014, the price of MAN common shares rose by around 3% from a closing price of €89.25 on December 31, 2013, to €92.16. The MDax gained around 2% in the same period, to 16,935 points.

MAN's market capitalization followed the better share price trend in fiscal 2014, climbing from €13.1 billion to €13.5 billion.

At €1.7 billion, the trading volume of MAN common shares in 2014 was lower than in the previous fiscal year (€3.1 billion).

Within the MDax, MAN common shares closed 2014 in 15th place by free float market capitalization and 30th place by trading volume.

### Investment by Volkswagen AG in MAN SE

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 annual cash compensation payments of €3.07 per common or preferred share to MAN SE free float shareholders for the full fiscal year, starting in fiscal 2014. 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. 63,364 common shares and 27,705 preferred shares were tendered to Truck & Bus GmbH in fiscal 2014.

On December 31, 2014, Truck & Bus GmbH held 75.28% of MAN SE's voting rights and 74.04% of its share capital.

### International investor base

The free float for MAN's common shares amounted to 24.72% as of December 31, 2014. Apart from its largest single shareholder, Truck & Bus GmbH, MAN SE still has an international investor base made up of both private and institutional investors. The latter are predominantly based in Germany, the United Kingdom, and the U.S.A.

### Annual cash compensation payment

As a result of the DPLTA, MAN SE will not distribute any further dividends, starting in fiscal 2014. Instead, Truck & Bus GmbH agrees to make annual cash compensation payments of €3.07 per common or preferred share for the full fiscal year as reasonable compensation to MAN SE free float shareholders for the duration of the DPLTA, starting in fiscal 2014. The compensation payment is due on the first bank working day after MAN SE's Annual General Meeting for the past fiscal year, but no later than eight months after the end of MAN SE'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 2014, 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 MAN Corporate Center in Munich and at conferences in European financial centers.

### Investor Relations activities

MAN also strengthened its contacts and discussions with investors and analysts in September 2014 as part of two events that took place at the most important trade fairs for the MAN Group — the SMM maritime trade fair in Hamburg and the IAA Commercial Vehicles in Hanover.

At the SMM, the attendees were given a presentation about the newest developments in the Power Engineering business area. The presentation focused on the challenges facing the marine activities and the relevant product solutions. The Executive Board then gave attendees a tour of the stand, presenting MAN Diesel & Turbo's product portfolio in more detail and giving special attention to the new MAN 175D high-speed engine.

A tour of the MAN stand at the IAA Commercial Vehicles in Hanover also allowed analysts and investors to take a closer look at the new products in the Commercial Vehicles business area. The focus was on MAN's trade fair highlight — the new MAN flagship, the TGX D38.

| | | Common shares | Preferred shares | Bond MAN SE 2015 | Bond MAN SE 2016 | Bond MAN SE 2017 |
|---|---|---|---|---|---|---|
| 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 | | | |

### Investor Relations media

The aim of our Investor Relations work is to comprehensively and promptly inform all shareholders and the interested public about current developments. This information can also be found on our website at **www.man.eu/ir**. 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 available.

The "MAN Factbook" is also accessible via our website. It offers interested members of the public and the financial market 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 SE common and preferred shares and key financial figures.

In addition to the "MAN Factbook," the "MAN Factsheet" gives an overview of the MAN Group, MAN shares, and the financial indicators.

### MAN in the Dow Jones Sustainability World and Europe Indices for third time in a row

MAN was included in the Dow Jones Sustainability World and Europe Indices by the sustainability ratings agency RobecoSam for the third time in a row, achieving an overall result of 80 out of 100 points (2013: 83 out of 100 points). It thus continues to be among the top three companies and the only German company in its sector to be represented in the indices. Performance was assessed in terms of economic, environmental, and social sustainability. In the 2014 assessment, MAN improved in terms of social aspects, achieving high scores in particular in the areas of Environmental Management, Risk Management, and Compliance.

### Analyst recommendations

Financial analysts regularly publish studies on MAN. At the end of 2014, 50% of the analysts issued a hold recommendation for our shares and a sell recommendation was issued by 50% of the analysts. Analysts estimated that MAN common shares had an average target price of €82 on December 31, 2014.

#### 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, DivDax, 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 36098334.

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# COMBINED MANAGEMENT REPORT

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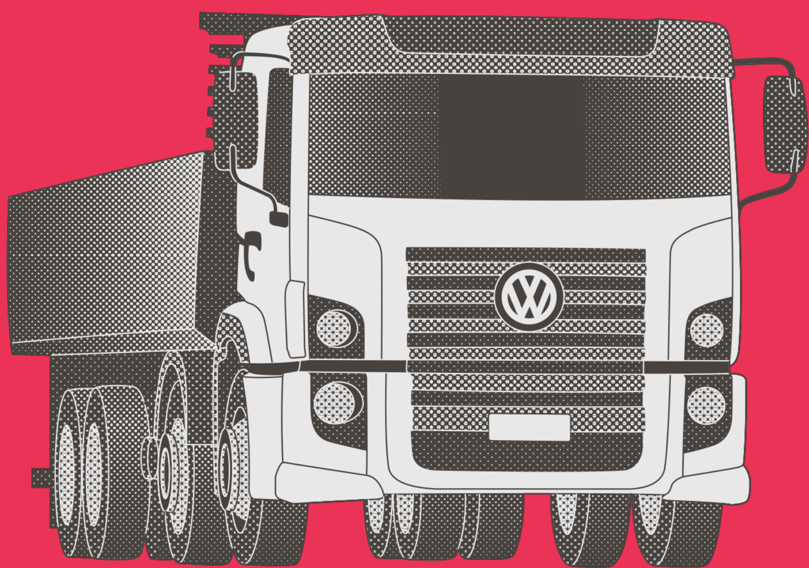

## VW CONSTELLATION 24.280

This model is the best-selling truck in Brazil. It is equipped with an engine effectively boasting 275 horsepower and features cost-saving EGR emissions technology, making it ideally suited for transportation on short and long routes.

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## COMBINED MANAGEMENT REPORT


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The combined management report describes the course of business and the position of the MAN Group and MAN SE in fiscal 2014.

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

MAN's divisions hold leading positions in their markets. With a workforce of around 55,900 employees, the Group operates in over 180 countries. In 2014, the MAN Group generated sales revenue of €14.3 billion and an operating profit of €384 million. As a result, the operating return on sales increased from 1.9% in the previous year to 2.7%.

## 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 three European countries, Russia, South Africa, India, and Turkey. Its products range from general-purpose trucks with a gross vehicle weight of 7.5 to 44 t and special-purpose vehicles with a gross train weight of up to 250 t, through buses and coaches, to diesel and gas engines for external customer applications. To complement this, MAN Truck & Bus offers customers an extensive range of services from a single source. MAN Truck & Bus sold 68,597 trucks, 5,025 buses, and 12,531 engines in the 2014 reporting period. Sales revenue amounted to €8.4 billion, while operating profit was €152 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 48,161 trucks and buses in 2014. Sales revenue amounted to €2.3 billion, while its operating profit was €65 million.

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

### Power Engineering business area

MAN Diesel & Turbo is one of the world's leading developers and manufacturers of large-bore diesel engines, turbocompressors, industrial turbines, and chemical reactor systems. The company commands a strong market position in the development of two-stroke diesel engines for propulsion systems in large ships, in the development and manufacture of four-stroke diesel engines built into smaller vessels and used as auxiliary engines, and in four-stroke engines for electricity generation at power plants. In addition, MAN Diesel & Turbo delivers turbochargers for large-bore 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 sales revenue of €3.3 billion in 2014; its operating profit was €206 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 a leading manufacturer of tracked vehicle transmissions of different sizes as well as of slide bearings for electrical machinery. It also has an excellent position in the market for special gear units used for marine and industrial purposes. Its product portfolio is rounded off by an extremely wide variety of different types and performance categories of couplings. In addition, the company manufactures testing systems that are used in development, production, and quality assurance primarily in the automotive, rail, and aviation industries. Renk's sales revenue amounted to €0.5 billion in 2014 and its operating profit was €72 million.

## The MAN Group's Goals and Strategy

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, technology leadership, and the ongoing expansion of after-sales services are key to achieving these goals.

### Focus on transportation and energy

MAN has successfully placed its strategic focus on transportation and energy in recent years. The fact that these are forward-looking and high-growth sectors can be seen in megatrends such as globalization and the associated rise in global trade, population growth, urbanization, and climate change. MAN offers its customers tailored solutions, in particular to reduce emissions and fuel consumption, in its Commercial Vehicles and Power Engineering business areas.

A global presence and a broad portfolio of advanced products and services are the cornerstone of the corporate strategy. These give MAN the 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. Technology leadership and the continuous expansion of after-sales services are also key to achieving success. The MAN Group's strategic focus paves the way for sustainable value creation — its 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 positioned itself in the global premium segment. The plan is for non-European markets to contribute significantly more to business performance in addition to the growth opportunities in the core European market. The long-term goal is for 50% of annual truck sales to be generated outside the core European markets. The expansion of MAN's own dealer and service network is particularly important in this context, and significant capital expenditures will be directed towards this in the next few years.

With over 50,000 vehicles in Russia, MAN commands the highest number of vehicles by far among western European commercial vehicle manufacturers.

The MAN CLA series, which is manufactured in India, offers tried and tested technology for the Asian and African target markets. With its robustness and reliability, the MAN CLA is tailored to local customer needs. In the Chinese market, MAN is represented by its investment in Sinotruk. The distinguishing features of the SITRAK joint truck brand in the Chinese market are its comparatively high reliability and fuel efficiency.

In Brazil, MAN Latin America defended its twelve-year market leadership with the Volkswagen brand for trucks weighing over 5 t. MAN Latin America also remained one of Brazil's leading exporters of trucks and buses to other Latin American and African countries. With the launch of the MAN TGX in Brazil in 2012, we expanded the broad product portfolio to include a truck in the heavy truck market segment with power output exceeding a horsepower of 400. This heralded the start of a dual brand concept in Brazil and other Latin American countries.

MAN Diesel & Turbo is continuing to leverage its diverse product portfolio in various ways to accommodate the global megatrends of worldwide population growth and increased global trade. The significant increase in energy consumption — particularly in the emerging economies — is leading to more demand for decentralized power plant solutions, as well as turbomachinery for oil and gas processing. Increasing global trade and growth in the relevant areas such as the cruise industry is underpinning the success of the Engines & Marine Systems strategic business. An efficient worldwide sales and service organization enables the company to keep pace with global growth.

A global presence and the expansion of international activities also remain a key part of Renk's strategic focus. The international demand for premium marine gear units remains undiminished. Renk meets this demand with a broad-based portfolio of technical solutions, coupled with in-depth advisory services for customers. The shift in global investment focus and the strengthening of electrical machinery manufacturers from developing countries and emerging economies mean that the significance of local ties is increasing further.

### Customer orientation

Globally, MAN stands for high-quality products and closeness to its customers. The long-term trend towards higher 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.

MAN Truck & Bus is orienting its development on these aspects in order to achieve the best TCO. In doing so, we are meeting customer and market needs for efficient and clean transportation solutions, e.g., with the new TGX EfficientLine 2. MAN is combining new, fuel-efficient technologies and is making a further contribution to lowering TCO and reducing $CO_2$ emissions. The EfficientCruise predictive cruise control system, the TopTorque torque enhancer function, and the powerful MAN TeleMatics are fitted as standard. The GPS-based EfficientCruise cruise control system detects upward and downward gradients and calculates the most fuel-efficient speed. The vehicle's momentum is used to save fuel. The model consumes up to 6% less diesel than its predecessor. MAN's TGX EfficientLine is the most successful model systematically designed for fuel savings in the market. More than 27,000 customers have chosen the highly economical EfficientLine models and packages since their launch in 2010.

MAN has developed the D38 engine for use in the TGX in order to offer its customers efficient vehicle solutions in the 500 horsepower and above performance class. It was on show at the 2014 IAA Commercial Vehicles trade fair. The 15.2 liter, six-cylinder engine produces a horsepower choice of 520, 560, or up to 640 and combines outstanding performance with the highest level of efficiency. The new flagship truck rounds off the upper end of MAN's vehicle family.

MAN offers its customers tailored financing solutions such as leasing, finance, full service leasing, insurance, and rental from a single source.

MAN products also enjoy a very high degree of acceptance among drivers. MAN Truck & Bus had four winners in the "Best Commercial Vehicles of 2014" reader poll by publisher ETM: the TGL in the up to 7.5 t truck category, and the MAN Lion's City M buses in the midi category, MAN Lion's Regio in the intercity category, and the NEOPLAN Starliner in the high-deck touring coach category. These awards attest to the fact that MAN Truck & Bus products are designed and configured in line with customer requirements.

MAN Latin America offers a wide range of products in line with its tailored concept under the slogan “Less you don’t want, more you don’t need”. In addition, custom solutions are individually developed and implemented at a special vehicle modification center.

The key drivers for product development at MAN Diesel & Turbo are constant product portfolio optimization in light of customer-specific requirements, as well as new developments and the expansion of the product program. For example, users can choose highly efficient gas engines or exhaust gas aftertreatment systems to meet current and future emissions requirements. The technology is not just applied in new engines — retrofit solutions are also offered for engines that are already in use. As a systems provider, the company supplies optimized customer solutions in the Power Plants strategic business unit. Following the launch of the 35/44G gas engine, which provides 10,335 kW of electrical output for use in power plants, MAN Diesel & Turbo’s gas engine portfolio has been expanded to include the highly efficient 51/60G gas engine, which provides 18,465 kW of electrical output. An attractive range of service products provides customers with round-the-clock, global customer support throughout the entire product lifecycle.

Renk’s activities are also centered on its customers. Most of the products are developed for and in partnership with customers; Renk is often involved at the concept phase and works together with customers to find the best solutions for their specific needs. The projects draw on many years of experience and comprehensive expertise based on an openness towards new approaches. Customer support is provided from the initial idea through detailed planning phases, production and assembly down to delivery. In addition, experienced fitters are subsequently made available to provide maintenance and service for when the equipment is used in the customer’s operations.

**Technology leadership**

In the Commercial Vehicles business area, technology leadership — the key success factor — is reflected in the forward-looking development of alternative drive concepts.

MAN Truck & Bus is a market leader in the development and production of natural-gas-powered buses and has many years of experience in this area. The company’s long-term efforts were rewarded when the MAN Lion’s City GL CNG was named “Bus of the Year 2015”. This natural-gas-powered city bus impressed the jury of international expert journalists with its particularly eco-friendly, powerful yet economical Euro 6 powertrain. It offers an extremely low-emission, climate-friendly mobility solution for city traffic. Natural-gas-powered buses are not just more eco-friendly than diesel-powered alternatives, they are also approximately 15% cheaper to maintain and operate over their lifecycle. Alternative drives and fuels are also being developed for trucks. For example, we unveiled the TGM CNG concept at the IAA Commercial Vehicles trade fair in September 2014. This distribution vehicle is aimed at reducing local, inner-city noise and exhaust emissions, as we also premiered a hybrid articulated truck to reduce fuel costs and $CO_2$ emissions in long-distance transport.

Reliability is a key indicator of outstanding quality. We were able to celebrate another major success here too: MAN stood out for the third consecutive year in the 2014 TÜV report on commercial vehicles as the most reliable brand for trucks weighing more than 7.5 t, and has the highest percentage of complaint-free vehicles. TGL, TGM, TGS, and TGX series trucks had the lowest defect ratios for one-, three-, four-, and five-year-old vehicles. MAN further strengthened its leading position for one-year-old trucks in the reporting period: 83% of vehicles had no defects at all (previous year: 82%). The same was true of older trucks, where an above-average number of MAN vehicles passed the general inspection with no defects.

Technology leadership is also a core value in the Power Engineering business area. MAN Diesel & Turbo is working intensively to develop exhaust gas aftertreatment technologies based on the stricter IMO Tier III emission standards in force from 2016. MAN Diesel & Turbo is the world’s first major engine manufacturer to successfully demonstrate IMO Tier III compliance with a four-stroke engine in maritime use. This has been certified by the DNV-GL classification society.

The company is opening up new market segments with the new MAN 175D, an efficient and compact high-speed engine optimized for use in ferries, offshore supply vessels, tugboats, and all-purpose vessels. The new high-speed engine is part of a product initiative aimed at providing MAN customers with a comprehensive product portfolio covering all power requirements, from high to low speed. The engine's robust design with compact dimensions and low weight is aimed at ease of use and efficiency, to make commissioning, operation, and maintenance as simple as possible. MAN Diesel & Turbo's goal is for the MAN 175D to be the most efficient engine over the entire lifecycle. With a modular exhaust gas aftertreatment system that uses selective catalytic reduction (SCR), the engine meets the strict IMO Tier III environmental standard from the outset.

In the Turbomachinery strategic business unit, the MAX1 axial compressor is a technological milestone for air separation equipment — a sector where MAN Diesel & Turbo and its products already lead the market. The MAX1 compressor is the first to combine the benefits of industrial compressors, such as robust design and high efficiency, with the advantage of gas turbine compressors and aircraft engines, and in doing so achieves unparalleled power density.

MAN Diesel & Turbo has developed the world's first subsea compressor for a major oil and gas customer to produce natural gas directly on the sea bed. For this challenging task, the low-maintenance compressor can withstand water pressure deep down thanks to its robust, hermetically-sealed hull. This makes subsea production cheaper and more reliable, and additionally reduces the risk of adverse environmental impact.

Building on the expertise of its highly specialized engineers and experienced production staff, 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.

**Continuous expansion of after-sales business**

The continuous expansion of after sales is a high priority for all of the MAN Group's divisions. Firstly, we want to leverage previously unexploited potential, which contributes considerably to earnings. Secondly, we can use this to achieve a significant increase in customer satisfaction.

Focusing on TCO, MAN Truck & Bus offers service packages that are designed to meet customer needs. These consist for example of long-term maintenance and repair agreements combined with MAN ServiceCare, the innovative service package for proactive maintenance management. The integrated onboard MAN Telematics module enables active data exchange between the vehicle, the customer, and the MAN service center. MAN ServiceCare facilitates optimal maintenance work planning and increases the availability of vehicles. 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 Truck & Bus offers these services to make a significant contribution to lowering TCO and increasing customer satisfaction.

MAN Latin America is continuing to pursue the goal of maintaining its strong position in service and customer satisfaction. The company is focusing heavily on value-added solutions for its customers in this area, both in relation to the products sold and to after-sales services. The extensive dealer network in Latin America and Africa comprises 352 dealers, including 157 exclusive Volkswagen Truck & Bus sales and service partners in Brazil, and reflects the considerable effort that goes into achieving a high level of service.

MAN Diesel & Turbo has developed a leading market reputation at global level via its overarching MAN PrimeServ service brand. The global network currently includes more than 100 PrimeServ locations and guarantees close proximity to customers. Original quality replacement parts and skilled maintenance work are only part of the program. The product offering is constantly being optimized and expanded. Continuous growth is expected in demand for retrofit solutions and customer training, among other things. A comprehensive range of training services is already available at numerous MAN PrimeServ Academies around the world.

Tailored advice and customized products are one of Renk's core competencies. This also applies 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. Renk's integrated logistic support (ILS) offering for vehicle transmissions and maritime gear units enables customers to guarantee the use of Renk products for decades via a wide range of services ranging from supply of replacement parts, through service and training, down to advice and maintenance concepts.

### Sustainable value creation

The strategic focus serves its primary objective of sustainable value creation and is thus the foundation for its business success. Profitability, growth, and sustainable corporate governance enable MAN 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.

## Changes to financial reporting

The integration of the MAN Group into the Volkswagen Group also results in changes to financial reporting and changes to the definition of control measures. See the "Notes to the consolidated financial statements" for further information on the changes to the income statement, balance sheet, and statement of cash flows.

### Changes to the definition of control measures

MAN calculated its financial control measures on the basis of the definitions and structures used in the Volkswagen Group's financial reporting for the first time starting in fiscal 2014. The main differences are explained in the following.

The operating profit used in the MAN Group until December 31, 2013, essentially corresponded to earnings before interest and taxes (EBIT). When calculating operating profit, adjustments were made for earnings effects from purchase price allocations and, in individual cases, effects from nonrecurring items. According to the Volkswagen Group's definition, operating profit is calculated as profit before tax and before the financial result. As a result, net investment income in particular is no longer part of operating profit. This is now presented in the share of profits and losses of equity-method investments or in the other financial result. However, earnings effects relating to tangible and intangible assets resulting from the acquisition of an individual segment are eliminated from the operating profit of that segment.

The operating return on sales for the MAN Group, the business areas, and the segments is expressed as operating profit as a percentage of sales revenue.

The actual ROS (return on sales) and ROCE (return on capital employed) values according to the logic used until December 31, 2013, were still reported on a voluntary basis in 2014.

### Adjustment of prior-year figures

The figures and the control measures in this Annual Report are no longer comparable with the figures published in prior periods due to the changes to financial reporting and the definition of control measures. The figures for 2013 presented in this report were therefore adjusted accordingly.

## Financial control system and value management

### Internal management process within the MAN Group

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

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

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

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

During the year, the budget is reviewed each month to establish the degree to which the targets have been met. This process uses target/actual comparisons, prior-year comparisons, variance analyses and, if necessary, action plans to ensure targets are met. For the current fiscal year, detailed revolving monthly forecasts are prepared for the coming three months and for the full year. This takes into account the currently applicable risks and opportunities. The focus of intrayear internal management is therefore on adaptation to the internal and external circumstances. At the same time, the current forecast serves as the basis for the medium-term and budget planning that follows on from it.

### Key performance indicators within the MAN Group

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

As a technology company, MAN voluntarily provides additional information on incurred and expected future research and development expenditures, and capital expenditures in its annual report as well as providing more details on cash flows.

### Operating return on sales

The MAN Group aims for an operating return on sales of 8.5% over an operating cycle. The goal is for an operating return on sales of 8.5% in the Commercial Vehicles business area and for 9.0% in the Power Engineering business area. A range of +/–2 percentage points has been defined for all specified figures.

| % | 2014 | 2013 |
|---|---|---|
| Commercial Vehicles | 2.1 | 3.8 |
| Power Engineering | 7.5 | 0.6 |
| **MAN Group** | **2.7** | **1.9** |

The MAN Group's operating return on sales increased to 2.7% in 2014 (previous year: 1.9%). Profitability increased in the Power Engineering business area in particular, which was impacted by very high project-related provisions in the previous year. MAN Truck & Bus recorded an operating return on sales of 1.8% (previous year: 2.6%), while the figure for MAN Latin America was 2.9% (previous year: 7.4%). MAN Diesel & Turbo's operating return on sales was 6.3% (previous year: –1.2%). Renk recorded an operating return on sales of 15.0% (previous year: 13.5%).

### Return on investment (ROI)

| € million | 2014 | 2013 |
|---|---|---|
| MAN Group annual average invested capital | 7,772 | 7,805 |
| Operating profit | 384 | 309 |
| Operating profit after tax | 269 | 216 |
| ROI in % | 3.5 | 2.8 |

Invested capital is calculated as total operating assets (intangible assets, property, plant, and equipment, assets leased out, inventories, and receivables) less non-interest-bearing liabilities (trade payables, prepayments received and deferred revenue from sales with buyback obligations). Assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital. Interest charged on these assets is reported in the financial result. Prepayments received are only deducted if they have already been used in order processing. An overall average tax rate of 30% is assumed to calculate the operating profit after tax when determining the ROI.

The MAN Group's ROI rose from 2.8% in the previous year to 3.5%.

## Divestments

Volkswagen Financial Services AG, Braunschweig, (VWFS) acquired the shares of MAN Finance International GmbH, Munich, (MAN Finance) effective January 1, 2014. 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.

MAN Finance was presented as "Financial Services" in MAN's reporting until December 31, 2013, and is included in all related prior-year information.

For further information, see the "Notes to the Consolidated Financial Statements."

# COURSE OF BUSINESS AND ECONOMIC POSITION OF THE MAN GROUP IN 2014

MAN Group's order intake and sales revenue down year-on-year, slight increase in operating profit in ongoing difficult market environment

## Economic environment

At 2.7%, global economic growth in the year under review only slightly exceeded the prior-year figure (2.6%), and the pace of economic growth varied from region to region. The economic situation in many industrialized nations improved despite the continued presence of structural obstacles. Inflation remained moderate overall notwithstanding the expansionary monetary policies pursued by many central banks. Economic growth in a number of emerging economies slowed due to currency volatility and structural deficits.

In Western Europe, GDP growth recovered year-on-year, rising to 1.2% (previous year: 0.0%). However, the economy slowed over the course of the year in many of MAN's key markets. Most northern European countries returned to a moderate growth path, while the recession came to an end in most of the crisis-hit southern European countries. GDP growth in Central and Eastern Europe declined to 1.6% on average (previous year: 2.2%), mainly due to the conflict in Ukraine. Russia's economic output increased by a mere 0.4% (1.3%) in the year under review.

The German economy continued to benefit from the positive consumer sentiment and the stable situation on the labor market but lost momentum over the course of the year. Overall, the German economy saw a slight upturn in 2014. GDP growth rose year-on-year to 1.5% (0.2%).

The U.S. economy picked up after a subdued start to the year due to the weather conditions. The easing unemployment rate and the rise in consumer confidence stimulated the economy, contributing to growth of 2.4% (2.2%). Over the course of the year, the U.S. dollar proved stronger overall than the euro and appreciated in the second half of the year.

Brazil slipped into recession in the year under review and recorded average annual growth of 0%, compared with 2.5% in the previous year. The situation in Argentina was negatively impacted by structural deficits and inflation, which remained very high. Economic output here declined by a total of 0.8% (previous year: increase of 2.9%).

China continued to see robust growth of 7.4% (7.7%). At 5.9%, economic growth in India was slightly stronger than in the previous year (5.0%).

## Overall assessment by the Executive Board: market environment worse than expected; further measures taken to improve earnings

The MAN Group's sales revenue declined by 10% in the year under review to €14.3 billion. Operating profit amounted to €384 million, after €309 million in the previous year. The operating return on sales improved to 2.7% (1.9%).

The market environment deteriorated significantly over the course of the year compared with our original expectations. Consequently, the MAN Group fell well short of its original targets in 2014, particularly in the Commercial Vehicles business area. The MAN Group's Executive Board considers these business developments to be unsatisfactory and has initiated further comprehensive measures to improve profitability. Programs to increase efficiency and cut costs were stepped up in all divisions. For example, changes to the production structure in the bus business were resolved and their implementation begun. MAN notified the capital markets of the revised expectations in good time in the course of the year.

The global economy saw slight growth in 2014, but less than expected. As a manufacturer of capital goods, this had a significant impact on MAN in both business areas. The Commercial Vehicles business area's sales figures in the year under review were significantly below our forecasts. Economic growth came to a standstill in the key Brazilian market, with corresponding negative consequences for the investment climate and the exchange rate. As expected, the European market declined due to pull-forward effects in connection with the Euro 6 emission standard. The economic slowdown in the second half of the year also had a negative impact. We succeeded in maintaining our position in the key commercial vehicles markets. However, the lower volumes and the associated higher competitive pressure significantly impacted operating profit. In the Power Engineering business area, order intake was on a level with the previous year while sales revenue was down slightly year-on-year. This was mainly due to the downward market trend in the Power Plants and Turbomachinery strategic business units. In contrast, operating profit rose significantly in 2014 as expected. In the previous year, MAN had to recognize very high provisions for a power plant project that had not yet been completed.

The following table shows an overview of the targets set for the year under review and the figures actually achieved. Detailed information on the changes in key performance indicators can be found in the "Results of Operations" section and the chapter entitled "The Divisions in Detail".

**Forecast versus actual figures
MAN Group**

| € million | Actual 2013 | Original forecast for 2014 | Most recent forecast for 2014 | Actual 2014 | Change 2014 to 2013 |
|---|---|---|---|---|---|
| Sales revenue | 15,861 | Slightly below previous year | Significantly below previous year | 14,286 | – 10% |
| Operating profit | 309 | Significantly higher | Slightly higher | 384 | + 24% |
| Operating return on sales (%) | 1.9% | Significantly higher than 2013, but <6.5% | Slightly higher than 2013 | 2.7% | + 0.8 percentage points |

**Forecast versus actual figures
Commercial Vehicles**

| € million | Actual 2013 | Original forecast for 2014 | Most recent forecast for 2014 | Actual 2014 | Change 2014 to 2013 |
|---|---|---|---|---|---|
| Unit sales | 140,333 | At prior-year level | Well below previous year | 120,088 | – 14% |
| Sales revenue | 12,207 | Slightly below previous year | Well below previous year | 10,577 | – 13% |
| Operating profit | 464 | Noticeably higher | Considerably lower | 221 | – 52% |
| Operating return on sales (%) | 3.8% | Noticeably higher | Considerably lower | 2.1% | – 1.7 percentage points |

**Forecast versus actual figures
Power Engineering**

| € million | Actual 2013 | Original forecast for 2014 | Most recent forecast for 2014 | Actual 2014 | Change 2014 to 2013 |
|---|---|---|---|---|---|
| Order intake | 3,911 | At prior-year level | Close to prior-year level | 3,929 | 0% |
| Sales revenue | 3,875 | At prior-year level | Close to prior-year level | 3,732 | – 4% |
| Operating profit | 25 | Significant improvement | Significant improvement | 278 | >100% |
| Operating return on sales (%) | 0.6% | Significant improvement, high single digits | Significant improvement, high single digits | 7.5% | + 6.9 percentage points |

## Results of operations

### Order situation

**Order intake down 5%**

At €15.3 billion, the MAN Group's order intake in fiscal 2014 was down 5% on the prior-year figure (€16.2 billion).

Order intake in the Commercial Vehicles business area was €11.4 billion, 9% lower than in the previous year (€12.5 billion). MAN Truck & Bus recorded an order intake of €9.3 billion, a decrease of 3% as against the previous year (€9.6 billion). The number of trucks and buses ordered declined by approximately 4% year-on-year to 75,402 units. This decrease was mainly attributable to the high order intake in Europe in the second half of fiscal 2013 due to truck purchases pulled forward ahead of the introduction of the Euro 6 emission standard. In contrast, slower economic momentum in Western Europe and the effects of the crisis in Ukraine negatively impacted order intake in the second half of 2014. MAN Latin America recorded an order intake of €2.3 billion, considerably below the prior-year figure (€3.0 billion). This was primarily due to the 20% decrease in unit terms to 48,161 vehicles as a result of a deterioration in the business environment in Latin America. The depreciation of the Brazilian real also had a negative effect.

Order intake in the Power Engineering business was on a level with the previous year, at €3.9 billion. MAN Diesel & Turbo's orders declined slightly to €3.3 billion (€3.4 billion). The decrease was mainly attributable to the Power Plants strategic business unit, which recorded a significant decline in orders compared with the previous year. Renk recorded an order intake of €666 million, the highest in the company's history and up more than 30% on the prior-year figure (€504 million). This was attributable to a major order for over 500 gear units.

The MAN Group received major orders in the amount of €1.2 billion in fiscal 2014 (previous year: €0.9 billion).

The proportion of international orders was 79%, compared with 78% in the previous year.

Orders in Europe were down 2% year-on-year at €9.1 billion and were driven by Germany (€3.3 billion), the United Kingdom, and France (approximately €0.7 billion each).

Orders declined by 8% in Germany and remained more or less stable in France. Order intake in the United Kingdom rose by 7% compared with the previous year. Europe remains the MAN Group's most important region, accounting for 59% of its total order intake (previous year: 57%), followed by the Americas at 18%, and Asia at 13%.

Orders in the Americas were down 16% year-on-year, at €2.8 billion (previous year: €3.3 billion). Of this figure, 70% or €2.0 billion was attributable to Brazil (previous year: 80% or €2.7 billion). Order intake in Asia was on a level with the previous year at €1.9 billion.

**Order intake by business area**

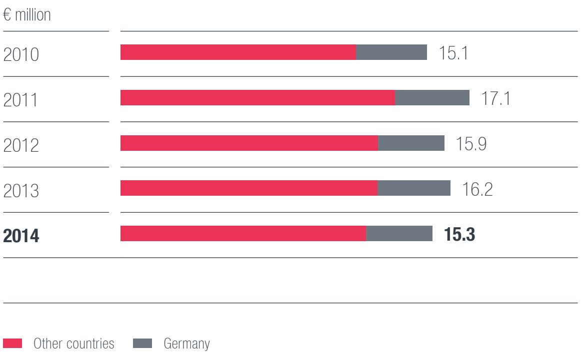
| € million | 2014 | % | 2013 | % |
|---|---|---|---|---|
| Commercial Vehicles[1] | 11,429 | 75 | 12,506 | 77 |
| Power Engineering[1] | 3,929 | 25 | 3,911 | 24 |
| Others | – 26 | 0 | – 210 | – 1 |
| **MAN Group** | **15,332** | **100** | **16,207** | **100** |

[1] Consolidated presentation of business areas starting in 2014.

## Order intake by region

| € million | 2014 | % | 2013 | % |
|---|---|---|---|---|
| Europe | 9,066 | 59 | 9,222 | 57 |
| Germany | 3,267 | 21 | 3,570 | 22 |
| Western Europe (excluding Germany) | 4,107 | 27 | 3,849 | 24 |
| Central and Eastern Europe | 1,692 | 11 | 1,803 | 11 |
| Americas | 2,797 | 18 | 3,327 | 20 |
| North America | 514 | 3 | 231 | 1 |
| South America | 2,283 | 15 | 3,096 | 19 |
| Asia-Pacific | 1,947 | 13 | 1,921 | 12 |
| Other markets | 1,522 | 10 | 1,737 | 11 |
| Africa | 648 | 4 | 725 | 4 |
| Middle East | 874 | 6 | 1,013 | 5 |
| **MAN Group** | **15,332** | **100** | **16,207** | **100** |

## Five-year order intake trend

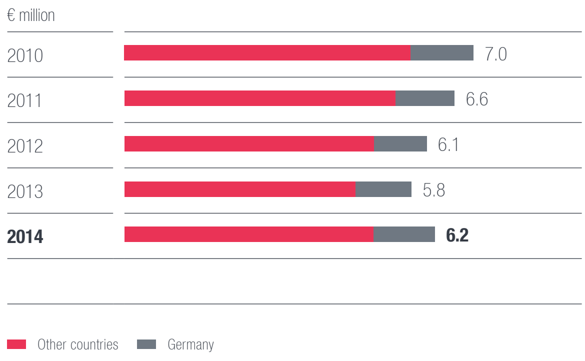



Like-for-like data for all years, excluding discontinued operations.
Figures from 2013 onward adapted to reflect the structure used by Volkswagen.

## Significant increase in order backlog

The MAN Group's year-end order backlog in fiscal 2014 was up on the prior-year figure, at €6.2 billion (€5.8 billion). The order backlog in the Commercial Vehicles business area rose by 16% year-on-year to €2.2 billion at the end of the fiscal year (previous year: €1.9 billion). At €4.0 billion, the Power Engineering business area recorded a 4% increase in its order backlog as against the previous year. The business area's order backlog was approximately 9% higher than its annual sales revenue in 2014 and therefore spans more than one year.

## Five-year order backlog trend




Like-for-like data for all years, excluding discontinued operations.
Figures from 2013 onward adapted to reflect the structure used by Volkswagen.

## Sales revenue

The MAN Group's sales revenue declined by 10% from €15.9 billion in the previous year to €14.3 billion in fiscal 2014.

Annual sales revenue in the Commercial Vehicles business area amounted to €10.6 billion, approximately 13% less than in the previous year (€12.2 billion). MAN Truck & Bus generated sales revenue of €8.4 billion, down approximately €839 million on the prior-year figure. Unit sales decreased by roughly 10% to 73,622 vehicles. This decline was mainly attributable to the truck purchases pulled forward ahead of the introduction of the Euro 6 emission standard in the second half of fiscal 2013. The economic slowdown in Western Europe and the effects of the crisis in Ukraine also had a negative impact in the year under review. MAN Latin America saw sales revenue decrease by approximately 24% to €2.3 billion (previous year: €3.0 billion) and unit sales by 20% to 48,161 vehicles on the back of a deterioration in conditions.

The Power Engineering business area generated sales revenue of €3.7 billion in 2014, down 4% on the previous year (€3.9 billion). MAN Diesel & Turbo recorded a 3% decline in sales revenue to €3.3 billion, compared with €3.4 billion in the previous year. At €480 million, Renk's sales revenue was on a level with the prior-year figure (€485 million).

The MAN Group's domestic sales revenue declined by 14% as against the previous year to €2.9 billion. MAN Truck & Bus generated 29% of its sales revenue in Germany and again accounted for the large majority (approximately 84%) of the Group's total domestic sales revenue. The MAN Group's international sales revenue was down 9% year-on-year in 2014, at €11.4 billion. The proportion of total sales revenue generated outside Germany was 80% (previous year: 79%).

At €8.0 billion, sales revenue in the European markets was down 10% on the previous year (€8.9 billion) in the reporting period. The proportion of total sales revenue generated in Europe was 56%. The share attributable to the Americas amounted to 20% or €2.9 billion. Of this figure, €2.2 billion or 76% was attributable to MAN Latin America, which generated 87% of its sales revenue in the Brazilian market. In Asia, the MAN Group's sales revenue rose to approximately €2.0 billion (previous year: €1.7 billion). China accounted for €0.7 billion and South Korea for €0.5 billion of this figure. The Power Engineering business area is very strongly represented in both markets. Asia generated 14% of the MAN Group's total sales revenue (previous year: 11%).

### Sales revenue by business area

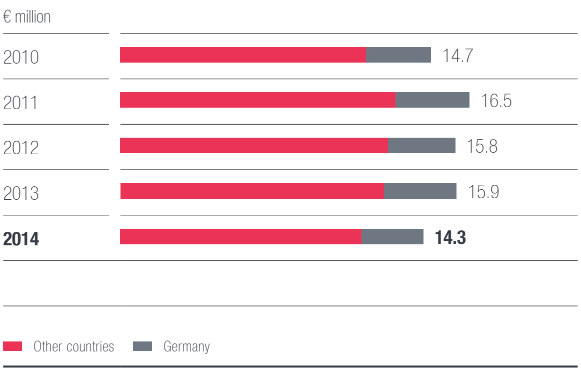
| € million | 2014 | % | 2013 | % |
|---|---|---|---|---|
| Commercial Vehicles [1] | 10,577 | 74 | 12,207 | 77 |
| Power Engineering [1] | 3,732 | 26 | 3,875 | 24 |
| Others | – 23 | 0 | – 221 | – 1 |
| **MAN Group** | **14,286** | **100** | **15,861** | **100** |

[1] Consolidated presentation of business areas starting in 2014.

### Sales revenue by business area

| € million | 2014 | % | 2013 | % |
|---|---|---|---|---|
| Europe | 8,027 | 56 | 8,903 | 56 |
| Germany | 2,906 | 20 | 3,388 | 21 |
| Western Europe (excluding Germany) | 3,557 | 25 | 3,860 | 25 |
| Central and Eastern Europe | 1,564 | 11 | 1,654 | 10 |
| Americas | 2,880 | 20 | 3,612 | 23 |
| North America | 377 | 3 | 384 | 2 |
| South America | 2,502 | 17 | 3,228 | 21 |
| Asia-Pacific | 1,960 | 14 | 1,709 | 11 |
| Other markets | 1,420 | 10 | 1,637 | 10 |
| Africa | 623 | 4 | 731 | 4 |
| Middle East | 797 | 6 | 907 | 6 |
| **MAN Group** | **14,286** | **100** | **15,861** | **100** |

### Five-year sales revenue trend




Like-for-like data for all years, excluding discontinued operations.
Figures from 2013 onward adapted to reflect the structure used by Volkswagen.

## Operating profit

### Slight improvement in operating profit

The MAN Group recorded an operating profit of €384 million in fiscal 2014, slightly higher than in the previous year (€309 million). Operating profit in the Commercial Vehicles business area was down significantly year-on-year at €221 million (previous year: €464 million) due to the decline in sales revenue. The Power Engineering business area generated an operating profit of €278 million in the reporting period, significantly exceeding the prior-year figure (€25 million).

MAN Truck & Bus recorded an operating profit of €152 million (previous year: €244 million) and an operating return on sales of 1.8% (previous year: 2.6%). MAN Latin America generated an operating profit of €65 million in the year under review (previous year: €220 million). At 2.9%, the operating return on sales was well below the prior-year figure (7.4%).

MAN Diesel & Turbo's operating profit amounted to €206 million (previous year: operating loss of €41 million). The negative prior-year figure was primarily attributable to substantial provisions for a power plant project that had not yet been completed. MAN Diesel & Turbo's operating return on sales rose significantly to 6.3%, compared with –1.2% in the previous year. Renk recorded an operating profit of €72 million (previous year: €66 million) and an operating return on sales of 15.0% (previous year: 13.5%).

"Others" comprises MAN SE and its Shared Services companies, the net income/losses of equity investments held directly by MAN SE, and the consolidation adjustments between the MAN Group's business areas. The operating loss attributable to Others was €116 million in fiscal 2014 (previous year: operating loss of €180 million). The improvement was primarily due to lower purchase price allocation effects and reduced nonpersonnel expenses and project costs.

The MAN Group's operating profit for 2014 includes income of approximately €46 million from the settlement relating to D&O insurance and former Executive Board members as authorized by the 2014 Annual General Meeting.

### Operating return on sales up, but at a low level

The MAN Group's operating return on sales in the past fiscal year was 2.7%, after 1.9% in the prior year. The MAN Group's profitability was therefore significantly below the target range of the long-term target of 8.5% +/– two percentage points. The operating return on sales for the Power Engineering business area rose from 0.6% to 7.5%, whereas the Commercial Vehicles business area recorded an operating return on sales of 2.1% (previous year: 3.8%).

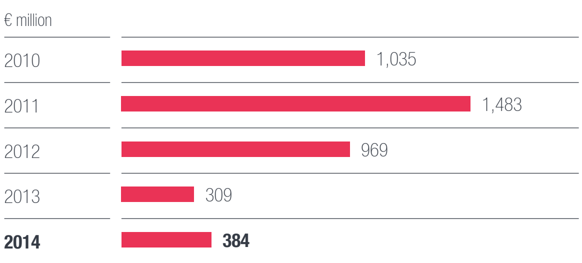
**Operating profit/loss by business area**

| € million | 2014 | 2013 |
|---|---|---|
| Commercial Vehicles [1] | 221 | 464 |
| Power Engineering [1] | 278 | 25 |
| Others | – 116 | – 180 |
| **MAN Gruppe** | **384** | **309** |

[1] Consolidated presentation of business areas starting in 2014.

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.
Figures from 2013 onward adapted to reflect the structure used by Volkswagen.

## Income statement

| € million | 2014 | % | 2013 | % |
|---|---|---|---|---|
| Sales revenue | 14,286 | 100 | 15,861 | 100 |
| Cost of sales | – 11,695 | – 82 | – 13,101 | – 83 |
| **Gross profit** | **2,591** | **18** | **2,760** | **17** |
| Other operating income | 556 | 4 | 542 | 3 |
| Distribution expenses | – 1,568 | – 11 | – 1,638 | – 10 |
| General and administrative expenses | – 753 | – 5 | – 842 | – 5 |
| Other operating expenses | – 441 | – 3 | – 513 | – 3 |
| **Operating profit** | **384** | **3** | **309** | **2** |
| Share of profits and losses of equity-method investments | 16 | 0 | – 41 | 0 |
| Finance costs | – 200 | – 1 | – 217 | – 1 |
| Other financial result | 42 | 0 | 122 | 1 |
| **Financial result** | **– 142** | **– 1** | **– 137** | **– 1** |
| **Profit before tax** | **242** | **2** | **172** | **1** |
| Income tax expense | – 100 | – 1 | – 377 | – 2 |
| Current | – 73 | – 1 | – 504 | – 3 |
| Deferred | – 27 | 0 | 127 | 1 |
| Income/loss from discontinued operations, net of tax | 124 | 1 | – 308 | – 2 |
| **Profit/loss after tax** | **267** | **2** | **– 513** | **– 3** |
| of which attributable to noncontrolling interests | 13 | 0 | 11 | 0 |
| **of which attributable to shareholders of MAN SE** | **254** | **2** | **– 524** | **– 3** |
| | | | | |
| **Earnings per share from continuing operations in €** | **0.88** | | **– 1.47** | |
| **Earnings per share from continuing and discontinued operations in €** | **1.73** | | **– 3.57** | |

Sales revenue declined by €1,575 million year-on-year to €14,286 million in 2014, while the cost of sales decreased by €1,406 million. As a result, the gross margin was down only €169 million on the prior-year figure; profitability rose from 17.4% in the previous year to 18.1%. The prior-year figure was impacted in particular by very high provisions for a major project at MAN Diesel & Turbo that had not yet been completed. Distribution and general and administrative expenses declined by €159 million to €2,321 million (previous year: €2,480 million) due to lower purchase price allocation effects, among other factors. The prior-year figure also includes €63 million from MAN Finance.

At €556 million, other operating income was up slightly on the previous year (€542 million). Other operating expenses amounted to €441 million, €72 million lower than in the previous year (€513 million). The prior-year figure includes €83 million from MAN Finance.

The financial result was roughly on a level with the previous year, at €–142 million (previous year: €–137 million). Net income from equity-method investments (€16 million) was mainly attributable to the investment in Sinotruk. The prior-year figure was negatively impacted in particular by the impairment loss recognized on the carrying amount of the Rheinmetall MAN Military Vehicle GmbH, Munich, (RMMV) joint venture and by proportionate restructuring expenses.

Finance costs improved by €17 million to €200 million (previous year: €217 million). The other financial result was down significantly on the prior-year figure, at €42 million (previous year: €122 million). This decline is mainly due to the absence of a dividend from Scania AB, Södertälje/Sweden (Scania), in fiscal 2014.

All in all, the MAN Group's profit before tax amounted to €242 million (previous year: €172 million).

The MAN Group's tax expense narrowed by €277 million to €100 million. The comparable prior-year period was impacted in particular by provisions for prior-period taxes and valuation allowances on deferred tax assets. The tax rate decreased to 41.3% (previous year: 219.4%). Further information on the change in the tax rate can be found in the notes to the consolidated financial statements.

Income from discontinued operations totaled €124 million in fiscal 2014 (previous year: loss of €308 million). Both the 2013 and 2014 figures were significantly impacted by prior-period tax effects including interest for a former tax group subsidiary.

### Profit after tax

The MAN Group recorded profit after tax of €267 million, up approximately €780 million on the previous year (loss after tax of €513 million). Earnings per share from continuing operations rose from €–1.47 to €0.88.

MAN SE will not distribute any further dividends from fiscal 2014 onwards as a result of the domination and profit and loss transfer agreement. Truck & Bus GmbH will make the contractually defined cash compensation payment (€3.07) to each MAN free float shareholder.

## Financial Position

### 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 economic efficiency and 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.

### 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 €1,870 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 volume of €120 million as of December 31, 2014, and mature in 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 |
|---|---|---|---|
| 500 | Sept. 21, 2012 | Sept. 21, 2015 | 1.000% |
| 500 | May 20, 2009 | May 20, 2016 | 7.250% |
| 750 | March 13, 2012 | March 13, 2017 | 2.125% |

In addition, the Group has issued two promissory note loans totaling €19 million that expire in 2019 (amortizing) and bear a fixed interest rate of 6.76%.

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. Independent of this, Moody's Credit Opinions most recently published and confirmed MAN SE's A3 long-term rating and "positive" outlook in September 2014, in line with Volkswagen AG's rating.

With respect to equity-based financing, the Executive Board has been granted several authorizations by MAN SE's Annual General Meeting that can be exercised until March 31, 2015, 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 "Takeover-Related Disclosures."

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 €19 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 note (€120 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.

### Cash flow

Net cash flow from the MAN Group's operating activities and investing activities attributable to operating activities amounted to €–849 million in fiscal 2014 (previous year: €–390 million).

The Commercial Vehicles business area recorded net cash flow of €–262 million (previous year: €–106 million); net cash flow in the Power Engineering business was €38 million (€–150 million). The net cash flow attributable to Others amounted to €–625 million (€–134 million). This included nonrecurring items totaling €446 million — prior-period taxes in the amount of €729 million including interest, of which €370 million related to discontinued operations, a net inflow of €415 million from the sale of MAN Finance, as well as a prepayment on the expected tax liability for fiscal 2013 of €132 million, which was determined retrospectively. Adjusted for these nonrecurring items, net cash flow was roughly on a level with the previous year.

#### Net cash flow by business area

| € million | 2014 | 2013 |
|---|---|---|
| Commercial Vehicles[1] | – 262 | – 106 |
| Power Engineering[1] | 38 | – 150 |
| Others | – 625 | – 134 |
| **MAN Group** | **– 849** | **– 390** |

[1] Consolidated presentation of business areas starting in 2014.

At €219 million, the MAN Group's gross cash flow in fiscal 2014 was lower than in the previous year (€1,064 million), despite an improvement in the profit before tax. This was primarily due to tax payments. In addition, pension assets in the amount of €90 million were added in connection with the transfer of pension obligations to MAN Pensionsfonds AG, Munich. The increase in the MAN Group's working capital reduced cash flows from operating activities by €915 million (€928 million). The increase in the year under review is primarily attributable to the €240 million decline in trade payables (previous year: €34 million) and the €137 million decrease in provisions (previous year: increase of €141 million), mainly due to tax interest payments. Within working capital, the €602 million increase in assets leased out (previous year: €656 million) was largely offset by the depreciation of assets leased out and by offsetting effects in other liabilities within cash flows from operating activities.

Net cash used in investing activities attributable to operating activities amounted to €154 million (previous year: €526 million) and was dominated by the net cash inflow of €415 million from the sale of MAN Finance. Excluding this effect, investments were up €43 million on the previous year.

At €576 million, cash inflows from investments in securities and loans were primarily attributable to the repayment of intragroup loans awarded by MAN SE to MAN Finance (previous year: cash inflow of €10 million).

Cash outflows from financing activities amounted to €411 million in fiscal 2014 (previous year: cash inflow of €279 million). In fiscal 2014, bonds worth an aggregate €860 million (previous year: €1,094 million) were repaid and other financial liabilities were reduced by €251 million (previous year: increase of €1,024 million). This was partially offset by a cash inflow of €724 million from the absorption of losses for fiscal 2013 by Truck & Bus GmbH and the dividend payment made by MAN SE (€21 million; previous year: €150 million). This dividend payment corresponds to €0.14 per share and was part of the dividend guaranteed by Truck & Bus GmbH of €3.07 per share.

The MAN Group's net financial debt was €1,360 million on December 31, 2014, a slight increase of €45 million as against the previous year (€1,315 million).

**MAN consolidated statement of cash flows (key figures)**

| € million | 2014 | 2013 |
|---|---|---|
| **Cash and cash equivalents at beginning of period** | **1,208** | **1,366** |
| Profit before tax of continuing operations | 242 | 172 |
| Income taxes paid | – 800 | – 116 |
| Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property [1] | 380 | 399 |
| Amortization of, and impairment losses on, capitalized development costs [1] | 101 | 81 |
| Depreciation of assets leased out [1] | 423 | 470 |
| Change in pension provisions | – 84 | – 4 |
| Gain/loss on disposal of noncurrent assets | – 19 | 2 |
| Share of profits or losses of equity-method investments | – 8 | 47 |
| Other noncash income and expense | – 16 | 13 |
| **Gross cash flow** | **219** | **1,064** |
| **Change in working capital** | **– 915** | **– 928** |
| Change in inventories | – 15 | 17 |
| Change in receivables (excluding financial services) | – 57 | – 509 |
| Change in liabilities and prepayments received (excluding financial liabilities) | – 104 | 21 |
| Change in provisions | – 137 | 141 |
| Change in assets leased out | – 602 | – 656 |
| Change in financial services receivables | – | 58 |
| **Net cash provided by/used in operating activities** | **– 695** | **136** |
| Payments to acquire property, plant, and equipment, investment property, and intangible assets (excluding capitalized development costs) | – 394 | – 382 |
| Additions to capitalized development costs | – 211 | – 176 |
| Payments to acquire other investees | – 5 | – 4 |
| Proceeds from the disposal of subsidiaries, net of cash disposed of | 417 | – |
| Proceeds from asset disposals (other than assets leased out) | 38 | 36 |
| **Net cash used in investing activities attributable to operating activities** | **– 154** | **– 526** |
| **Net cash flow** | **– 849** | **– 390** |

[1] Net of impairment reversals.

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

| € million | 2014 | 2013 |
|---|---|---|
| | | |
| **Net cash flow** | **– 849** | **– 390** |
| Change in investments in securities and loans | 576 | 10 |
| **Net cash provided by/ used in investing activities** | **422** | **– 516** |
| Dividend payments | – 24 | – 151 |
| Loss absorption | 724 | – |
| Issuance of bonds | – | 500 |
| Repayment of bonds | – 860 | – 1,094 |
| Change in other financial liabilities | – 251 | 1,024 |
| **Net cash provided by/ used in financing activities** | **– 411** | **279** |
| Effect of exchange rate changes on cash and cash equivalents | 2 | – 57 |
| **Change in cash and cash equivalents** | **– 682** | **– 158** |
| **Cash and cash equivalents at end of period** | **525** | **1,208** |
| | | |
| **Composition of net liquidity/ net financial debt at end of period [1]** | | |
| Cash and cash equivalents | 525 | 1,208 |
| Cash and cash equivalents presented separately in the balance sheet as assets held for sale | – | – 71 |
| Cash and cash equivalents (consolidated balance sheet) | 525 | 1,137 |
| Securities, loans, and time deposits | 600 | 1,175 |
| **Gross liquidity (consolidated balance sheet)** | **1,125** | **2,312** |
| Total third-party borrowings | – 2,485 | – 6,837 |
| Third-party borrowings presented separately in the balance sheet as liabilities associated with assets held for sale | – | 3,210 |
| Total third-party borrowings (consolidated balance sheet) | – 2,485 | – 3,627 |
| **Net financial debt (consolidated balance sheet)** | **– 1,360** | **– 1,315** |

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

## Capital expenditures

MAN incurred capital expenditures totaling €610 million in fiscal 2014, after €562 million in the previous year. There was growth in both payments to acquire property, plant, and equipment, and in capital expenditures on intangible assets. In view of the difficult economic situation, we are reviewing planned capital expenditures particularly critically, and are systematically prioritizing them. We are deliberately retaining the necessary capital expenditures that will lead to long-term growth and that are capable of improving our operational efficiency.

The MAN Group's capital expenditures in the Commercial Vehicles business area totaled €438 million in fiscal year 2014, compared with €418 million in the previous year. At MAN Truck & Bus, a particular emphasis was placed on enhancing the product portfolio, modernizing and rationalizing production sites, and expanding the sales and service network, in addition to the necessary replacement and maintenance investments. Some of these capital expenditures were made as part of the Green Production initiative and will contribute to target achievement under the Climate Strategy. 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.

At €166 million (previous year: €142 million), capital expenditures in the Power Engineering business area in 2014 were significantly above the prior-year level. MAN Diesel & Turbo made necessary replacement and maintenance investments and modernized production. Capital expenditures focused on parts manufacturing and test beds. New service centers were established in order to strengthen our global presence. At its Augsburg site, Renk modernized vehicle transmission production and invested in the construction of a new multipurpose building for assembling and testing large special gear units.

### Capital expenditures

| € million | 2014 | 2013 |
|---|---|---|
| Property, plant, and equipment, and investment property | 376 | 352 |
| Intangible assets | 229 | 206 |
| Investments | 5 | 4 |
| **Total** | **610** | **562** |
| of which: Germany | 425 | 390 |
| of which: other countries | 185 | 172 |
| Depreciation, amortization, and impairment losses [1] | 431 | 413 |
| Investments in property, plant, and equipment as a % of sales revenue | 2.8 | 2.4 |

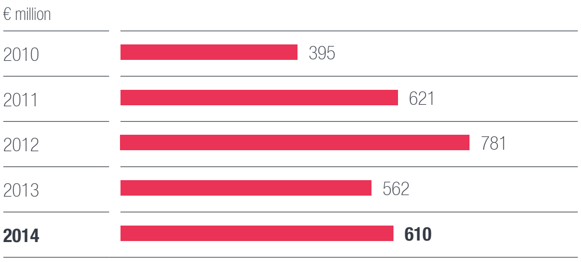
[1] Excluding earnings effects from purchase price allocations (2014: €49 million, 2013: €71 million) and excluding write-downs of investments of €26 million (RMMV) in 2013.

### Capital expenditures by business area

| € million | 2014 | 2013 |
|---|---|---|
| Commercial Vehicles [1] | 438 | 418 |
| Power Engineering [1] | 166 | 142 |
| Others | 6 | 2 |
| **MAN Group** | **610** | **562** |

[1] Consolidated presentation of business areas starting in 2014.
For further information, see "The Divisions in Detail."

### Five-year capital expenditures trend[1]




Like-for-like data for all years, excluding discontinued operations.
Figures from 2013 onward adapted to reflect the structure used by Volkswagen.
[1] 2010 excluding acquisition of Sinotruk, 2011 excluding acquisition of the additional interest in EURO-Leasing, 2012 excluding acquisition of the additional interest in MAN FORCE TRUCKS.

## Net assets

| € million | 2014 | 2013 |
|---|---|---|
| Property, plant, and equipment, and intangible assets | 4,237 | 4,098 |
| Investments | 2,584 | 1,984 |
| Assets leased out | 2,677 | 2,483 |
| Income taxes | 516 | 605 |
| Inventories | 3,095 | 3,112 |
| Trade receivables | 2,234 | 2,346 |
| Assets held for sale | – | 3,986 |
| Other noncurrent and current assets | 1,669 | 2,785 |
| Cash and cash equivalents | 525 | 1,138 |
| **Total assets** | **17,538** | **22,537** |
| Total equity | 5,485 | 5,227 |
| Pensions and other post-employment benefits | 603 | 452 |
| Financial liabilities | 2,485 | 3,627 |
| Other financial liabilities | 2,373 | 1,918 |
| Provisions | 1,745 | 1,952 |
| Prepayments received | 819 | 852 |
| Income taxes (including provisions for taxes) | 301 | 1,098 |
| Trade payables | 1,662 | 1,922 |
| Liabilities associated with assets held for sale | – | 3,525 |
| Other noncurrent and current liabilities | 2,063 | 1,964 |
| **Total equity and liabilities** | **17,538** | **22,537** |

Property, plant, and equipment, and intangible assets rose to €4,237 million as of December 31, 2014, compared with €4,098 million in the previous year. The increase is due in particular to higher capital expenditure on both property, plant, and equipment and intangible assets. In addition to the necessary replacement and maintenance investments, the measures taken in 2014 continued to focus on developing new products and modernizing production. Another area of emphasis was modernizing and rationalizing MAN Truck & Bus's production sites. MAN Diesel & Turbo established new service centers and invested in parts manufacturing and test beds.

The increase in investments over the course of the year reflects the higher carrying amount of the investment in Scania of €2,071 million as of December 31, 2014, (previous year: €1,485 million). For further information, see the "Notes to the Consolidated Financial Statements." The carrying amount of the investment in Sinotruk, which is accounted for using the equity method, also increased slightly over the course of the year.

Assets leased out rose to €2,677 million as of December 31, 2014 (previous year: €2,483 million). This increase mainly reflects the increase in sales with buyback obligations at MAN Truck & Bus.

Inventories remained almost unchanged over the course of the year and amounted to €3,095 million as of December 31, 2014 (previous year: €3,112 million). The individual business areas also saw relatively moderate changes. The high double-digit million decrease at MAN Latin America was mainly due to reporting date effects and was largely offset by an increase in inventories at MAN Truck & Bus.

Trade receivables amounted to €2,234 million as of December 31, 2014 (previous year: €2,346 million). This decline mainly relates to the change in business volumes in the Commercial Vehicles business area, with both MAN Latin America and MAN Truck & Bus recording lower unit sales.

The assets and liabilities of MAN Finance were presented as held for sale as of December 31, 2013. For further information, see "Divestments" and the "Notes to the Consolidated Financial Statements." Assets held for sale and liabilities associated with assets held for sale were derecognized in connection with the completion of the sale of MAN Finance to VWFS on January 1, 2014. This led to a significant decline in current assets and current liabilities as against December 31, 2013.

The €1,116 million decline in other noncurrent and current assets over the course of the year is primarily due to two factors. On the one hand, the prior-year figure includes €724 million in connection with the claim against Truck & Bus GmbH for absorption of MAN SE's net loss for fiscal 2013. The repayment of loans granted by MAN SE to MAN Finance before the transaction with VWFS also accounts for a decrease of €576 million.

Trade payables declined by €260 million due to lower production volumes in the Commercial Vehicles business area and amounted to €1,662 million as of December 31, 2014. By contrast, prepayments received only decreased slightly to €819 million (previous year: €852 million).

Pension obligations rose to €603 million as of December 31, 2014 (previous year: €452 million). This increase is primarily due to remeasurement effects in connection with a lower discount rate and takes into account offsetting effects from a one-off addition of pension assets in the amount of €90 million. Financial liabilities amounted to €2,485 million as of December 31, 2014 (previous year: €3,627 million). The €1,142 million decrease is largely attributable to the repayment of loans worth an aggregate €860 million and the decline in other financial liabilities.

Provisions and income taxes (including provisions for taxes) declined by €1,002 million overall in the course of the year, mainly due to payments made in connection with prior-period taxes including interest.

Total equity rose to €5,485 million as of December 31, 2014 (previous year: €5,227 million). The net increase over the course of the year reflects the improved profit after tax (€267 million) on the one hand, and the net changes recognized in other comprehensive income of €489 million on the other, which were significantly influenced by effects from the measurement of Scania. The preparation of the consolidated financial statements after appropriation of net profit led to a decrease of €486 million in reported equity as of December 31, 2014. As a result of the change in equity, the increase in noncurrent assets (intangible assets, property, plant, and equipment, and investments) led to a drop in the ratio of equity to noncurrent assets by six percentage points (from 86% to 80%). The MAN Group's equity ratio rose to 31.3% as of December 31, 2014 (previous year: 23.2%). The prior-year figure was significantly influenced by the separate presentation of MAN Finance as a disposal group.

### Unrecognized assets

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

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

# Takeover-related disclosures

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

### Composition of share capital, classes of shares

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

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

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

### 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.

**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 77 ff. 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.

Information on the powers of the Executive Board 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 provided in the "Equity" section in the notes to the consolidated financial statements. The corresponding authorizations were not exercised in the reporting period.

**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.

# SUSTAINABLE VALUE CREATION

Continuous research and development activities are a key factor in sustainable value creation — this is why MAN invests over 4% of its sales revenue in R&D. Top scores in key rankings show that MAN is one of the world's most sustainable vehicle and mechanical engineering companies. This success is based on outstanding employee performance.

In this section, we use examples to show how we increase the value of our Company in a sustainable way. As a technology company, our research and development (R&D) activities lay the foundation for long-term competitiveness. Sustainability and selecting suitable suppliers for long-term cooperation are key goals in procurement. We outline how MAN takes responsibility for customers, employees, the community, and the environment under "Corporate responsibility." At the heart of our human resources strategy is outstanding performance. MAN systematically grows its first-class team to meet the challenges of our dynamic business.

## Research and Development

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 goal of technology leadership is 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 needs 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.

In fiscal 2014, MAN Truck & Bus's R&D activities focused on launching the TGX D38 and expanding the city bus and coach segment.

The top-of-the-range TGX D38 truck offers a customized drivetrain with numerous new efficiency functions and is ideally suited to demanding transport tasks. At its heart is the newly developed 15.2-liter six-cylinder in-line D38 engine. The newly unveiled MAN TGX EfficientLine 2 is fitted with a wide range of efficiency technologies as standard, primarily the EfficientCruise cruise control system, the TopTorque torque enhancer, and the efficient MAN TeleMatics. In comparison with its predecessor, the TGX EfficientLine 1, the new TGX EfficientLine 2 generated over 6% in fuel savings during a 5,217 km test run over challenging terrain. This was confirmed through a TÜV study. Its fuel consumption averaged 30.17 l/100 km.

In the bus business, MAN Truck & Bus unveiled a new version of its leading NEOPLAN Skyliner model at IAA Commercial Vehicles 2014. This is available as a Euro 6 version from June 2015 and offers the lowest $CO_2$ emissions per passenger in its class. Also on show was the newly named "Bus of the Year 2015," the MAN Lion's City GL CNG. The panel of international trade journalists singled out this natural-gas-powered city bus for its particularly eco-friendly, powerful but economical powertrain.

MAN Truck & Bus continues to focus on benefits provided to customers and is further developing active truck and bus safety based on long-term research into accidents. For this reason, vehicles can now be equipped with assistance systems such as adaptive cruise control (ACC), the emergency braking assistant (EBA), and the lane guard system (LGS) as standard. These support drivers in exactly the types of driving situations that have emerged as the most frequent causes of accidents.

In the interests of our customers, MAN engineers continued to focus on reliability, efficiency, and low operating costs in 2014. MAN Truck & Bus is combining new, fuel-efficient technologies and is making a further contribution to lowering TCO and reducing $CO_2$ emissions.

MAN and Scania are working closely together to realize synergies within the Volkswagen Group. However, the brand identities of MAN and Scania will be safeguarded and retained. A first groundbreaking partnership between the two companies has been agreed in vehicle transmissions. As part of this cooperation, Scania's transmission hardware will gradually be implemented in MAN's TGS and TGX series vehicles from 2016. MAN is developing its own transmission software for the optimal gear shift strategy. The first prototype is already being tested. In addition, both partners aim to work together to develop Scania's next generation transmission portfolio.

The new diesel hydraulic hybrid system developed by MAN Latin America for buses and Constellation series trucks is already being tested by customers. It offers improved energy efficiency, while being more cost-effective than the other hybrid systems available in the Brazilian market. The technology is ideal for stop-and-go applications in emerging markets, e.g., for waste collection vehicles. MAN Latin America is also testing Euro 5 trucks and buses powered by biodiesel produced from sugarcane. This reduces nitrogen oxides by 15%, particulate matter by 77%, and soot by 40%. MAN Latin America's products on show at IAA Commercial Vehicles 2014 included the Volksbus 18 320 Low Entry, which is powered by sugarcane-based biodiesel. It is also working on integrating CNG systems into its product range. Key customer AMBEV, Latin America's largest beverages manufacturer, is already testing the CNG-powered Constellation 24 280. City buses are another potential area of application.

With sustainability in mind, MAN Latin America unveiled a new eco-friendly cab interior at the IAA show, made from renewable materials such as sugarcane.

A further product development from MAN Latin America is the Smart Ratio transmission system for trucks and buses. This offers benefits ranging from improved fuel efficiency to an increased payload.

### 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 focus is the use of natural gas as a low-emission alternative.

MAN Diesel & Turbo works continuously to optimize and expand its product portfolio. Product development continued to focus on increasing energy efficiency and on reducing emissions, both directly and indirectly.

We expanded our product portfolio to include the new MAN 175D high-speed engine. There was close interaction with customers throughout the entire development period, ensuring that their requirements had a direct impact on product development.

The Tier III certification of an SCR-equipped four-stroke engine by DNV-GL, a leading classification society, is a key milestone in the development of exhaust gas aftertreatment technologies. MAN Diesel & Turbo is the first engine manufacturer to obtain this type of certification for developing a technology to comply with future emission limits. Dual-fuel drives and gas engines are an established alternative to operation without exhaust gas aftertreatment technologies. Further variants of the large four-stroke gas engines are being developed. Customers can also opt for dual-fuel variants of two-stroke diesel engines. From a technological viewpoint, the competitive advantage of these variants is constantly increasing.

Development in the Power Plants strategic business unit is also focused on efficient energy generation in line with global emission rules. Where cost-effective liquid fuels are concerned, the focus is currently on the use of secondary exhaust gas aftertreatment systems downstream from the engine. Gas engines continue to increase in significance. In addition to the constant development of power plant generators, the equipment and system component product portfolio is continuously being expanded and supplemented. Customers can improve the efficiency of engine power plants through using waste heat recovery technologies such as combined cycle or combined heat and power.

The turbomachinery program is also being constantly optimized, with the aim of retaining technology leadership. The reduced consumption of primary energy sources and increase in power density accommodate customer requirements for higher cost-effectiveness and contribute to the achievement of climate goals. The new MAX1 generation of axial compressors is being developed for further areas of application. The challenges for product robustness are constantly increasing. MAN Diesel & Turbo's response includes using improved materials. Steam turbine development focuses on high-velocity refinery compressor drive turbines, as well as saturated steam turbines for energy generation and to drive compressors. High-temperature steam turbines enable rapid load changes, e.g., the daily startup of a solar thermal power plant. In addition, the new high-efficiency gas turbines are being refined for new, higher performance classes.

One key focus of R&D work across all of Renk's businesses is to continually enhance, optimize and round off the existing product portfolio. In addition, conceptual innovations in the Special Gear Units business have made a clear contribution to further expanding Renk's expertise in the area of systems integration.

### Key R&D figures

R&D costs include activities performed by the MAN Group for its own purposes from fiscal 2014 onwards. Until 2013, this figure also comprised funds for order-specific R&D activities. The prior-year figures have been adjusted.

From fiscal 2014 onwards, research and development employees will be reported by profession, in line with reporting at Volkswagen, rather than by Executive Board function as in the past. A vocational group or profession includes all employees who perform activities based on common expertise and require related skills. The figure for 2013 has been adjusted.

On average, 4,560 employees worked in research and development in 2014 compared with 4,432 in the previous year. This corresponds to 8.2% of the total headcount (previous year: 7.9%). MAN increased research and development expenditure by 13% in fiscal 2014. Research and development costs recognized in the income statement in accordance with IFRSs increased to €608 million (previous year: €540 million), or 4.3% of sales revenue (previous year: 3.4%). The capitalization ratio rose to 29.4% (27.7%). The MAN Group also cooperates with external partners within the scope of order-specific R&D activities and on publicly subsidized projects.

### R&D costs reported in the income statement

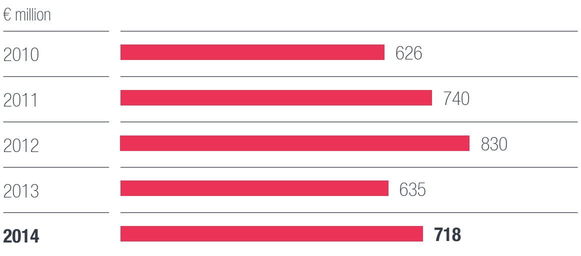
| € million | 2014 | 2013 |
|---|---|---|
| Total R&D costs | 718 | 635 |
| of which: capitalized development costs | – 211 | – 176 |
| Capitalization ratio in % | 29.4 | 27.7 |
| Amortization of and impairment losses on capitalized development costs | 101 | 81 |
| **MAN Group** | **608** | **540** |
| R&D employees (annual average) | 4,560 | 4,432 |

### R&D expenditures by business area

| € million | 2014 | 2013 |
|---|---|---|
| Commercial Vehicles [1] | 488 | 465 |
| Power Engineering [1] | 230 | 219 |
| Consolidation | – | – 48 |
| **MAN Group** | **718** | **635** |

[1] Consolidated presentation of business areas starting in 2014.
For further information, see "The Divisions in Detail."

### Five-year R&D expenditures trend




Like-for-like data for all years, excluding discontinued operations.
Figures from 2013 onward adapted to reflect the structure used by Volkswagen.

## Procurement

MAN purchases approximately €8 billion of raw materials, goods, and services each year. The majority of these are metals and plastics. In light of a supply chain that is growing and is becoming increasingly global and complex, the MAN Group believes that it has a responsibility to promote sustainability across the entire value chain. By doing so, its aim is to ensure stable and efficient flows of goods and supplies. MAN's integration into the Volkswagen Group in 2013 saw the beginning of a process to transfer and gradually implement the core system of Volkswagen's "sustainability in supplier relationships" concept. Systematic implementation within processes and contractual integration was completed in 2014.

Scania's continuing integration into the Volkswagen Group completely removed the legal barriers to unrestricted cooperation between the procurement organizations at MAN and Scania. There is now no limitation on joint sourcing, and both commercial vehicle manufacturers can take full advantage of procurement synergies. This cooperation within the Volkswagen Group opens up further potential for bundling and synergies for the MAN Group.

In addition, process optimization has also become a permanent part of procurement. Experts throughout the MAN Group are working together to standardize and continually improve processes.

The MAN Group aims to reduce environmental and social risks in the supply chain, while simultaneously optimizing material costs. Thus the objective is to increase procurement efficiency with regard to aspects of both sustainability and cost-effectiveness. In addition, procurement addresses technical optimization in cooperation with employees from development and sales. Significant potential savings were identified in the process.

The procurement department's policy is to select the right suppliers globally for long-term cooperation. In addition to the fundamental goal of sustainability, the significant criteria in supplier relationships are cost-effectiveness, quality, innovative capacity, and above all reliability.

## Corporate Responsibility

### Important challenges for sustainable value creation

Adopted in 2010, the corporate responsibility (CR) strategy is an integral part of MAN's corporate strategy. The MAN Group's CR Strategy is being implemented in four fields of action: integration, economy, environment, and people. The strategy and the CR fields of action derived from it were restructured at a strategic level in 2014: The CR issues relevant for MAN were identified as part of a multistage materiality analysis. This included stakeholders' expectations of MAN, as well as the demands that MAN makes of itself to ensure lasting success.

With this in mind, MAN's CR Steering Committee discussed twelve global challenges such as climate change, population growth, scarcity of resources, poverty, and health, and assessed these for their business relevance. An open international stakeholder survey was introduced to prioritize these from an external viewpoint. In order to take into account the largest possible number of stakeholder interests, target groups were not preselected. All stakeholders were able to take part in the survey via the MAN corporate website over a period of approximately two months.

The existing MAN CR Strategy and its fields of action were validated and updated on this basis. In the future, the Company will further focus and refine its CR activities along the entire value chain. The focus is shifting further towards the supply chain and the usage phase of MAN products. As a result, product responsibility will be included in future as a field of action in the MAN CR Strategy.

The detailed results of this strategic restructuring and the adjusted CR fields of action are presented at length in the 2014 MAN Corporate Responsibility Report.

### CR management

Managing CR is the responsibility of top management at MAN. The ultimate leadership body, the Corporate Responsibility Board, comprises MAN SE and subgroup Executive Board members. The CR Board discussed the CR Strategy, its restructuring, and implementation in 2014.

**MAN's CR Strategy**

**Corporate Citizenship**

We see ourselves as a member of society. We want to be a good corporate citizen at our sites and play a part in sustainable development.

| Integration | People | Environment | Economy |
|---|---|---|---|
| • Integration of CR into corporate and business strategies as well as operating processes<br>• Integration into vocational training and continuous professional development and management development<br>• Systematic stakeholder dialog and open communication | • Employer branding and talent management<br>• Diversity management<br>• Occupational health and safety management | • A climate protection strategy with clear objectives<br>• A resource-efficient product and service portfolio<br>• Resource efficiency in production and administration | • Risk management<br>• Innovation management<br>• Supplier management |

**Corporate Governance**

Compliance with prevailing rules and regulations is a fundamental prerequisite for our success.

The Chief Human Resources Officer and Executive Board member responsible for employee relations has overall responsibility for CR. The MAN Group's central Corporate Responsibility 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 Company. It also coordinates the CR Steering Committee, which comprises managers from the Production, Product, and Integration functions (e.g., from Purchasing, the Group Works Council, and HR), as well as from all subgroups. It met seven times during the fiscal year. Its responsibilities in addition to enhancing the CR and Climate Strategies include the integration of CR into operational processes and systematic stakeholder dialog.

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

As a strong brand within the Volkswagen Group, MAN works together with the Volkswagen Group's CSR & Sustainability, and Environment & Energy steering groups to actively help shape the Volkswagen Group's environmental and sustainability strategy.

### Success in MAN's fields of action

**Integration:** The MAN Group is continuing to increase its competitive advantage by integrating corporate responsibility into its divisions' strategies, operating processes, vocational training, and continuous professional development. Systematic stakeholder dialog and open communication support its successful integration into MAN's core business. This is helped by the incorporation of CR in the functional and cross-functional strategies of MAN Truck & Bus, which was pursued further in 2014. This will be further intensified at MAN Diesel & Turbo in 2015. In addition to introducing a CR structure, MAN Latin America also conducted a specific materiality analysis during the fiscal year, which takes regional factors into account.

MAN Truck & Bus initiated the "Manage responsibly" executive training initiative to ensure that executives are aware of sustainability and corporate responsibility, and to inspire them to implement the MAN CR and Climate Strategies in their own areas of responsibility. Almost 200 executives and persons responsible for internal communications (instructors, works council members, etc.) underwent training at over 20 CR training sessions in 2014.

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 or auditors, and via internal audits. The following table shows how certification is spread across production sites.

**Number of certified production sites**

**Management system**

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| ISO 9001 (Quality Management) | 34 | 31 | 30 |
| ISO 14001 (Environmental Management) | 27 | 26 | 25 |
| EMAS (Environment) | 5 | 5 | 5 |
| OHSAS 18001 (Occupational Health and Safety) | 17 | 11 | 9 |

In implementing the CR Strategy, the Company is guided by internationally recognized principles. MAN joined the UN Global Compact in 2010. This initiative brings together more than 12,000 participants from over 145 countries, who work together to make the global economy fairer and more sustainable. The UN Global Compact value framework consists of ten principles on human rights, labor standards, environmental protection, and anti-corruption.

MAN's CR reporting is compliant with the Global Reporting Initiative (GRI) guidelines. MAN's 2013 CR Report, which was published in May 2014, again qualified for the highest application level (A+). In addition, it was comprehensively and independently audited by PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft (PwC) in accordance with International Standard on Assurance Engagements 3000. The report was discussed with selected employees and CR officers from Volkswagen Group brands during a stakeholder dialog event at the MAN Museum in Augsburg. The 2014 CR Report, which will be released in May 2015, will be the first published in accordance with the GRI's new G4 reporting standard.

**Economy:** MAN is a global leader in climate protection and holds a top position in the key global climate protection index compiled by the Carbon Disclosure Project (CDP). With 97 out of 100 points in the Climate Disclosure Leadership Index and an A grade in the Climate Performance Leadership Index, MAN achieved the best results in the Industrials sector. In particular, the CDP analysts acknowledged the success of the Company's Climate Strategy.

The internationally recognized ratings agencies oekom research AG and RobecoSAM also confirm MAN's standing as one of the world's most sustainable vehicle and mechanical engineering companies. oekom research uses a twelve-grade system ranging from A+ (maximum) to D–. With a B– grade and Prime Status, MAN achieved a leading position in the industrial engineering sector and qualified for a sustainable investment recommendation. In addition to its Climate Strategy, MAN's economical drives and the development of alternative fuels were also well received.

In addition, MAN was included in the DJSI World and DJSI Europe Dow Jones Sustainability Indices by the sustainability ratings agency RobecoSAM for the third time in a row in 2014. It therefore remains among the top three companies and is the only German firm in its sector to be represented in these indices. In the 2014 assessment, MAN improved in terms of social aspects, achieving high scores in the areas of Environmental Management, Risk Management, and Compliance.

**Environment:** For MAN, responsibility for the environment is traditionally one of the key aspects of its corporate culture and is part of its integrated management system. Aside from environmental protection, this also includes occupational safety and quality management. 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 strategic decisions. With production sites in

### Corporate Responsibility ratings

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Dow Jones Sustainability** | 80 out of 100 points and listed | 83 out of 100 points and listed | 78 out of 100 points and listed |
| **oekom Corporate Rating** | B– Prime | No reevaluation in 2013 | B- Prime |
| **CDP** | | | |
| **Carbon Disclosure** Leadership Index | 97 out of 100 points and listed | 89 out of 100 points and listed | 84 out of 100 points and listed |
| **Carbon Performance** Leadership Index | A– and listed | B– and not listed | B– and not listed |
| **Sustainalytics** | Ranked 8 out of 151 companies, industry leader | Ranked 8 out of 151 companies, industry leader | Ranked 15 out of 87 companies |

### Core initiatives of the MAN Climate Strategy

| | | |
|---|---|---|
| 1 | **25% reduction in $CO_2$ emissions at MAN sites by 2020 (baseline: 2008)** | We reduce $CO_2$ emissions at MAN sites by boosting energy efficiency, using renewable (solar, wind, geothermal) energy sources, using cogeneration facilities to produce energy, and through comprehensive and organizational energy management. |
| 2 | **Consistently Efficient product portfolio** | We position ourselves in the Commercial Vehicles and Power Engineering business areas with sustainable products and solutions. |
| 3 | **Customer involvement and dialog** | We consult our customers and exchange ideas with them about carbon footprint reduction options. After all, many customers have already set themselves ambitious $CO_2$ targets. |
| 4 | **Potential for reducing $CO_2$ emissions along the product life cycle** | We calculate our $CO_2$ emissions along the entire product life cycle in order to identify concrete potential for savings. |
| 5 | **Climate Strategy management** | We define key performance indicators to monitor and manage our Climate Strategy for which data is regularly collected and reported on. |

14 countries, MAN takes its corporate responsibility seriously, and developed a Group-wide Climate Strategy as early as 2011. We established five core initiatives to implement the strategy. These concern both our individual production sites and our products.

MAN reduced $CO_2$ emissions at its production sites by approximately 19% in 2014 as against 2008, a year-on-year improvement of five percentage points. This results from a wide range of measures such as more efficient production technologies, optimized heating and ventilation systems, and the use of renewable energy sources.

**Product responsibility:** MAN has a comprehensive understanding of product responsibility: This covers the entire product lifecycle, from raw material extraction down to recycling. In order to cover all areas, MAN's product responsibility is based on four pillars: environment, safety, health, and social issues. The Company focuses in particular on the usage phase, where the majority of $CO_2$ emissions are generated, as well as on product safety. For this reason MAN addresses the issues of continually improving fuel efficiency (and thus reducing emissions) and minimizing material use from the product development process onwards.

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 is based on the Greenhouse Gas Protocol standards and confirms that more than 90% of $CO_2$ emissions for all MAN products arise in the usage phase. The main way in which the Company can reduce global $CO_2$ emissions is thus through its product portfolio. For this reason, MAN's activities are focused on developing sustainable transport and energy solutions. In addition, this is why the Company supports a generally accessible approach to quantifying $CO_2$ values for heavy-duty commercial vehicles at political level.

Based on this understanding, MAN developed for example the Lion's City GL CNG bus, which was named "Bus of the Year 2015" at the IAA Commercial Vehicles and was awarded the International busplaner Sustainability Prize 2015. The 18.75 meter long articulated bus is powered by natural gas and offers an extremely low-emission solution for increasingly congested streets. Fueled with biogas or natural gas, its operation is more or less $CO_2$-neutral.

See "Research and Development" for further information.

**People:** MAN extended its long-standing partnership with the SOS Children's Villages organization for a further three years, with financial support amounting to €150,000 annually. We have been providing sustainable aid in Haiti through this cooperation since 2010. In fiscal 2014, the Company covered the cost of five teachers at the SOS Herman Gmeiner School in Santo, a suburb of the capital Port-au-Prince. The school provides primary and secondary education for over 750 children. The Company donated €75,000 to SOS Children's Villages in fiscal 2014 to fight the Ebola crisis in West Africa. In doing so, we support emergency aid and long-term assistance for children, young people, and families affected by the Ebola crisis. SOS Children's Villages is represented at ten locations in Guinea, Sierra Leone, and Liberia. SOS Children's Villages provides specific local support through prevention initiatives and measures such as temporary care centers and taking in orphaned children.

In addition to providing international aid, the Company also supports facilities in Germany. For example, MAN is currently sponsoring the training of three socially disadvantaged young people in different subject areas at the Nuremberg SOS vocational training center. In addition, the volunteering program enables MAN employees in Munich and Salzgitter to take half a day of their working time once a year to participate in charitable projects at SOS Children's Villages facilities. In 2014, over 100 MAN employees donated more than 500 hours of their time.

MAN Diesel & Turbo is continuing its involvement with the Africa Mercy, the world's largest civilian hospital ship, which provides medical assistance along the coast of Africa for people who would not otherwise be able to afford it. MAN Diesel & Turbo donated the equivalent of €116,000 in spare parts and service in 2014 to keep the hospital ship's engines in top working order.

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

## Employees

### Human resources strategy

MAN intends to continue positioning itself as one of Europe's leading commercial vehicle and mechanical engineering players in the future. This is only possible with excellent performance from a first-class team. MAN employs 55,903 people with diverse talents, and we can only secure the Company's long-term success through supporting all of our employees, from vocational trainees to executives. At the heart of MAN's human resources strategy are excellent performance, the resulting achievement, and participation in its success. We fulfill our responsibility for our employees through promoting health, skills, and commitment. Responsible management and individualized personal development and training are needed to recruit and retain committed, responsible-minded, and skilled employees.

**Headcount at December 31**

| | 2014 | 2013 |
|---|---|---|
| Germany | 32,309 | 32,430 |
| Other countries | 23,594 | 23,672 |
| **Total** | **55,903** | **56,102** |
| Other countries in % | 42 | 42 |

**Employees by business area at December 31**

| | 2014 | 2013 |
|---|---|---|
| Commercial Vehicles | 38,449 | 38,907 |
| Power Engineering | 17,143 | 16,866 |
| Other | 311 | 329 |
| **MAN Group** | **55,903** | **56,102** |

**Employee structure**

| | 2014 | 2013 |
|---|---|---|
| Permanent staff | 51,995 | 52,182 |
| of which: female | 7,228 | 7,255 |
| of which: male | 44,767 | 44,927 |
| of which: part-time employees | 1,073 | 1,255 |
| of which: fixed-term employees | 1,193 | 1,162 |
| Vocational trainees | 3,312 | 3,290 |
| of which: female | 552 | 501 |
| of which: male | 2,760 | 2,789 |
| Employees in the passive phase of partial retirement | 596 | 630 |
| **Headcount** | **55,903** | **56,102** |
| Subcontracted employees | 879 | 1,327 |

**Age structure 2014** [1]

| Total | < 30 | 31 – 40 | 41 – 50 | 51 – 60 | > 61 |
|---|---|---|---|---|---|
| 51,995 | 9,512 | 15,650 | 14,650 | 10,697 | 1,486 |

[1] Only permanent staff.

### Headcount

The definition of headcount was also adapted in line with Volkswagen's reporting. It comprises active employees, employees in the passive phase of partial retirement, and vocational trainees. It does not include subcontracted employees. The comparable prior-year figures were adjusted accordingly.

As of December 31, 2014, the MAN Group employed 55,903 people. This represents a reduction of 199 employees as against the end of 2013.

The proportion of employees in Germany versus those abroad changed only slightly. Our non-German companies employed a total of 23,594 people. This is a decrease of 78 year-on-year. The number of employees working in Germany declined by 121 compared with the previous year, to 32,309.

The number of employees with fixed-term contracts rose by 3% to 1,193 (previous year: 1,162). The number of subcontracted employees declined by 448 to 879. In 2014, 373 subcontracted employees were taken on as permanent staff.

### Vocational training and integrated degree and traineeship scheme

The development of a first-class team at MAN starts with vocational training, which is anchored in the MAN Academy. 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 the fall of 2014, for example in Germany, Austria, Switzerland, Spain, France, and Turkey. The school leavers started in 55 vocational training careers, 14 combined and eight 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 the vocational groups.

Young people are increasingly starting combined vocational training and degree programs that are being run in cooperation with a number of universities: currently, 205 students on combined and integrated vocational training and degree programs in Germany are completing the practical part of their studies at MAN. It is encouraging to note that the percentage of female students is approximately 24%.

The four best MAN Group vocational trainees were honored with the Volkswagen Group's 2014 Best Apprentice Award. One of MAN Truck & Bus prize-winning young talents from Munich is completing studies at a technical university with the support of the company.

### Continuous professional development and training for every employee

MAN's continued success as a leader in transportation and energy relies on having exemplary, highly qualified specialists and managers. The Company ensures that each employee around the world, from vocational trainees to executives, can expand and strengthen their specialist skills on a task-driven basis through the MAN Academy's targeted training offering.

Approximately 123,000 employees globally took part in around 14,500 further education and training initiatives in 2014. Learning and teaching takes place in close cooperation with internal experts, who pass their knowledge on to their colleagues within the vocational groups. A vocational group includes all employees who have a common specialist skill that they develop further. Training and knowledge transfer takes place within vocational groups through the vocational group-based academies.

The MAN Academy established the production vocational group-based academy in 2014. The focus here was on the assembly vocational group, for which skills profiles and adapted training measures were developed, and the training center established as the integrated educational facility for basic assembly skills training. Further activities based on this successful pilot project will follow, for instance in the sales/aftersales and engineering vocational groups. The principle of the vocational group-based academies is constantly being expanded and broadened to guarantee unified global quality and skills standards.

New training programs were implemented to improve the management skills of master craftsmen and to support them in their day-to-day management work. In addition, the program provides the opportunity for master craftsmen to network within the Group, and offers an associated platform to exchange best practices. Overall, around 110 master craftsmen qualified in production, logistics, service operations, and vocational training.

The focus in the reporting period was on the implementation of Group-wide standards for training and the selection of young management talent. New initiatives have been introduced to ensure quality and skills standards. These prepare employees for their future management tasks and functions. The focus of development initiatives and selection procedures is guided by the Company's current requirements. Approximately 20% of program participants were women.

### 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, 2014, 8.7% of MAN's managers were female, compared with 8.9% in 2013. MAN offers specific measures to train and develop female specialists and managers.

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 and the opportunity to split a full-time position into two part-time positions, as well as offering 166 crèche and kindergarten spaces in company daycare facilities at MAN's Munich and Augsburg sites. Information sessions for pregnant employees and a seminar on re-entry into the labor market after parental leave round off the resources available at the Munich site. 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 1,577 people with severe disabilities in Germany in the fiscal year. Disabled employees are also a specific commitment at international level. Since 2011, MAN Latin America's New Horizon program has offered young people with disabilities the chance to work at the company as an equal, to take part in further training measures, and to receive a grant for university studies. 44 young people took part in New Horizon in 2014.

### Employee survey ("opinion survey")

MAN carried out another employee survey in June 2014. This "opinion survey" is an annual, uniform, anonymous, and voluntary survey of employees of all the brands and companies in the Volkswagen Group. Employees can actively shape the Company through participating in the opinion survey. It measures the level of employee satisfaction and identification. This tool is also used to measure the success of MAN's "Top Employer" human resources strategy.

MAN Group employee participation in the fiscal year was 90% (previous year: 83%). 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 2015. 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 has been one of the MAN Group's core goals since 2013. The Company is committed to the following goals: To integrate new employees into MAN as quickly as possible via the comprehensive induction programs; to facilitate specialist and interdisciplinary training and development; to ensure the establishment of specialist and international networks; to guarantee visibility and cooperation across business areas; and to make MAN's product range come alive.

We are convinced that, as credible ambassadors for the Company, MAN employees genuinely attest to its attractiveness as an employer.

The MAN Academy has defined four key areas of activity to increase the Company's attractiveness as an employer in the long term. Fundamentally, these include the strategic orientation of all communications and events activities within the employer branding campaign towards the school student, college student, and experienced employee target groups, as well as the Company's own employees. The MAN Academy's activities are targeted in particular at female school and college students. Publications in various media are increasingly focused on communications that are closely targeted at employees.

Cooperation with universities, events, and lectures ensure targeted promotion of talent in the young talent programs. The MAN Group was represented at more than 20 specialist and university career fairs in 2014, and organized a range of events around the world. For example, MAN has supported teams from the Munich Technical University, Munich University of Applied Sciences, the Karlsruhe Institute of Technology, and the RWTH Aachen University for the last three years as part of Formula Student Germany. The priority is always on discovering and experiencing MAN, in particular through one-on-one contact with MAN employees.

### 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 production workplaces at 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. Employees' efforts to look after their wellbeing are supported by targeted measures to promote occupational health. These include the "health islands" at the Munich plant, which focus on improving employee awareness of exercise, diet, and dealing with stress.

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. The premium MAN Checkup prevention initiative is aimed at helping employees to stay fit and healthy on a permanent basis. It was rolled out at MAN's production sites in 2014 and is continually being expanded with attractive follow-on measures and health campaigns. The aim is to offer the initiative to all employees over the next three years.

MAN Diesel & Turbo placed particular emphasis on avoiding occupational accidents. In addition to the Zero Accident Initiative, the Behavior-Based Safety Programs were expanded and the Safety First campaign was launched. These make a valuable contribution to improving safety awareness and occupational health and safety.

### 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 2014

## 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 2014, it was resolved to continue the long-term remuneration component in accordance with the decision made in fiscal 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 ROCE is the ratio of operating profit to annual average capital employed. Capital employed comprises the Group's total equity, pensions and other post-employment benefits, and financial liabilities, less marketable securities, cash and cash equivalents, and loans to Group companies. For these purposes, operating profit continues to be calculated on the basis of the definition used by the MAN Group in 2013. For changes to the definition of the control measures, please refer to "Changes to financial reporting." The ROCE for 2014 was 5.8% (previous year: 6.9%).

The weighted average cost of capital (WACC) represents the minimum return expected by investors on the capital provided and for the investment risk. MAN uses WACC as a basis for setting ROCE requirements. The cost of capital for fiscal 2014 remained unchanged at 10.0%.

The "delta to the cost of capital" measure was –4.2% in 2014 (previous year: –3.1%).

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 a 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. It is calculated by dividing profit before tax by the MAN Group's average equity. 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%. The ROS is the ratio of operating profit to revenue, both of which are calculated according to the logic used in the MAN Group in 2013. For changes to the definition of the control measures, please refer to "Changes to financial reporting." The MAN Group's ROS amounted to 3.0% in 2014 (previous year: 3.0%).

Figures for fiscal year 2014:
Targets and target achievement for bonuses in 2014 were as follows:

| Performance component | 100% of target | 200% of target (cap) | Actual value 2014 | Target achievement | Bonus |
|---|---|---|---|---|---|
| 1* (ROCE – WACC) | 0% | 5% | – 4,25% | 15% | 0.1125 fixed annual salary |
| 2 Return on Equity | 12% | 20% | 6.5% | 31.25% | 0.2343 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 2013: 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 2013 and 2014, which are now available, reveals an adjustment to be paid back of 0.3675 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.

### 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 (39) in the "Notes to the Consolidated Financial Statements."

**Executive Board members' remuneration in 2014**

The remuneration awarded to active members of the Executive Board for their services in fiscal 2014 totaled €4,377 thousand plus €975 thousand for pensions (previous year: €5,860 thousand plus €1,279 thousand for pensions). Please see note (39) in the "Notes to the Consolidated Financial Statements" and the following tables for details of the Executive Board members' individual remuneration.

Executive Board members' remuneration is reported individually for the first time in this remuneration report on the basis of the uniform model tables recommended in the German Corporate Governance Code (version dated September 30, 2014). These model tables present the benefits granted (table 1) and the benefits actually received (table 2) separately. The benefits granted table presents the targets (payment if targets met 100%) and the minimum and maximum amounts achievable.

**Table 1: Executive Board members' remuneration in 2014 (benefits granted)**

| | Dr. Georg Pachta-Reyhofen Chief Executive Officer | | | | Ulf Berkenhagen Chief Procurement Officer | | | |
|---|---|---|---|---|---|---|---|---|
| € thousand | 2013 | 2014 | 2014 (min.) | 2014 (max.) | 2013 | 2014 | 2014 (min.) | 2014 (max.) |
| Fixed remuneration | 740 | 765 | 765 | 765 | 550 | 570 | 570 | 570 |
| Fringe benefits | 39 | 38 | 38 | 38 | 57 | 61 | 61 | 61 |
| **Total** | **779** | **803** | **803** | **803** | **607** | **631** | **631** | **631** |
| One-year variable remuneration (Performance Component Two) | 555 | 574 | 0 | 1,148 | 413 | 428 | 0 | 855 |
| Multi-year variable remuneration | | | | | | | | |
| Performance Component One (2 years) | 555 | 574 | 0 | 1,148 | 413 | 428 | 0 | 855 |
| Long-term remuneration component (3 years) | 370 | 383 | 0 | 765 | 275 | 285 | 0 | 570 |
| Other (special arrangements) | 0 | 0 | 0 | 0 | 946 | 886 | 2,026 | 0 |
| **Total** | **1,480** | **1,530** | **0** | **3,060** | **2,046** | **2,026** | **2,026** | **2,280** |
| Pension expense | 380 | 382 | 382 | 382 | 594 | 414 | 414 | 414 |
| **Total remuneration** | **2,639** | **2,715** | **1,185** | **4,245** | **3,247** | **3,071** | **3,071** | **3,325** |

| | Jochen Schumm Chief Human Resources Officer | | | | Dr.-Ing. René Umlauft[1] Member of the Executive Board | | | |
|---|---|---|---|---|---|---|---|---|
| € thousand | 2013 | 2014 | 2014 (min.) | 2014 (max.) | 2013 | 2014 | 2014 (min.) | 2014 (max.) |
| Fixed remuneration | 550 | 570 | 570 | 570 | 520 | 347 | 347 | 347 |
| Fringe benefits | 71 | 63 | 63 | 63 | 29 | 20 | 20 | 20 |
| **Total** | **621** | **633** | **633** | **633** | **549** | **366** | **366** | **366** |
| One-year variable remuneration (Performance Component Two) | 413 | 428 | 0 | 855 | 390 | 260 | 0 | 520 |
| Multi-year variable remuneration | | | | | | | | |
| Performance Component One (2 years) | 413 | 428 | 0 | 855 | 390 | 260 | 0 | 520 |
| Long-term remuneration component (3 years) | 275 | 285 | 0 | 570 | 260 | 173 | 0 | 347 |
| Other (special arrangements) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **1,100** | **1,140** | **0** | **2,280** | **1,040** | **693** | **0** | **1,387** |
| Pension expense | 0 | 0 | 0 | 0 | 267 | 179 | 179 | 179 |
| **Total remuneration** | **1,721** | **1,773** | **633** | **2,913** | **1,856** | **1,239** | **545** | **1,932** |

[1] Departure as of August 31, 2014

**Table 2: Executive Board members' remuneration in 2014 (benefits received)**

| | Dr. Georg Pachta-Reyhofen Chief Executive Officer | | Ulf Berkenhagen Chief Procurement Officer | | Jochen Schumm Chief Human Resources Officer | | Dr.-Ing. René Umlauft[1] Member of the Executive Board | |
|---|---|---|---|---|---|---|---|---|
| € thousand | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** |
| Fixed remuneration | 740 | 765 | 550 | 570 | 550 | 570 | 520 | 347 |
| Fringe benefits | 39 | 38 | 57 | 61 | 71 | 63 | 29 | 20 |
| **Total** | **779** | **803** | **607** | **631** | **621** | **633** | **549** | **366** |
| One-year variable remuneration (Performance Component Two) | 0 | 179 | 0 | 134 | 0 | 134 | 0 | 81 |
| Multi-year variable remuneration | | | | | | | | |
| Performance Component One (2 years) | 422 | 86 | 314 | 64 | 314 | 64 | 296 | 39 |
| Long-term remuneration component (3 years) | 188 | 0 | 139 | 0 | 139 | 0 | 132 | 0 |
| Other (Adjustment of bonus, special arrangements) | – 155 | – 272 | 1,593 | 1,828 | – 58 | – 202 | – 109 | – 191 |
| **Total** | **454** | **– 7** | **2,046** | **2,026** | **395** | **– 4** | **319** | **– 71** |
| Pension expense | 380 | 382 | 594 | 414 | 0 | 0 | 267 | 179 |
| **Total remuneration** | **1,613** | **1,178** | **3,247** | **3,071** | **1,016** | **629** | **1,135** | **475** |

[1] Departure as of August 31, 2014

Additionally, a total of €1,329 thousand (previous year: €3,930 thousand) in severance payments was made in fiscal 2014 to former members of the Executive Board. Appropriate provisions were recognized for these payments at the time of departure. These payments are also described in detail in the abovementioned note in the "Notes to the Consolidated Financial Statements."

### Supervisory Board remuneration

The structure and amount of Supervisory Board remuneration are stipulated by the Annual General Meeting and governed by Article 12 of the Articles of Association. They are based on the tasks and responsibilities of the Supervisory Board members as well as on the Group's economic performance.

The annual remuneration comprises the following components:

- basic (fixed) remuneration of €35,000;
- variable remuneration (bonus). This is based on actual earnings per share as reported in the consolidated financial statements. The variable remuneration is €175 for every €0.01 by which earnings per share exceed €0.50. It is capped at twice the basic remuneration.

Additional remuneration is paid to the chairperson and deputy chairperson of the Supervisory Board as well as to the chairperson and members of the Supervisory Board committees. The Supervisory Board chairperson receives double and his/her deputy one-and-a-half times the fixed and variable remuneration. Members of the Supervisory Board's Audit Committee and Presiding Committee each receive an additional 50% and the chairpersons of the two committees receive an additional 100% of the basic remuneration.

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

In addition, members of the Supervisory Board are reimbursed their expenses.

Remuneration and expenses reimbursed that are subject to value added tax are paid gross of value added tax if this is invoiced separately.

The variable component is based on MAN's earnings per share and is therefore not absolutely aligned with sustainable corporate development. To this extent, it could be said that the remuneration of the Supervisory Board is not in line with the recommendation contained in the Corporate Governance Code. The Company has therefore declared as a precautionary measure that it does not follow the recommendation set out in section 5.4.6 of the Code.

**Supervisory Board members' remuneration in 2014**

The total remuneration payable to the members of the Supervisory Board for 2014 amounts to €833 thousand (previous year: €729 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €62 thousand (previous year: €55 thousand) for serving on supervisory boards at Group companies in fiscal 2014. Please see note (40) in the "Notes to the Consolidated Financial Statements" for a breakdown of the individual remuneration of the Supervisory Board members in 2014.

**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, 2014, do not receive any remuneration.

# THE DIVISIONS IN DETAIL

## MAN Truck & Bus

- **Order intake down slightly**
- **Sales revenue down 9%**
- **Significant decline in operating profit due to volume-related factors**

MAN Truck & Bus's order intake, sales revenue, and operating profit closed fiscal year 2014 with a year-on-year decrease.

Order intake declined to €9.3 billion in fiscal 2014, a 3% decrease year-on-year (previous year: €9.6 billion). Sales revenue was down year-on-year at €8.4 billion (previous year: €9.3 billion). This 9% decrease was primarily due to lower unit sales figures in the Trucks business. At €152 million (previous year: €244 million), operating profit saw a strong year-on-year decrease due to volume-related factors, with the operating return on sales dropping to 1.8% (previous year: 2.6%).

**MAN Truck & Bus**

| € million | 2014 | 2013 |
|---|---|---|
| Order intake | 9,269 | 9,551 |
| of which: Trucks | 7,772 | 7,868 |
| of which: Buses | 1,497 | 1,332 |
| of which: Financial Services | – | 415 |
| of which: consolidation | – | – 64 |
| Order intake (units) [1] | 75,402 | 78,914 |
| of which: Trucks | 69,720 | 73,546 |
| of which: Buses | 5,682 | 5,368 |
| Sales revenue | 8,412 | 9,251 |
| of which: Trucks | 7,118 | 7,557 |
| of which: Buses | 1,294 | 1,334 |
| of which: Financial Services | – | 415 |
| of which: consolidation | – | – 55 |
| Vehicle sales (units) [1] | 73,622 | 81,562 |
| of which: Trucks | 68,597 | 76,268 |
| of which: Buses | 5,025 | 5,294 |
| Production (units) | 72,708 | 81,193 |
| of which: Trucks | 67,636 | 75,760 |
| of which: Buses | 5,072 | 5,433 |
| Headcount at December 31 | 36,450 | 36,887 |
| Operating profit/loss | 152 | 244 |
| of which: Trucks | 217 | 302 |
| of which: Buses | – 65 | – 63 |
| of which: Financial Services | – | 8 |
| of which: consolidation | – | – 3 |
| Operating return on sales (%) | 1.8 | 2.6 |

[1] 2013: No elimination of unit sales figures between Financial Services and Trucks/Buses. The Financial Services business is included in all related prior-year information.

### Economic environment

In fiscal 2014, global demand for trucks with a gross weight of over 6 t was down noticeably on the prior-year level. Although the economic situation in Europe improved, market development was 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. Correspondingly, 2014 was dominated by the reversal of this effect, as well as by weak macroeconomic growth in the second half of the year. In this difficult market environment, the European market volume in the segment for trucks over 6 t was down on the prior-year level, at approximately 271,000 units (previous year: 296,000 units). MAN Truck & Bus recorded a 9.2% decrease in new registrations to approximately 44,500 units in the European market for trucks over 6 t, giving the company a market share of 16.4% (16.5%).

The global market for buses in fiscal 2014 was down slightly on the previous year. The European bus market declined to approximately 25,100 units (previous year: 25,400 units). This is attributable to both the introduction of the Euro 6 emission standard, and to the restrictive spending policy pursued by most national and local government bodies in Europe. MAN Truck & Bus recorded a 15.1% decrease in new registrations to approximately 2,700 units in the European market for buses over 8 t, giving the company a market share of 10.8% (12.6%).

### Business developments

MAN Truck & Bus recorded an order intake of €9.3 billion in the year under review, slightly below the prior-year level of €9.6 billion. The Trucks business generated an order intake of €7.8 billion (previous year: €7.9 billion). The number of orders declined from 73,546 units in the previous year to 69,720 units. However, the price and product mix performed positively as against the previous year. Most notably, order intake was down 39% year-on-year in the third quarter of 2014. This was mainly attributable to the high order intake in Europe in the third quarter of 2013. Truck purchases were pulled forward ahead of the introduction of Euro 6 on January 1, 2014, in particular in Germany. Order intake also decreased in Russia due to the effects of the crisis in Ukraine.

Order intake in the Buses business amounted to €1.5 billion in fiscal 2014 (previous year: €1.3 billion). Measured in unit terms, it increased by 6% from 5,368 to 5,682 units. The declining order intake observed in South Africa and Turkey, among other countries, was offset by factors including a large chassis order from Singapore, a major order for city buses from Sweden in the first quarter of 2014, and a large order for city buses from Germany in the third quarter of 2014.

MAN Truck & Bus generated sales revenue of €8.4 billion in the year under review, noticeably below the prior-year level of €9.3 billion. The Trucks business recorded a sharp decline in sales revenue to €7.1 billion (previous year: €7.6 billion). At 68,597 trucks, unit sales also decreased significantly year-on-year from 76,268 trucks in a fiercely competitive market. Unit sales declined in Germany, Russia, and Austria in particular. By contrast, countries such as Spain, Algeria, and South Korea saw increases in unit sales. The Buses business generated sales revenue of €1.3 billion in 2014 (previous year: €1.3 billion). It sold 5,025 buses (previous year: 5,294). The decline in vehicle sales in Turkey and France was offset by sales growth in Singapore and South Africa, among other countries.

## Operating profit/loss

At €152 million, operating profit was more than a third down on the prior-year figure (€244 million). This corresponds to an operating return on sales of 1.8% (previous year: 2.6%). Operating profit in the Trucks business declined to €217 million (previous year: €302 million). This was primarily attributable to lower sales revenue and the deterioration in capacity utilization, and at the same time, improved margins as a result of reduced material costs. The Buses businesses recorded an operating loss of €65 million, on a level with the previous year (operating loss of €63 million). Improved margins as a result of reduced material costs were offset by negative effects from the restructuring of the Plauen bus plant and the concentration of city bus production in Starachowice. In the prior-year period, the loss also included valuation allowances on receivables.

## Production

Production volumes decreased in both the Trucks and the Buses businesses due to lower demand. In the year under review, truck production was adjusted by 8,124 units (–11%), and bus production by 361 units (–7%) compared with the previous year. Short-time working was temporarily introduced at the Salzgitter, Steyr, and Munich sites in the second half of the year.

## Headcount

The overall headcount as of December 31, 2014, decreased by 437 people to 36,450, compared with 36,887 as of December 31, 2013. This was mainly attributable to the sale of the Financial Services business to Volkswagen Financial Services AG as of January 1, 2014. In addition, MAN Truck & Bus employed 598 subcontracted employees (previous year: 629).

## Research and development

Research and development costs recognized in the income statement amounted to €377 million in the year under review (previous year: €309 million). This corresponds to 4.5% (previous year: 3.3%) of sales revenue. On average, 2,577 staff (previous year: 2,520) were employed globally by the company's research and development departments during the year.

In fiscal 2014, MAN Truck & Bus's R&D activities focused on both launching the TGX with the D38 engine and expanding the city bus and coach segment. MAN Truck & Bus continues to focus on benefits provided to customers and is further developing active truck and bus safety based on long-term research into accidents. For this reason, vehicles can now be equipped with assistance systems such as adaptive cruise control (ACC), the emergency braking assistant (EBA), and the lane guard system (LGS) as standard. These support drivers in the driving situations that have emerged as the most frequent causes of accidents.

## Capital expenditures

MAN Truck & Bus invested €369 million (previous year: €340 million) in developing new products and modernizing infrastructure in fiscal 2014. At €238 million (previous year: €220 million), payments to acquire property, plant, and equipment and intangible assets were up on the previous year. Capitalized development costs also rose year-on-year and amounted to €131 million (previous year: €120 million).

In 2014, capital expenditures focused on modernizing and rationalizing production facilities in Munich, Nuremburg, Salzgitter, and Steyr. This has established a basis that is geared towards future requirements so as to achieve the goal of quality leadership in the next few years with a simultaneous increase in production stage efficiency. The additional capital expenditures under the Green Production initiative have made a contribution to ensuring that the goals of the MAN Climate Strategy are achieved.

Capital expenditures were also made on modernizing testing technology at the Munich, Nuremburg, and Steyr development sites, in line with the demanding product quality and innovative strength goals.

MAN Truck & Bus has consistently driven forward the strengthening and expansion of its sales and service network and has renovated existing facilities in order to enable future growth. New sales and service branches and TopUsed centers were opened in 2014, and construction commenced on further facilities.

## Outlook

Europe continues to be the core market for MAN Truck & Bus. At the same time, MAN Truck & Bus's strategic focus is to strengthen sales volumes outside Western Europe, e.g., in the BRIC and ASEAN countries.

MAN Truck & Bus expects the market volume to return to moderate growth in 2015 following a decrease in global demand for trucks in 2014. A slight improvement in the economic situation is assumed for Europe, resulting in modest market growth. In addition, it must be assumed that nonrecurring items such as the introduction of the new Euro 6 emission standard will have less of an impact in 2015 than in the previous two years.

The markets for heavy commercial vehicles are expected to decline in some BRIC and ASEAN countries due to the currently difficult economic environment. MAN Truck & Bus expects demand in Russia to be significantly below the prior-year level, impacted by the political crisis in Ukraine and the resulting sanctions, as well as the macroeconomic trend in Russia. A slight decline is expected in China due to the slowdown in economic growth and the dwindling pull-forward effects following the nationwide implementation of the new C4 emission standard on January 1, 2015. MAN Truck & Bus expects the market to rebound sharply in India in 2015 due to the newly formed government implementing a large number of infrastructure initiatives.

Global demand for buses in 2015 is expected to exceed 2014 levels. A slightly positive trend is assumed for the bus markets in Europe. The bus markets in China and India will perform positively in 2015 due to rising urbanization. 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 sales revenue for 2015 to slightly exceed the prior-year level. 2015 operating profit and the operating return on sales are expected to remain more or less level year-on-year. MAN Truck & Bus is working systematically to improve its earnings quality in the long term in a highly competitive market environment. Comprehensive measures have already been taken to cut costs, increase efficiency, and introduce more flexibility into production.

## MAN Latin America

- **Sales revenue down 24% year-on-year**
- **Significant drop in operating profit**
- **Market leadership in trucks confirmed for twelfth consecutive year despite intensified competition**

In 2014, MAN Latin America generated sales revenue of €2.3 billion (previous year: €3.0 billion) and an operating profit of €65 million (previous year: €220 million). Sales revenue was down 24% year-on-year due to a 20% decrease in unit sales and negative currency effects. Increasing competition and the associated price pressure also had an adverse effect on profitability. The company generated an operating return on sales of 2.9% in this competitive environment (previous year: 7.4%).

**MAN Latin America**

| € million | 2014 | 2013 |
|---|---|---|
| Order intake | 2,253 | 2,955 |
| Order intake (units) | 48,161 | 60,357 |
| Sales revenue | 2,253 | 2,955 |
| Vehicle sales (units) | 48,161 | 60,357 |
| Production (units) | 44,970 | 61,324 |
| Headcount at December 31 | 1,999 | 2,020 |
| Operating profit | 65 | 220 |
| Operating return on sales (%) | 2.9 | 7.4 |

### Economic environment

The Brazilian economy recorded zero growth in the year under review, after 2.5% in the previous year. The Brazilian commercial vehicles market declined sharply in the reporting period due to the worsening business climate and uncertainties surrounding the presidential elections and further economic development.

The Brazilian government continued the Brazilian Development Bank's program of subsidized financing for new vehicle purchases until December in an attempt to counter the low demand. However, this proved insufficient to do so. In addition, government order volumes, including for school buses, were lower than in the previous year.

New registrations for trucks weighing 5 t and over in Brazil declined by 11% to 135,548 units (previous year: 152,013). MAN Latin America recorded 36,157 registrations (previous year: 40,834), maintaining its market leadership in Brazil for the twelfth consecutive year despite the intensified competition. The company's market share remained almost unchanged at 26.7% (previous year: 26.9%).

The Brazilian bus market declined to 27,542 units in 2014 (previous year: 32,918). With a total of 6,480 new registrations (previous year: 9,025), MAN Latin America achieved a market share of 23.5% (previous year: 27.4%), confirming its number two position.

Brazil's commercial vehicles exports declined year-on-year as a result of the weak economy in Latin American markets, primarily Argentina. MAN Latin America remained one of Brazil's leading exporters, with 19.1% of the country's commercial vehicle exports.

### Business developments

MAN Latin America sold a total of 48,161 commercial vehicles in the reporting period (previous year: 60,357). Sales revenue decreased to €2.3 billion (previous year: €3.0 billion). In addition to the decrease in unit sales, the depreciation of the Brazilian real also had a negative effect.

The company sold 35,286 vehicles (previous year: 43,102 vehicles) in the increasingly competitive Brazilian truck market, a decrease of 18% year-on-year. The deterioration in economic conditions had a substantial impact on this development.

MAN Latin America sold 6,664 bus chassis in Brazil (previous year: 8,991). The 26% decrease is mainly attributable to lower unit sales of government-sponsored school buses. MAN Latin America was disproportionately represented in this market segment in the previous year.

Demand in the other markets of significance for MAN Latin America was also below the prior-year level. The company sold 6,211 trucks and bus chassis outside Brazil (previous year: 8,264).

### Operating profit

Operating profit amounted to €65 million in the past fiscal year (previous year: €220 million). This decrease was heavily influenced by both the lower demand and by the intensified competition and the resulting 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. Consequently, MAN Latin America introduced various cost-cutting measures. The main focus was on material cost savings, including through further localization, cutting overheads, more modest investments, and productivity improvements. MAN Latin America's operating return on sales was 2.9% (previous year: 7.4%).

### Production

Production volumes declined by 27% compared with the prior-year period. MAN Latin America produced a total of 44,970 commercial vehicles (previous year: 61,324), of which 38,104 were trucks and 6,866 were bus chassis. Production volumes were adjusted to match the lower level of demand.

### Headcount

At the end of 2014, MAN Latin America had a total workforce of 1,999 (previous year: 2,020). In addition, approximately 3,000 employees (previous year: 3,800) continued to be on the payroll of the company's partners or service providers as part of the "Consórcio Modular" production system.

### Research and development

Research and development costs recognized in the income statement amounted to €31 million in the year under review (previous year: €36 million). This corresponds to 1.4% of sales revenue (previous year: 1.2%). On average, 487 staff (previous year: 462) were employed by the company's research and development departments during the year.

MAN Latin America's work in this area is aimed at increasing customer value and developing sustainable products. In fiscal 2014, R&D activities focused on further technical developments and the use of alternative fuels.

### Capital expenditures

MAN Latin America invested €70 million (previous year: €78 million) in developing new products and modernizing infrastructure in fiscal 2014. At €27 million (previous year: €52 million), payments to acquire property, plant, and equipment and intangible assets were down 48% year-on-year. Capitalized development costs rose by 64% to €43 million (previous year: €26 million). MAN Latin America's capital expenditures mainly related to the expansion of the product range and the localization of MAN D08 engines and the TGX series.

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.

### Outlook

Low economic growth and continuing high inflation will dominate the economic environment in the regions relevant to MAN Latin America in 2015. The Brazilian commercial vehicles market will continue to be characterized by stiff competition. The austerity measures introduced by the government are leading among other things to a situation where state-subsidized financing for automotive industry products is less widely available and the conditions are less favorable. As a consequence, MAN Latin America is expecting demand for trucks and buses to decrease significantly year-on-year. Demand in the relevant export markets is expected to remain unchanged as against the previous year, since most notably Argentina's weak economic situation will continue in 2015.

In the medium to long term, the expectation is for a rebound in the Brazilian economy, which will have a positive effect on the commercial vehicles market. This trend could be helped by government investments, for instance in the expansion of the electricity grid and transport infrastructure, as well as renewal programs in relation to the generally aging fleet of transportation vehicles.

The Management of MAN Latin America is expecting a sharp drop in full-year unit sales volumes for 2015 and a material decline in sales revenue. Operating profit will be impacted by continued intense competition and the associated price pressure. Operating profit and the operating return on sales will decrease significantly year-on-year despite the cost-cutting measures introduced. These forecasts assume that there will be no significant change in exchange rates.

## MAN Diesel & Turbo

- **Order intake down slightly**
- **Sales revenue slightly below prior-year level**
- **Operating profit and operating return on sales again positive**

MAN Diesel & Turbo's order intake amounted to €3.3 billion (previous year: €3.4 billion). At €3.3 billion, sales revenue was also slightly down on the prior-year figure of €3.4 billion. The drop in sales revenue concerned the Power Plants and Turbomachinery strategic business units in particular. Operating profit amounted to €206 million, an improvement on the €41 million operating loss for the previous year attributable to the recognition of project-related provisions. The operating return on sales improved to 6.3% (previous year: –1.2%). The order backlog was on a level with the previous year at €3.2 billion (€3.2 billion).

**MAN Diesel & Turbo**

| € million | 2014 | 2013 |
|---|---|---|
| Order intake [1] | 3,280 | 3,407 |
| of which: Engines & Marine Systems | 1,706 | 1,520 |
| of which: Power Plants | 441 | 705 |
| of which: Turbomachinery | 1,132 | 1,182 |
| Sales revenue [1] | 3,273 | 3,390 |
| of which: Engines & Marine Systems | 1,446 | 1,304 |
| of which: Power Plants | 637 | 695 |
| of which: Turbomachinery | 1,190 | 1,391 |
| Headcount at December 31 | 14,947 | 14,560 |
| Operating profit/loss [1] | 206 | – 41 |
| of which: Engines & Marine Systems | 153 | 130 |
| of which: Power Plants | – 6 | – 262 |
| of which: Turbomachinery | 60 | 91 |
| Operating return on sales (%) | 6.3 | – 1.2 |

[1] Including consolidation adjustments between the Engines & Marine Systems, Power Plants, and Turbomachinery strategic business units.

### 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 and increased the pressure on shipowners to further reduce per-unit transport costs. Along with low new construction prices, this led to a very high overall level of global orders for merchant ships, especially in the first half of 2014. Merchant shipping experienced volatile but decreasing bunker oil prices and slightly increased freight rates. The fact that the financial position of established shipping companies improved again has to be welcomed. Overall, order volumes increased slightly year-on-year. It remains to be seen whether this growth will remain in the long term. Demand for special ships also remained high in fiscal 2014. As expected, the market for LNG tankers saw a continuation of the previous year's high level. Cruise liners also saw continuing high demand. The special market for government vessels saw sustained positive growth. Fewer ships were ordered for the development of new reserves in the offshore segment than expected. This was due to the recent drop in oil prices and the higher costs incurred by international oil firms. 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 general, the marine market exhibited moderately positive tendencies as against the comparable prior-year period.

Growth slowed in the developing countries and emerging economies significant to MAN Diesel & Turbo's power plant solutions, despite the demand for energy solutions in these markets remaining high. Regions such as the Middle East, Africa, and South-East Asia remained the main relevant markets. The North American market continued to grow in significance due to the availability of shale gas. Demand for decentralized diesel and gas engine power plants was down significantly compared with the previous year, with an ongoing shift away from heavy oil power plants toward dual-fuel and natural gas power plants. However, stricter financing terms and crises with global implications led to longer project lead times.

The market for new turbomachinery is significantly dominated by contracts awarded for global investment projects in oil and chemical plants. Project volumes in the oil and gas industry remained high, while competitive pressure intensified as a result of the weak U.S. dollar in the first half of the year and the depreciation of the yen. The processing industry saw low overall demand for turbomachinery in 2014 due to the slowdown experienced by the relevant markets in the major emerging economies of China, India, and Brazil, as well as uncertainty among investors caused by political crises. This only added to the already high level of competition caused by currency issues. Overall, the turbomachinery market declined slightly year-on-year.

The after-sales market expanded slightly overall but fell short of the very high growth rates seen in the years 2010 to 2012.

**Business developments**

MAN Diesel & Turbo reported an order intake of 28.3 gigawatts (GW) for large two-stroke engines, compared with 13.5 GW in the previous year. More than 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. The new, eco-friendly ultra-long-stroke ME-G engines with reduced revolutions were particularly well received by the market. These can help achieve significant fuel savings and sharply reduce $CO_2$ emissions as part of an optimized propulsion system. They contribute to lowering the TCO for customers and help reduce environmental pollution.

Order intake for four-stroke medium-speed diesels used in the company's own propulsion engines and for powering onboard equipment was at a healthy level despite not quite reaching the prior-year figure. MAN Diesel & Turbo received orders for 1,389 original and licensed engines with a combined output of 3.2 GW. The figure for 2013 was 1,662 original and licensed engines with an output of 3.8 GW. Order intake remained healthy in 2014, e.g., for cruise liners and LNG tankers. Orders for 28 original dual-fuel engines with a total output of 225 MW for seven LNG tankers and 18 original engines with a total output of 200 MW for four cruise liners testify to MAN Diesel & Turbo's strong position in this segment. Overall, at €1,706 million, order intake in the Engines & Marine Systems strategic business unit was 12% higher than in the previous year (€1,520 million).

MAN Diesel & Turbo received orders for 61 four-stroke engines in the power plants business in 2014. The company's products range from supplying a generator unit through to comprehensive power plant solutions including ancillary systems, buildings, and fuel preparation. Orders were mainly received from developing countries and emerging economies, e.g., from Africa, the Arabic-speaking countries, and Bangladesh. For example, a private electricity utility in Senegal ordered five engines with total output of approximately 95 MW. At €441 million, order intake in the Power Plants strategic business unit fell 37% short of the prior-year figure of €705 million.

In the Turbomachinery strategic business unit, order intake from customers in the processing industry declined. However, the rollout of the MAX1 compressor trains continued successfully. The company also received orders for steam turbine generator sets for renewable energy. Although there was a slight year-on-year increase in the number of proposals submitted in the oil and gas industry, there were delays in awarding contracts due to the uncertain environment. Nevertheless the company won several of the compressor contracts awarded. Among other things, these contracts cover carbon dioxide compression equipment, integrated motor compressors for gas transport in Europe, as well as compressor trains preinstalled on special-purpose ships for the transport, storage, and shipment of oil and natural gas. At €1,132 million, order volumes in the Turbomachinery strategic business unit were down 4% year-on-year (€1,182 million).

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

At €1,446 million, the sales revenue generated by the Engines & Marine Systems strategic business unit was 11% higher than in the previous year (€1,304 million) due to healthy growth in the shipbuilding sector. The delivery of two-stroke engines exclusively built by licensees rose slightly year-on-year in 2014. These engines are largely used in merchant ships. MAN Diesel & Turbo maintained its leading market position. The number of engines delivered in the medium-speed engines business also exceeded the prior-year figure in fiscal 2014. A substantial share of these concerned the LNG tanker, cruise liner, and government vessel segments, as well as the offshore segment. The four-stroke engine business continued to experience high competitive and price pressure in 2014.

At €637 million, sales revenue in the Power Plants strategic business unit was also down 8% year-on-year in 2014 (previous year: €695 million) due to the decline in order intake. Sales revenue was primarily generated in the Asia and Africa regions, as well as by major projects.

Sales revenue in the Turbomachinery strategic business unit in 2014 reflected the previous period's decline in order intake. The company's compressors are used in various areas of application, including air separation, as compressors for oil and gas production, in gas transport, and as compressor trains for the hydrocarbon processing industry. Sales revenue in the Turbomachinery strategic business unit amounted to €1,190 million, down 14% on the prior-year level (€1,391 million).

The after-sales business saw stable development in both order intake and sales revenue.

### Operating profit/loss

Operating profit amounted to €206 million in the reporting period. The company recorded an operating loss of €41 million in the previous year. As a result, the operating return on sales increased to 6.3% from the prior-year figure of –1.2%. Profit in the Engines & Marine Systems strategic business unit increased to €153 million (previous year: €130 million), due to higher volumes and changes to the product mix. The Power Plants strategic business unit almost broke even in fiscal 2014, recording a loss of €6 million (previous year: loss of €262 million). The prior-year figure was impacted by the recognition of very high additional provisions for a power plant project that had not yet been completed. Operating profit in the Turbomachinery strategic business unit was €60 million (previous year: €91 million). This decline was due primarily to lower sales revenue and decreased capacity utilization.

### Headcount

As of December 31, 2014, MAN Diesel & Turbo employed 14,947 people (previous year: 14,560). The increase is attributable to the research & development and the sales departments. Around half of the new employees are former subcontracted staff who switched to permanent contracts. MAN Diesel & Turbo had 233 subcontracted employees as of December 31, 2014 (previous year: 655).

### Research and development

Research and development costs recognized in the income statement amounted to €187 million in fiscal 2014 (previous year: €183 million), corresponding to 5.7% of sales revenue (previous year: 5.4%). On average, 1,353 staff (previous year: 1,307) were employed globally by the company's research and development departments during the year.

Product development in the reporting period continued to focus on increasing energy efficiency and on reducing emissions, both directly and indirectly. Work is continuously ongoing to optimize and expand MAN Diesel & Turbo's entire product portfolio. For example, the new MAN 175D high-speed engine was launched in the reporting period.

### Capital expenditures

MAN Diesel & Turbo invested €123 million (previous year: €112 million) in developing new products and modernizing infrastructure in fiscal 2014. At €86 million (previous year: €81 million), payments to acquire property, plant, and equipment and intangible assets remained virtually unchanged as against the previous year. Capitalized development costs rose year-on-year to €37 million (previous year: €30 million).

Investments in diesel engine production focused on equipment for the production and testing of common rail injection parts, as well as engine test beds. In the foundry, investments were made in models for a new type of engine. A further focus was on modernizing infrastructure. In engine development, capital expenditures were made in test beds used to develop gas aftertreatment processes. In addition, existing test beds were further modernized for test engines. The focus at the turbomachinery product and test sites is on procuring machinery for blade production, and on gear unit production. Other measures are aimed at increasing efficiency, quality, and occupational health and safety.

New service centers were established in Bangladesh, France, Canada, Colombia, and other countries to expand MAN Diesel & Turbo's global presence. A service company was acquired in South Africa.

### Outlook

The difficult overall market environment for MAN Diesel & Turbo is likely to persist in 2015. Price pressure will probably also continue unabated. The merchant shipbuilding market remains tense even though overcapacity is declining. Order volumes for two-stroke engines are expected to fall just short of the prior-year figure in 2015. Energy efficiency and emissions will significantly influence ship design in the future. Strong demand is expected for special-purpose ships such as LNG tankers and cruise liners, as well as for government vessels. Despite positive medium- and long-term growth factors, demand in the offshore sector is expected to decline slightly in 2015 due to the current low oil prices combined with high development and production costs. Overall, we expect order volumes in the Engines & Marine Systems strategic business unit to be on a level with the previous year. At the same time, competitive pressure will continue unabated.

Energy demand is closely correlated with economic and demographic development, particularly in developing countries and emerging economies. The trend towards decentralized power plants remains undiminished. Similarly, the move towards gas-based applications is continuing. This is driven primarily by the continuous improvement in LNG infrastructure. Since growth in the developing countries and emerging economies that are of significance for MAN Diesel & Turbo's power plant solutions is currently low, we expect demand to remain on a level with the previous year in 2015. The medium- and long-term outlook remains positive.

We anticipate a difficult market environment in both the processing industry and in the oil and gas industry in 2015. Although investment levels will remain high in the medium term due to high demand for primary materials, weak economic growth in key regions is curbing the processing industry's willingness to invest. Investment activity in the oil and gas industry will decline noticeably in 2015 as a result of the currently low oil price. We therefore expect order intake in the Turbomachinery strategic business unit to be at best on a level with the previous year in 2015. Price pressure will continue unabated.

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.

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. Going forward, stricter requirements with respect to plant reliability and availability, as well as 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 2015, the Management of MAN Diesel & Turbo expects order intake to be on a level with the previous year and sales revenue to be slightly above the 2014 figure. Operating profit and the operating return on sales should show a slight improvement, although the continuing fierce competition in all business areas will also have a negative impact in the future.

## Renk

- **Highest order intake in the company's history**
- **Sales revenue on a level with the previous year**
- **Operating return on sales of 15%**

**Renk**

| € million | 2014 | 2013 |
|---|---|---|
| Order intake | 666 | 504 |
| Sales revenue | 480 | 485 |
| Headcount at December 31 | 2,196 | 2,306 |
| Operating profit | 72 | 66 |
| Operating return on sales (%) | 15.0 | 13.5 |

### Economic environment

Global economic development in the year under review only slightly exceeded the prior-year figure. The economy in Western Europe grew as against 2013, but slowed over the course of the year. In addition, the capital goods industry was negatively impacted by the effects of the crisis in Ukraine and weaker demand from various emerging economies. The Verband Deutscher Maschinen- und Anlagenbau (VDMA — German Engineering Federation) estimates that global industrial engineering production grew by roughly 5% in 2014, with continued strong regional variances. According to the VDMA's preliminary calculations, the German industrial engineering sector should have increased production by 1% in the reporting period.

### Business developments

Renk's broad range of specialist solutions for gear unit and bearing applications covers a multitude of different market segments. A major order for vehicle transmissions lifted order intake by 32% year-on-year to €666 million in 2014 (previous year: €504 million), the highest in the company's history.

Order intake in the Vehicle Transmission business amounted to €330 million (previous year: €134 million) and was dominated by the largest individual order ever received by the company. Over the next decade, Renk will deliver over 500 transmissions for a new British tracked vehicle platform. The largest single item for test beds was an order to design and deliver a test bed for the aviation industry. This once again underlines Renk's in-depth technological expertise in solving this type of challenging problem.

Order intake in the Special Gear Units business remained at a high level in 2014, amounting to €144 million (previous year: €188 million). This was mainly due to continuing demand for complex maritime gear solutions. Orders for individual projects were received in addition to follow-up orders from various long-term coastguard and naval procurement programs. Orders for cement plant gear units remained below the prior-period level in the stationary gear unit area, although by contrast there was an increase in orders for turbo gear units.

Order intake was also healthy in the Standard Gear Units business. Its significant growth to €98 million (previous year: €86 million) was primarily achieved in commercial vessel gear units. Orders for couplings remained level year-on-year, although there were declines for stationary gear units. As in the previous year, 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.

At €100 million (previous year: €103 million), order intake in the Slide Bearings business remained roughly stable. E Standard bearings remained by far the most important product area.

Overall, developments in the individual businesses and in particular in the Vehicle Transmission business resulted in a significant increase in the order backlog. At the end of 2014, Renk had total orders amounting to €827 million on its books, €179 million more than at the beginning of the year.

Sales revenue amounted to €480 million in the year under review (previous year: €485 million). Growth in the Vehicle Transmissions and Special Gear Units businesses offset declines in the Slide Bearings and Standard Gear Units businesses.

### Operating profit

Renk recorded an operating profit of €72 million in fiscal year 2014 (previous year: €66 million). At 15.0%, the operating return on sales was once again up on the prior-year figure of 13.5%.

### Headcount
The Renk Group employed 2,196 people at the end of 2014 (previous year: 2,306).

### Research and development
As in the previous year, research and development costs recognized in the income statement amounted to €8 million in fiscal 2014.

The enhancement of high-performance vessel gear units in the Special Gear Units business is a response to requirements for new drive concepts, among other things. Technical evaluation of the newly developed AED (Advanced Electric Drive) module has been completed, making it possible for field tests to begin. In the stationary gear unit area, development work is focused on the new COPE (COmpact Planetary Electric Drive) concept for vertical cement mills. In this way, Renk is rising to new mechatronic system integration challenges.

The focus of work in the Vehicle Transmission business in 2014 was on developing an entirely new, future-proof generation of transmission electronics.

Key projects in the Standard Gear Units business include further development of 6 MW wind turbine gear units, the $T^2$RECS vessel gear unit series, and the steel lamination coupling series.

Development work at the Slide Bearings business is focused on lamination technologies, both with regard to optimizing conventional slide bearing materials and to identifying suitable alternative materials.

### Capital expenditures
Renk's capital expenditures totaled €38 million in fiscal year 2014 (previous year: €30 million), mainly concerning property, plant, and equipment. The key focus was on the Augsburg site. The most important project was the construction of a new, modern multipurpose facility for assembling and testing large special gear units. In addition, the multi-year investment project to modernize and add to the production equipment for vehicle transmissions was continued.

### Outlook
The Verband Deutscher Maschinen-und Anlagenbau (VDMA — German Engineering Federation) forecasts 5% growth in the global industrial engineering sector in 2015, a similar prediction as for 2014. The situation will continue to be dominated by strong regional variances. For the German industrial engineering sector, the VDMA expects 2% actual growth in production in 2015. This growth will also be highly varied, both from a regional perspective and with regard to the individual sectors.

Renk's Management expects an order intake of around €500 million for 2015, including a number of major projects. The Renk Group's sales revenue should improve slightly in 2015. Despite the intensifying competition and changes to the product mix, operating profit is expected to be in the order of €60 million. The operating return on sales will again be in double-digit territory.

## Others

| € million | 2014 | 2013 |
|---|---|---|
| Headcount at December 31 | 311 | 329 |
| of which: MAN SE | 255 | 263 |
| of which: MAN Shared Services | 56 | 66 |
| Operating loss | – 116 | – 180 |
| of which: MAN SE and MAN Shared Services | – 65 | – 108 |
| of which: earnings effects from purchase price allocations | – 49 | – 71 |
| of which: consolidation | – 2 | – 1 |

"Others" comprises MAN SE and its Shared Services companies, the investments held directly by MAN SE, and the consolidation adjustments between the MAN Group's business areas. For further information, see the "Notes to the Consolidated Financial Statements."

The operating loss amounted to €116 million in fiscal 2014 (previous year: €180 million). This narrowed year-on-year primarily because of lower purchase price allocation effects and lower nonpersonnel expenses and project costs.

# 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 Economic Position of the MAN Group in 2014."

MAN SE recorded net income of €486 million for the fiscal year before the transfer of profit, after a net loss for the fiscal year before the absorption of losses of €724 million in the previous year. The €1,210 million improvement is primarily due to lower income taxes, higher net investment income, and to an improvement in the net interest expense. The €193 million decrease in other operating income had an offsetting effect.

## Results of operations

| € million | 2014 | 2013 |
|---|---|---|
| Net investment income/loss | 401 | – 14 |
| Net interest expense | – 11 | – 234 |
| Other operating income | 91 | 284 |
| General and administrative expenses | – 92 | – 98 |
| Other operating expenses | – 10 | – 54 |
| Writedowns of financial assets and securities classified as current assets | – | – 7 |
| **Result from ordinary activities** | **379** | **– 123** |
| Taxes on income | 107 | – 601 |
| **Profit transferred/losses absorbed on the basis of a domination and profit and loss transfer agreement** | **– 486** | **724** |
| **Net income for the fiscal year** | **–** | **–** |

Net investment income rose significantly year-on-year due to the sale proceeds from the transfer of the shares of MAN Finance to VWFS. The net interest expense narrowed to €11 million as against €234 million in the previous year, which was significantly impacted by tax interest expenses. The €193 million decline in other operating income from €284 million to €91 million is largely attributable to income in connection with the merger of two subsidiaries with MAN SE in the previous year. The €708 million change in income taxes was mainly attributable to provisions for prior-period taxes recognized in the previous year.

Net income for the fiscal year before the transfer of profit of €486 million was transferred to Truck & Bus GmbH in accordance with the domination and profit and loss transfer agreement entered into in fiscal 2013.

MAN SE will not distribute any further dividends from 2014 onward as a result of the domination and profit and loss transfer agreement. Truck & Bus GmbH will make the contractually defined cash compensation payment (€3.07) to each MAN free float shareholder.

## Net assets and financial position

| € million | 2014 | 2013 |
|---|---|---|
| Fixed assets | 5,193 | 5,301 |
| Marketable securities and cash and cash equivalents | 501 | 2,186 |
| Other current assets | 618 | 818 |
| **Total assets** | **6,312** | **8,305** |
| Equity | 2,125 | 2,146 |
| Financial liabilities | 3,499 | 4,964 |
| Other liabilities and provisions | 688 | 1,195 |
| **Total equity and liabilities** | **6,312** | **8,305** |

Total equity and liabilities declined by €1,993 million year-on-year to €6,312 million. MAN SE's fixed assets primarily comprise shares in affiliated companies (€3,595 million; previous year: €3,696 million) and other long-term equity investments (€1,306 million; previous year: €1,305 million), in particular the shares in Scania acquired in fiscal years 2006–2008. The share of total assets attributable to fixed assets rose to 82.3% as of December 31, 2014 (previous year: 63.8%).

Cash and cash equivalents from the Group's central financing by MAN SE comprise receivables from intragroup finance transactions in the amount of €316 million (€1,432 million) and bank balances of €184 million (€753 million). Other current assets declined by €200 million to €618 million.

Equity declined by €21 million to €2,125 million. This decrease is due to the distribution of dividends for fiscal 2013. The ratio of equity to total assets was 33.7% as of December 31, 2014 (previous year: 25.8%).

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 €1,465 million year-on-year to €3,499 million (previous year: €4,964 million). These stem from the MAN Group's central financing, among other sources.

Other liabilities and provisions mainly include liabilities to affiliated companies, provisions for taxes 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 calculated as cash and cash equivalents, loans to Group companies, and marketable securities, less financial liabilities. MAN SE's net liquidity amounted to €–2,370 million as of December 31, 2014 (previous year: €–2,486 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." MAN SE employed 253 people as of December 31, 2014 (previous year: 261).

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 "Report on Expected Developments" for further information.

# REPORT ON RISKS AND OPPORTUNITIES

Managing risks and opportunities is an integral part of corporate management and business processes. In 2015, 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.

In our view, structural deficits are the main risks to the continued growth of the global economy. These pose a threat to growth in many industrialized nations and individual emerging economies. In the euro zone, the situation of numerous financial institutions in particular, whose stability and ability to withstand a crisis remain uncertain, is hindering sustained economic recovery. Private and public sector debt remains high in many places; this also hinders growth prospects and can trigger negative market reactions. Declines in growth in key countries and regions often have an immediate impact on the state of the global economy and therefore pose a central risk. Economic growth in some emerging economies is overshadowed in particular by overindebtedness, dependence on capital imports, and social tensions. Corruption, inadequate government structures, and a lack of legal certainty also give rise to risks.

Geopolitical tensions are another significant risk factor for the growth of individual economies or regions. Local trends can also impact the global economy as this becomes increasingly interconnected. An escalation of the conflicts in Eastern Europe, the Middle East, and in North Africa could distort the energy and commodity markets around the world, for example. The same applies to armed conflicts, terrorist activities, or the spread of infectious diseases, which could lead to unexpected market reactions in the short term.

Overall, we consider the probability of a global recession to be low. Due to the risk factors listed, however, the possibility of a decline in global economic growth or a period of below-average growth rates cannot be ruled out. As a company in the capital goods industry, MAN is additionally exposed to fluctuations in the investment climate. Even small changes to growth or growth forecasts and government investment incentives can lead to significant changes in demand for capital goods in the markets relevant for the MAN Group, or orders being canceled. Flexible production concepts and cost flexibility through temporary work, flextime accounts, short-time working, and the option of structural adjustments enable MAN to counter significant economic sales risks. Structural adjustments may involve substantial one-time expenses.

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

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

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

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

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 "Report on Expected Developments," 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 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 4% of Group sales 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 considerable 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 significant risks from delivery delays or supplier defaults at an early stage and to mitigate the effects. It also works vigorously and systematically to improve underlying processes with an eye towards optimizing working capital employed.

In the case of major projects, risks may arise that are often only identified in the course of the project. As a general rule, major projects in the MAN Group are subject to a two-step approval process. Following a project-specific risk analysis and assessment, they require the approval of the divisional executive board. 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.

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

The MAN Group is involved in various legal disputes and legal proceedings in connection with its Group-wide business activities. 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 (31) 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 in the transportation and energy sectors 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 specialist training of all of its employees around the world, from vocational trainees to executives. A targeted training offering enables MAN to grow its first-class team. Firstly, combined vocational training ensures that the Company has outstanding young technical and commercial staff. MAN also employs development measures — training and selection — for the next generation of managers. Systematic succession planning supports the Company in its efforts to fill key positions from within its own ranks.

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 (31) 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 are impaired.

Economic hedges are generally used to hedge currency, interest rate, and commodity risks. Their effectiveness is tested regularly. Cash flow hedges and, in exceptional cases, fair value hedges are used for hedge accounting to manage currency risk. Further information on market, liquidity, and credit risk management can be found in note (36) 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 (27) 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. Future currency developments are also an area of uncertainty with respect to financial risk. The short-term quantified risks in the employee and process risk fields are of minor significance.

On the basis of the risk management system established by the MAN Group, the Executive Board has again determined that, at the present time, there are no identifiable risks that could have a material and long-term adverse effect on the net assets, financial position, and results of operations of the MAN Group. The risk management system introduced by the Group and the related organizational measures allow the Executive Board to identify risks rapidly and initiate appropriate measures. Given the uncertainty surrounding developments in some areas, activities in 2015 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 has now been added to the MAN compliance program — the prevention of money laundering and terrorism financing — alongside combating corruption, antitrust law, and data protection.

### Compliance organization

The Compliance 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 48 staff. 25 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. 23 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 (i.e., twice a year) 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 (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.

The MAN Group stands for effective data protection in compliance with legal requirements that is based on the strict European standards applied worldwide. To meet these stringent requirements, MAN has a global network of data protection officers and data protection coordinators. In Germany, four data protection officers are dedicated to safeguarding the right to privacy of employees, customers, and suppliers as this relates to data protection. Outside of Germany, its network of 75 data protection coordinators supervises data protection at 89 companies in 44 countries. Accordingly, MAN's data protection organization currently has a total of 79 formally appointed employees.

### Compliance Helpdesk

The Compliance function continues to operate the Compliance Helpdesk, which all employees can contact with questions about compliance. The Compliance Helpdesk answered 527 compliance-related questions from employees by phone or e-mail during the reporting period.

### 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 case management and compliance investigations
- Policy on handling personal data
- Policy on preventing 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. The Compliance function policies and the Code of Conduct were reviewed, updated, and modified in the year under review.

### Compliance risk assessment

A horizontal compliance risk assessment was conducted for the first time in the year under review. This analyzed in particular the superordinate responsibility structures for compliance-relevant areas. A total of 33 areas (e.g., employment law, tax compliance, environmental protection) were firstly identified and compiled in a legal register. The responsibility structures within the MAN Group were then evaluated with respect to all of these areas. In this way, the horizontal analysis complements the vertical compliance risk assessment conducted in the previous year, which evaluated specific compliance risks in the areas of combating corruption, antitrust law, money laundering, and data protection in over 100 MAN Group companies.

### Compliance training

The Compliance function held compliance awareness training for over 1,916 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, 1,591 employees received in-depth instruction. Special classroom sessions were also held for 155 procurement employees and business partners in the period under review.

In addition, 4,082 employees received training on the Code of Conduct as part of the first module of the e-learning compliance program in the year under review. This e-learning course covers the fundamentals of combating corruption, antitrust law, and data protection. The second training module on the Code of Conduct was rolled out in the fourth quarter of 2014. In the reporting period, 22,370 employees received training on conduct during searches, dealing with conflicts of interest, and preventing money laundering. Finally, since August 2013, employees who are exposed to an increased corruption risk (e.g., in sales and purchasing) are trained on corruption prevention though an in-depth web-based training module. In the year under review, 3,989 employees took part in this e-learning course.

### 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 2,033 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 ensures that potential compliance risks and policy violations are detected at an early stage. It comprises a set of purchasing and payment process controls and general IT controls. The general IT controls were implemented at the companies in the period under review. CCM is now used at 49 MAN Group companies.

### Compliance in purchasing

The Compliance function completed the analysis of the MAN Truck & Bus subgroup's procurement processes in the year under review. Together with experts from the Procurement department, it investigated which general compliance risks exist in procurement and which measures and controls have already been established. The project was extended to the MAN Diesel & Turbo subgroup in the year under review. The function plans to evaluate the procurements processes in the MAN Latin America subgroup in the same way in 2015.

### 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. In the year under review, targeted communication measures informed more than 3,500 employees in total about the new money laundering policy introduced in November 2013 and the associated obligations. Furthermore, a total of three money laundering officers within the meaning of the GwG were appointed by the executive boards of MAN SE, MAN Truck & Bus AG, and MAN Diesel & Turbo SE and their appointment reported to the relevant authority in each case.

### 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 and money laundering), 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 again 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 also developed a central "house of policies" database in which all policies are 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. Testing of the house of policies began at MAN SE in the fourth quarter of 2014.

### 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 Integritat, 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.

# REPORT ON EXPECTED DEVELOPMENTS

Slightly stronger global economic growth, but ongoing difficult environment in the markets relevant to the MAN Group; sales revenue on a level with the previous year in 2015; stable operating profit

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

**Slightly stronger global economic growth**

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

From today's perspective, we anticipate that the global economy will see slightly stronger growth in 2015 compared with the year under review. Going forward, we expect that growth will remain strongest in the emerging economies of Asia. The economic upturn in the major industrialized nations is forecast to continue. However, the rates of expansion will remain moderate. 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.

The economic recovery that took root in Western Europe in the year under review should continue in 2015. However, the upturn remains contingent on structural problems being resolved. Germany is expected to see solid economic growth in 2015, albeit no significant increase in growth rates.

Depending on future developments in the conflict between Russia and Ukraine, the economic situation in the rest of Central and Eastern Europe should remain stable. The Russian economy is expected to record negative economic growth in 2015.

The upturn in economic growth in the U.S.A. is forecast to continue in 2015.

Brazil is expected to see slightly positive growth in 2015 compared with the period under review. The Argentinian economy should contract further on the back of continued high inflation and the poor business climate.

China's growth is expected to remain high and should once again meet government targets in 2015. India should see stable economic growth that is higher than the previous year.

**Commercial Vehicles business area: Further slight growth in the European market following introduction of Euro 6; Brazilian market continues to decline**

We expect the European truck market to record modest growth in 2015 after 2014 was negatively impacted by pull-forward effects from the Euro 6 emission rules, which came into force in 2014. The market will also be buoyed by an economic upswing.

In Russia, demand is expected to decline significantly year-on-year due to macroeconomic developments.

Market volumes in the Brazilian market should be down significantly on the prior-year figure in 2015. This trend is the result of the ongoing weak macroeconomic environment and the austerity measures introduced by the government, including reducing the availability of subsidized financing for motor industry products.

We expect demand in China, the world's largest truck market, to decline slightly in 2015 due to slower economic growth and dwindling pull-forward effects following the nationwide implementation of the new C4 emission standard on January 1, 2015, among other factors.

In contrast, we expect new infrastructure projects following the change in government in May 2014 to boost investment in India, resulting in a significant year-on-year increase in the truck market.

New registrations in the global bus market should increase in almost all regions in 2015, driven by increasing urbanization and higher demand for coaches. The European bus market is expected to record slight growth in 2015.

### Power Engineering: Market environment remains strained

The Power Engineering business area will again see differing trends in the individual markets in 2015.

Overall order volumes in the shipbuilding market are expected to be on a level with the previous year due to continued overcapacity. Market volumes for two-stroke engines, which are used in merchant shipping, should fall just short of the prior-year figure. We expect demand for special-purpose ships such as LNG tankers, cruise liners, and government vessels to remain strong in 2015. Demand in the offshore segment should decline slightly in 2015 in light of the lower oil prices at present. Competitive pressure in the shipbuilding market will continue unabated.

The energy generation market will be shaped by the macroeconomic situation in the emerging economies in particular. Since growth in key developing countries and emerging economies is currently at a low level, we are expecting demand to remain on a level with the previous year and a similar level of competitive pressure in 2015. The medium- and long-term prospects are still positive. Global population growth and rising energy requirements mean steady demand for power plant solutions. The trend towards more decentralized energy supplies and natural gas power plants will continue.

We anticipate a difficult market environment in both the processing industry and in the oil and gas industry in 2015. Although investment levels will remain high in the medium term due to high demand for primary materials, weak economic development in key regions is curbing the processing industry's willingness to invest. Investment activity in the oil and gas industry will decline noticeably in 2015 as a result of the currently low oil price. As a result, we expect order intake in the Turbomachinery strategic business unit to be at best on a level with the previous year in 2015. Price pressure will continue unabated.

The future course of the offshore wind market in Germany continues to be dogged by considerable uncertainties. The outlook is only expected to enter positive territory once the infrastructural and political framework has been clarified; it is still doubtful that this will happen in 2015. There may also be greater sales opportunities in other parts of the world in the future.

### Executive Board's sales revenue and earnings expectations

The MAN Group's Management anticipates that the global economy will see slightly stronger growth in 2015 compared with the year under review despite a number of uncertainties. In our view, structural deficits and geopolitical conflicts are the main risks to the continued growth of the global economy. The current volatility of currencies of significance to MAN is also a source of uncertainty. 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, we expect unit sales to be slightly below the prior-year level and sales revenue to match the 2014 figure. Operating profit and the operating return on sales should be down slightly year-on-year amid continued strong competition.

We expect the Power Engineering business area's order intake for 2015 to be slightly below the prior-year level, which was dominated by a major order. Sales revenue should be up slightly on the previous year. Operating profit and the operating return on sales will improve slightly. Ongoing high competitive pressure in the currently flat markets will continue to have a negative impact in 2015. We are therefore forecasting a higher single-digit operating return on sales.

As a result, the MAN Group will see sales revenue on a level with the previous year and a stable operating profit. The operating return on sales will be similar to the 2014 figure.

### 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 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. Production flexibility and using short-time working enables 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. MAN has also started examining ways to achieve structural improvements. MAN has already resolved and started to implement changes to the production structure in the bus business.

### 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 and Scania announced at the IAA 2014 that they will work together in the area of vehicle gearboxes, for example. Scania's gearbox hardware will be gradually integrated into MAN's TGS and TGX series vehicles from 2016, for example. MAN will develop the gearbox software for the optimal gear shift strategy. The aim is also to develop the next generation of Scania's current gearbox portfolio on a joint basis. 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 2015 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 consistently 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 2015 compared with the year under review.

**Cash flow**

MAN is expecting positive and negative components of net cash flow to balance each other out in fiscal 2015. The focus will again be on cash management. Measures to reduce inventories and receivables by improving processes will be defined and monitored on an ongoing basis as part of the optimization of working capital. Cash flow from financing activities will be impacted by the transfer of €486 million in profit for 2014 to Truck & Bus GmbH.

MAN SE will not distribute any further dividends from fiscal 2014 onward as a result of the domination and profit and loss transfer agreement. Truck & Bus GmbH will make the contractually defined cash compensation payment (€3.07) to each MAN free float shareholder.

**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.

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# REPORT ON POST-BALANCE SHEET DATE EVENTS

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

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# CONSOLIDATED FINANCIAL STATEMENTS

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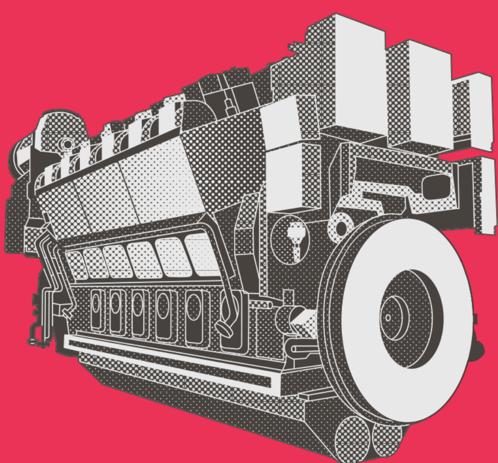

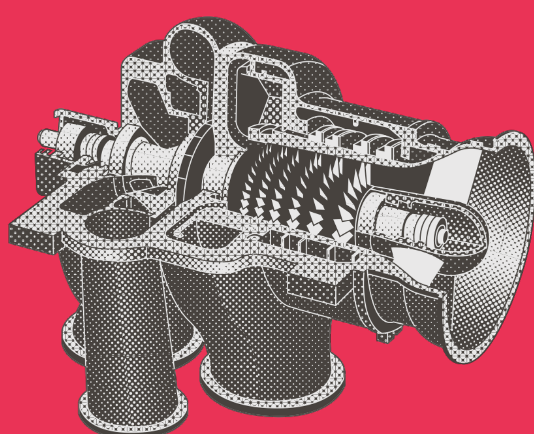

### 32/44 CR DIESEL ENGINE

The four-stroke engine combines the latest technologies in the field of large-bore diesel engines for industrial applications: electronic injection, high efficiency turbochargers, electronic hardware, and variable valve timing.

### MAX1 AIR COMPRESSOR

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

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# MAN CONSOLIDATED INCOME STATEMENT

| € million | Note | 2014 | 2013 |
|---|---|---|---|
| Sales revenue | [7] | 14,286 | 15,861 |
| Cost of sales | | – 11,695 | – 13,101 |
| **Gross profit** | | **2,591** | **2,760** |
| Other operating income | [8] | 556 | 542 |
| Distribution expenses | | – 1,568 | – 1,638 |
| General and administrative expenses | | – 753 | – 842 |
| Other operating expenses | [9] | – 441 | – 513 |
| **Operating profit** | | **384** | **309** |
| Share of profits and losses of equity-method investments | [18] | 16 | – 41 |
| Finance costs | [10] | – 200 | – 217 |
| Other financial result | [11] | 42 | 122 |
| **Financial result** | | **– 142** | **– 137** |
| **Profit before tax** | | **242** | **172** |
| Income tax expense/income | [12] | – 100 | – 377 |
| Current | | – 73 | – 504 |
| Deferred | | – 27 | 127 |
| Income/loss from discontinued operations, net of tax | [6] | 124 | – 308 |
| **Profit/loss after tax** | | **267** | **– 513** |
| of which attributable to noncontrolling interests | | 13 | 11 |
| **of which attributable to shareholders of MAN SE** | | **254** | **– 524** |
| | | | |
| **Earnings per share from continuing operations in €** | [13] | **0.88** | **– 1.47** |
| **Earnings per share from continuing and discontinued operations in €** | [13] | **1.73** | **– 3.57** |

# MAN CONSOLIDATED RECONCILIATION OF COMPREHENSIVE INCOME FOR THE PERIOD

| € million | Note | 2014 | 2013 |
|---|---|---|---|
| | | | |
| **Profit/loss after tax** | | **267** | **– 513** |
| **Items that will not be reclassified to profit or loss** | | | |
| Pension plan remeasurements | [25] | – 238 | 124 |
| Other comprehensive income for the period from equity-method investments | [18] | – 3 | – |
| Deferred taxes | | 72 | – 35 |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Exchange differences on translating foreign operations | | 94 | – 372 |
| Measurement of marketable securities and financial investments | | 585 | – 170 |
| Change in fair values of derivatives | [35/36] | – 16 | – 15 |
| Other comprehensive income for the period from equity-method investments | | 2 | – 4 |
| Deferred taxes | | – 8 | 7 |
| **Other comprehensive income for the period** | | **489** | **– 465** |
| **Total comprehensive income for the period** | | **757** | **– 978** |
| of which attributable to noncontrolling interests | | 11 | 12 |
| **of which attributable to shareholders of MAN SE** | | **745** | **– 990** |

See also note (25) for additional information on equity.

# MAN CONSOLIDATED BALANCE SHEET

## ASSETS

| € million | Note | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| | | | |
| Intangible assets | [16] | 2,020 | 1,924 |
| Property, plant, and equipment | [17] | 2,217 | 2,174 |
| Equity-method investments | [18] | 471 | 462 |
| Financial investments | [19] | 2,113 | 1,522 |
| Assets leased out | [20] | 2,677 | 2,483 |
| Income tax receivables | | 5 | – |
| Deferred tax assets | [12] | 392 | 551 |
| Other noncurrent financial assets | [23] | 482 | 692 |
| Other noncurrent receivables | [24] | 156 | 141 |
| **Noncurrent assets** | | **10,534** | **9,949** |
| Inventories | [21] | 3,095 | 3,112 |
| Trade receivables | [22] | 2,234 | 2,346 |
| Current income tax receivables | | 119 | 54 |
| Assets held for sale | | – | 3,986 |
| Other current financial assets | [23] | 296 | 1,357 |
| Other current receivables | [24] | 735 | 595 |
| Marketable securities | | – | 1 |
| Cash and cash equivalents | | 525 | 1,137 |
| **Current assets** | | **7,004** | **12,588** |
| | | **17,538** | **22,537** |

## EQUITY AND LIABILITIES

| € million | Note | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| | | | |
| Subscribed capital | | 376 | 376 |
| Capital reserves | | 795 | 795 |
| Retained earnings | | 4,081 | 4,329 |
| Accumulated other comprehensive income | | 152 | –350 |
| **Equity attributable to shareholders of MAN SE** | | **5,404** | **5,150** |
| Noncontrolling interests | | 81 | 77 |
| **Total equity** | [25] | **5,485** | **5,227** |
| Noncurrent financial liabilities | [26] | 1,500 | 2,267 |
| Pensions and other post-employment benefits | [27] | 603 | 452 |
| Deferred tax liabilities | [12] | 136 | 329 |
| Noncurrent income tax provisions | | 101 | 33 |
| Other noncurrent provisions | [28] | 659 | 644 |
| Other noncurrent financial liabilities | [29] | 1,204 | 1,163 |
| Other noncurrent liabilities | [30] | 956 | 861 |
| **Noncurrent liabilities and provisions** | | **5,158** | **5,749** |
| Current financial liabilities | [26] | 985 | 1,360 |
| Trade payables | | 1,662 | 1,922 |
| Prepayments received | | 819 | 852 |
| Current income tax payables | | 35 | 23 |
| Liabilities associated with assets held for sale | | – | 3,525 |
| Current income tax provisions | | 29 | 713 |
| Other current provisions | [28] | 1,086 | 1,308 |
| Other current financial liabilities | [29] | 1,169 | 755 |
| Other current liabilities | [30] | 1,107 | 1,103 |
| **Current liabilities and provisions** | | **6,894** | **11,561** |
| | | **17,538** | **22,537** |

# MAN CONSOLIDATED STATEMENT OF CASH FLOWS

| € million | 2014 | 2013 |
|---|---|---|
| | | |
| **Cash and cash equivalents at beginning of period** | **1,208** | **1,366** |
| Profit before tax from continuing operations | 242 | 172 |
| Income taxes paid | – 800 | – 116 |
| Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property [1] | 380 | 399 |
| Amortization of and impairment losses on capitalized development costs [1] | 101 | 81 |
| Depreciation of assets leased out [1] | 423 | 470 |
| Change in provisions for pensions and other post-employment benefits | – 84 | – 4 |
| Gain/loss on disposal of noncurrent assets | – 19 | 2 |
| Share of profits or losses of equity-method investments | – 8 | 47 |
| Other noncash income and expense | – 16 | 13 |
| Change in inventories | – 15 | 17 |
| Change in receivables (excluding financial services) | – 57 | – 509 |
| Change in liabilities and prepayments received (excluding financial liabilities) | – 104 | 21 |
| Change in other provisions | – 137 | 141 |
| Change in assets leased out | – 602 | – 656 |
| Change in financial services receivables | – | 58 |
| **Net cash provided by/used in operating activities** | **– 695** | **136** |
| Payments to acquire property, plant, and equipment, investment property, and intangible assets (excluding capitalized development costs) | – 394 | – 382 |
| Additions to capitalized development costs | – 211 | – 176 |
| Payments to acquire other investees | – 5 | – 4 |
| Proceeds from the disposal of subsidiaries, net of cash disposed of | 417 | – |
| Proceeds from asset disposals (other than assets leased out) | 38 | 36 |
| Change in investments in securities and loans | 576 | 10 |
| **Net cash provided by/used in investing activities** | **422** | **– 516** |
| Dividend payments | – 24 | – 151 |
| Loss absorption | 724 | – |
| Issuance of bonds | – | 500 |
| Repayment of bonds | – 860 | – 1,094 |
| Change in other financial liabilities | – 251 | 1,024 |
| **Net cash provided by/used in financing activities** | **– 411** | **279** |
| Effect of exchange rate changes on cash and cash equivalents | 2 | – 57 |
| **Change in cash and cash equivalents** | **– 682** | **– 158** |
| **Cash and cash equivalents at end of period** | **525** | **1,208** |
| Cash and cash equivalents presented separately in the balance sheet as assets held for sale | – | – 71 |
| **Cash and cash equivalents at end of period (presented in the balance sheet)** | **525** | **1,137** |
| | | |
| **Composition of net liquidity/net financial debt at end of period** | | |
| Cash and cash equivalents | 525 | 1,208 |
| Cash and cash equivalents presented separately in the balance sheet as assets held for sale | – | – 71 |
| Cash and cash equivalents (consolidated balance sheet) | 525 | 1,137 |
| Securities, loans, and time deposits | 600 | 1,175 |
| **Gross liquidity (consolidated balance sheet)** | **1,125** | **2,312** |
| Total third-party borrowings | – 2,485 | – 6,837 |
| Third-party borrowings presented separately in the balance sheet as liabilities associated with assets held for sale | – | 3,210 |
| Total third-party borrowings (consolidated balance sheet) | – 2,485 | – 3,627 |
| **Net financial debt (consolidated balance sheet)** | **– 1,360** | **– 1,315** |

[1] Net of impairment reversals.

# MAN CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| € million | Subscribed capital | Capital reserves | Retained earnings | Other comprehensive income | Equity attributable to shareholders of MAN SE | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2012** | **376** | **795** | **4,276** | **116** | **5,563** | **69** | **5,632** |
| Profit/loss after tax | – | – | – 524 | – | – 524 | 11 | – 513 |
| Other comprehensive income | – | – | – | – 466 | – 466 | 1 | – 465 |
| Total comprehensive income | – | – | – 524 | – 466 | – 990 | 12 | – 978 |
| Dividend payments | – | – | – 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** |
| Profit after tax | – | – | 254 | – | 254 | 13 | 267 |
| Other comprehensive income | – | – | – | 492 | 492 | – 2 | 489 |
| Total comprehensive income | – | – | 254 | 492 | 745 | 11 | 757 |
| Dividend payments | – | – | – 21 | – | – 21 | – 4 | – 24 |
| Profit transfer to Truck & Bus GmbH | – | – | – 486 | – | – 486 | – | – 486 |
| Other changes | – | – | 5 | 11 | 16 | – 5 | 11 |
| **Balance at December 31, 2014** | **376** | **795** | **4,081** | **152** | **5,404** | **81** | **5,485** |

See also note (25) 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 sales revenue of €14.3 billion (previous year: €15.9 billion) and employing a global workforce of approximately 55,900 employees (previous year: approximately 56,100 employees), including around 3,300 vocational trainees (previous year: around 3,300). The MAN Group also had 879 subcontracted employees at the end of the year (previous year: 1,327).

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, 2014, 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 29, 2015, 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 74.04% 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).

As of January 1, 2014, MAN sold the shares of MAN Finance International GmbH, Munich (MAN Finance) to Volkswagen Financial Services AG, Braunschweig (VWFS). See "Divestments" for further information. Until December 31, 2013, MAN Finance was presented under the "Financial Services" heading in MAN's financial reporting. Due to the sale of MAN Finance to VWFS, the classification of figures into the Industrial Business and Financial Services presented as additional information until December 31, 2013, is no longer disclosed.

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. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

### 2 Consolidation and measurement of investees

#### a) Investees

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

All significant German and non-German subsidiaries, including structured entities, that are controlled directly or indirectly by MAN SE are included in the consolidated financial statements. Control exists if MAN SE obtains power over the potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the potential subsidiaries, and is able to influence those returns.

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

Associates are investees over which MAN SE can exercise significant influence by virtue of its power to participate in the associate's financial and operating policies. As a rule, significant influence is assumed when MAN holds between 20% and 50% of the voting rights. All other investees are financial investments.

#### b) Basis of consolidation

**Consolidated subsidiaries**

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

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.

**Number of companies consolidated**

| | Germany | Other countries | Total |
|---|---|---|---|
| **Consolidated as of Dec. 31, 2013** | **28** | **94** | **122** |
| Initially consolidated in fiscal 2014 | – | 5 | 5 |
| Deconsolidated in fiscal 2014 | 7 | 17 | 24 |
| **Consolidated as of Dec. 31, 2014** | **21** | **82** | **103** |

The changes in the MAN Group's basis of consolidation in fiscal year 2014 primarily resulted from the sale of the shares of MAN Finance to VWFS as of January 1, 2014. See note (6) for further information.

Further changes in the basis of consolidation resulted from the initial consolidation of newly formed companies and existing companies that have now started operations. 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 173 ff.

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

- MAN HR Services GmbH, Munich, Germany
- GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal, Germany
- GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal, Germany
- GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal, Germany
- GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal, Germany
- GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal, Germany
- MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich, Germany
- MAN Truck & Bus AG, Munich, Germany
- MAN Truck & Bus Deutschland GmbH, Munich, Germany
- MAN Grundstücksgesellschaft mbH & Co. Beta KG, Munich, Germany
- MAN Grundstücksgesellschaft mbH & Co. Alpha KG, Munich, Germany
- MAN Verwaltungs-Gesellschaft mbH, Munich, Germany
- MAN Service und Support GmbH, Munich, Germany
- KOSIGA GmbH & Co. KG, Pullach i. Isartal, Germany
- NEOPLAN Bus GmbH, Plauen, Germany
- MAN GHH Immobilien GmbH, Oberhausen, Germany
- MAN Diesel & Turbo SE, Augsburg, Germany
- MAN Grundstücksgesellschaft mbH & Co. Werk Deggendorf DWE KG, Munich, Germany

## Business combinations

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

### c) Equity-method investments

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

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

### d) Financial investments

Financial investments for which a quoted market price or a reliably determinable fair value is available are measured at that amount. Financial investments in equity instruments that are classified as available for sale but for which no quoted price is available in an active market and whose fair value cannot be measured reliably are 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 weighted average exchange rates for the year. With the exception of income and expenses recognized directly in equity, equity is translated at historical exchange rates. The resulting currency translation differences are recognized as a separate item in other comprehensive income until the disposal of the subsidiary.

**The exchange rates of the most important currencies to the euro (€) were:**

| | Closing rate 12/31/ | | Average rate | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| US dollar | 1.2141 | 1.3791 | 1.3288 | 1.3284 |
| UK pound sterling | 0.7789 | 0.8337 | 0.8064 | 0.8493 |
| Danish krone | 7.4453 | 7.4593 | 7.4548 | 7.4577 |
| Swiss franc | 1.2024 | 1.2276 | 1.2146 | 1.2282 |
| Swedish krona | 9.3930 | 8.8591 | 9.0969 | 8.6576 |
| Polish złoty | 4.2732 | 4.1543 | 4.1845 | 4.2101 |
| Russian ruble | 72.3370 | 45.3246 | 51.0113 | 42.4122 |
| Brazilian real | 3.2207 | 3.2576 | 3.1228 | 2.8707 |
| Chinese yuan renminbi | 7.5358 | 8.3491 | 8.1883 | 8.1679 |
| Indian rupee | 76.7190 | 85.3660 | 81.0689 | 77.9375 |
| Japanese yen | 145.2300 | 144.7200 | 140.3772 | 128.8854 |
| South African rand | 14.0353 | 14.5660 | 14.4065 | 12.8714 |

## 3 New and revised accounting pronouncements

### a) New accounting pronouncements applied

MAN has applied all accounting pronouncements adopted by the EU and required to be applied as from January 1, 2014.

The pronouncements contained in the “consolidation package” must be applied effective January 1, 2014. These relate to the new standards IFRS 10 “Consolidated Financial Statements,” IFRS 11 “Joint Arrangements,” and IFRS 12 “Disclosure of Interests in Other Entities,” as well as IAS 28 (2011) “Investments in Associates and Joint Ventures.” IFRS 10 governs the definition of the basis of consolidation and the accounting for subsidiaries in the consolidated financial statements. The switch from IAS 27 to IFRS 10 did not require the MAN Group to make any adjustments because the parent/subsidiary relationships and other control relationships are attributable almost entirely to voting rights majorities. There was therefore no requirement to consolidate additional entities or deconsolidate existing ones.

IFRS 11 governs the definition of and accounting for “joint arrangements” in the consolidated financial statements. Joint arrangements are classified into “joint ventures” and “joint operations.” Because all significant entities that are jointly controlled by MAN SE or one of its subsidiaries are required to be classified as joint ventures, there were no effects from applying IFRS 11.

IFRS 12 governs all disclosures on interests in other entities and thus combines all of the information required to be disclosed in the notes on subsidiaries, joint arrangements, associates, and consolidated and unconsolidated structured entities. The scope of the information to be disclosed was expanded.

Under IAS 28 (2011), only the equity method may be applied to joint ventures and associates effective January 1, 2014. The option to include these entities in the consolidated financial statements using proportionate consolidation was eliminated. Because proportionate consolidation was not used in the past in the MAN Group, the elimination of this option did not result in any adjustments.

The other accounting pronouncements required to be applied in fiscal year 2014 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.

## b) New or amended IFRSs not applied

In its 2014 consolidated financial statements, MAN did not apply the following accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year.

| Standard/ Interpretation | | Issued by the IASB | Effective date[1] | Adopted by the EU | Expected effects |
|---|---|---|---|---|---|
| IFRS 9 | Financial Instruments | July 24, 2014 | Jan. 1, 2018 | No | Change in the recognition of fair value changes in financial instruments previously classified as available for sale, change in the method used to calculate risk provisions, increased designation options for hedge accounting, simplified effectiveness tests, increased disclosures |
| IFRS 10 and IAS 28 | Consolidated Financial Statements and Investments in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Sept. 11, 2014 | Jan. 1, 2016 | No | None |
| IFRS 10, IFRS 12 and IAS 28 | Consolidated Financial Statements and Investments in Associates and Joint Ventures Investment Entities: Applying the Consolidation Exception | Dec. 18, 2014 | Jan. 1, 2016 | No | None |
| IFRS 11 | Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations | May 6, 2014 | Jan. 1, 2016 | No | None |
| IFRS 14 | Regulatory Deferral Accounts | Jan 30, 2014 | Jan. 1, 2016 | No | None |
| IFRS 15 | Revenue from Contracts with Customers | May 28, 2014 | Jan. 1, 2017 | No | Probably no material effects on revenue recognition, increased disclosures |
| IAS 1 | Presentation of Financial Statements | Dec. 18, 2014 | Jan. 1, 2016 | No | No material effects |
| IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortization | May 12, 2014 | Jan. 1, 2016 | No | No material effects |
| IAS 16 and IAS 41 | Agriculture: Bearer Plants | June 30, 2014 | Jan. 1, 2016 | No | None |
| IAS 19 | Employee Benefits: Defined Benefit Plans – Employee Contributions | Nov. 21, 2013 | Jan. 1, 2016 | Yes | No material effects |
| IAS 27 | Separate Financial Statements: Equity Method | Aug. 12, 2014 | Jan. 1, 2016 | No | None |
| | Improvements to IFRSs 2012[2] | Dec. 12, 2013 | Jan. 1, 2016 | Yes | No material effects |
| | Improvements to IFRSs 2013[3] | Dec. 12, 2013 | Jan. 1, 2015 | Yes | No material effects |
| | Improvements to IFRSs 2014[4] | Sept. 25, 2014 | Jan. 1, 2016 | No | Probably enhanced disclosures in accordance with IFRS 7 |
| IFRIC 21 | Levies | May 20, 2013 | Jan. 1, 2015 | Yes | None |

[1] Effective date from the MAN Group's perspective.
[2] Minor amendments to a number of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24).
[3] Minor amendments to a number of IFRSs (IFRS 1, IFRS 3, IFRS 13, IAS 40).
[4] Minor amendments to a number of IFRSs (IFRS 5, IFRS 7, IAS 19, IAS 34).

## 4 Changes in accounting policies due to the integration into the Volkswagen Group

### a) Changes in accounting policies and the presentation of balance sheet items

Starting in 2014, the following changes have been made to the accounting policies due to the integration into Volkswagen's financial reporting:

To enhance balance sheet comparability, the prior-year figures for deferred tax assets and liabilities as of December 31, 2013, were changed to reflect the offsetting methodology applied in the Volkswagen Group. This resulted in a €481 million reduction in both the assets and liabilities side of the balance sheet. Of this amount, €187 million was reported in deferred taxes for "Pensions and other post-employment benefits" and €294 million in the "Offset" line in the overview of deferred taxes by balance sheet item, see note (12).

Liabilities from other taxes, which were reported in other current liabilities until December 31, 2013, have been classified into noncurrent and current liabilities according to their maturity, so as to ensure their appropriate presentation and to improve comparability. This change is limited to a reclassification within the liabilities side of the balance sheet. As a result, €126 million was reclassified from other current liabilities to other noncurrent liabilities as of December 31, 2014. The prior-year figures were adjusted accordingly (€102 million).

As a rule, until December 31, 2013, financial liabilities from intragroup finance transactions were included in current financial liabilities at the level of the companies consolidated. Starting in fiscal year 2014, items are allocated to noncurrent or current financial liabilities according to their maturity. This did not result in any changes for the MAN Group.

In addition, the financial assets and liabilities previously reported in "Other assets" and "Other liabilities" are reported separately as noncurrent and current items starting in fiscal 2014. The prior-year figures were adjusted to reflect this change in presentation.

The financial statements of foreign MAN Group companies are translated into euros using the functional currency concept. Until December 31, 2013, income statement items were translated at the average exchange rate for the year, which was generally derived from monthly average exchange rates. Starting in fiscal 2014, income statement items are translated into euros at weighted average rates.

Regular way purchases or sales of nonderivative financial instruments are no longer accounted for at the trade date as they were until December 31, 2013, but at the settlement date — that is, at the date on which the asset is delivered. These two changes did not have a material effect.

## b) Changes to income statement presentation

As part of the integration into the Volkswagen Group, starting in fiscal 2014 the presentation of MAN's income statement is consistent with the structure used by Volkswagen. The income statement for the prior-year period has been adjusted to conform to the new presentation, as shown in the following table.

### Income statement 2013

| Previous structure | | Adjustments due to change in presentation | | | | | | New structure | |
|---|---|---|---|---|---|---|---|---|---|
| € million | | (1) | (2) | (3) | (4) | (5 ) | (6) | | € million |
| **Sales revenue** | **15,664** | **215** | | | | | **–18** | **15,861** | **Sales revenue** |
| Cost of sales | –12,760 | –113 | –540 | –33 | 496 | | –150 | –13,101 | Cost of sales |
| **Gross profit** | **2,904** | | | | | | | **2,760** | **Gross profit** |
| Other operating income | 540 | –215 | | | | | 216 | 542 | Other operating income |
| Distribution expenses | –1,142 | | | | –496 | | 0 | –1,638 | Distribution expenses |
| General and administrative expenses | –842 | | | | | | | –842 | General and administrative expenses |
| Other operating expenses | –1,120 | 113 | 540 | 33 | | | –81 | –513 | Other operating expenses |
| Share of profits and losses of equity-method investments | –15 | | | | | 15 | | – | No longer included in operating profit/loss |
| Impairment losses on equity-method investments | –26 | | | | | 26 | | – | No longer included in operating profit/loss |
| Profits and losses of financial investments | 62 | | | | | –62 | | – | No longer included in operating profit/loss |
| **Earnings before interest and taxes (EBIT)** | **361** | | | | | | | **309** | **Operating profit** |
| | | | | | | –41 | | –41 | Share of profits and losses of equity method investments |
| Interest income | 27 | | | | | 62 | 33 | 122 | Other financial result |
| Interest expense | –216 | | | | | | | –217 | Finance costs |
| | | | | | | | | **–137** | **Financial result** |
| **Profit before tax** | **172** | | | | | | | **172** | **Profit before tax** |
| Income tax expense | –377 | | | | | | | –377 | Income tax expense |
| Loss from discontinued operations, net of tax | –308 | | | | | | | –308 | Loss from discontinued operations, net of tax |
| **Loss after tax** | **–513** | | | | | | | **–513** | **Loss after tax** |
| of which attributable to noncontrolling interests | 11 | | | | | | | 11 | of which attributable to noncontrolling interests |
| **of which attributable to shareholders of MAN SE** | **–524** | | | | | | | **–524** | **of which attributable to shareholders of MAN SE** |

The main effects of the change from the income statement structure used by the MAN Group until December 31, 2013, to presentation in accordance with the structure used by Volkswagen are described in the following.

**(1)** Income and expenses from financial services, which were previously presented in other operating income and other operating expenses, were reclassified retrospectively to sales revenue and the cost of sales. See note (6) for further information.

**(2)** Research costs and development costs not eligible for capitalization, and amortization of capitalized development costs, which is included in the cost of inventories, are now recognized in the cost of sales, rather than in other operating expenses as they were until December 31, 2013.

**(3)** Additions to provisions for onerous contracts from executory contracts, which were previously recognized in other operating expenses, are now included in the cost of sales.

**(4)** Order-related distribution expenses, particularly expenses for commissions, freight, and packaging, were previously presented in the cost of sales. Starting in fiscal 2014, these expenses are generally presented in distribution expenses, unless they are closely related to the production process.

**(5)** The profits and losses of equity-method investments and financial investments are no longer included in operating profit/loss as they were until December 31, 2013, due to the change in the definition of operating profit/loss. Instead, they are presented in the financial result.

**(6)** The other changes concern the following areas:

- In the case of hedged sale transactions in which the hedged item in a cash flow hedge affects profit or loss, the portion recognized in accumulated other comprehensive income is now reclassified to other operating income and other operating expenses, instead of to sales revenue as was the case until December 31, 2013.
- Valuation allowances, reversals of valuation allowances, and inventory scrapping are now recognized in the cost of sales, rather than as other operating expenses.
- Gains and losses from the measurement and settlement of standalone derivatives and cash flow hedge ineffectiveness, which were presented in other operating income and other operating expenses until December 31, 2013, are now presented in the other financial result.
- Reversals of provisions and accruals are no longer reported in the costs in which the item was recognized, but in other operating income.
- In the past, warranty costs that were passed on to a supplier were deducted from the cost of sales. Starting in fiscal year 2014, they are presented in other operating income.
- Income and expenses due to changes in exchange rates were previously presented as a net amount in other operating income or other operating expenses. Starting in fiscal 2014, gross figures are presented.
- Currency effects from the measurement of items included in net liquidity are recognized in the financial result. Until December 31, 2013, these effects were presented in other operating income or other operating expenses along with currency effects from receivables and liabilities denominated in foreign currencies.

### c) Changes in statement of cash flows presentation

The statement of cash flows was modified at the beginning of 2014. The presentation has been adapted to the structure used by Volkswagen. The changes mainly affected the following area:

Starting in fiscal 2014, depreciation of assets leased out is reported separately. Changes in tax assets and liabilities are no longer presented separately; instead, they are reported together with other effects in the “Income taxes paid” line item. The income taxes paid in the fiscal year are thus presented in the statement of cash flows. The prior-year figures were adjusted accordingly. Net cash provided by/used in operating activities was not affected by the reclassification.

The following table shows an overview of the adjustments made to the prior-year figures in the MAN Group’s statement of cash flows.

| 2013 (€ million) | Unadjusted | Adjustment | Adjusted |
|---|---|---|---|
| Income taxes paid (previously “Current income taxes”) | – 504 | 388 | – 116 |
| Depreciation of assets leased out | – | 470 | 470 |
| Change in assets leased out | – 186 | – 470 | – 656 |
| Change in tax assets and liabilities | 388 | – 388 | – |
| **Total** | **– 302** | **–** | **– 302** |

## 5 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 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).

Revenue from services is recognized when the services have been rendered. In the case of long-term contracts for services, revenue is recognized on a straight-line basis over the term of the contract or, if services are not rendered on a straight-line basis, based on the stage of completion.

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

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

### b) Operating expenses and income

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

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

### c) Intangible assets

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

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

Expenditures incurred to develop new products and series are capitalized if completion of the products or series is technically and economically feasible, they are intended for use or sale, the expenditures can be measured reliably, and adequate resources are available to complete the development project. Development expenditures that do not meet these criteria and all research expenditures are recognized immediately as expenses. Capitalized development costs are amortized from the date of market rollout. They are generally amortized on a straight-line basis over five to seven years, or for 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. The useful lives of items of property, plant, and equipment are reassessed at each reporting date and adjusted if necessary. Depreciation is mainly based on the following useful lives: buildings (10 to 50 years), leasehold improvements (5 to 33 years), production plant and machinery (3 to 33 years), and other equipment, operating and office equipment (3 to 25 years).

### e) Investment property

Investment property consists of land and buildings held for rental and/or capital appreciation. Like items of property, plant, and equipment, it is measured at cost less accumulated depreciation and impairment losses and (except for land) depreciated by the straight-line method over its estimated useful life. The remaining useful lives of investment property are mainly between 5 and 25 years. The fair value of this investment property is disclosed in the notes; see note (17). 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 in subsequent periods over the estimated useful life or the shorter lease term. At the same time, the lessee recognizes a corresponding financial liability at the present value of the lease payments, 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.

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. It is reported in assets leased out. 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, intangible assets that are not yet ready for their intended use, and goodwill are tested for impairment at least once a year. In such cases, the asset's recoverable amount is first estimated to determine the amount of any impairment loss that may need to be recognized. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. The discount rate used is a current pre-tax market rate of interest.

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

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

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

### j) Nonderivative financial instruments

Financial instruments are contracts that give rise to a financial asset of one company and a financial liability or an equity instrument of another. Nonderivative financial instruments include in particular customer receivables, loans, financial investments, marketable securities, and cash and cash equivalents, as well as financial liabilities and trade payables. 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.

IAS 39 classifies financial assets into the following categories:

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

Financial liabilities are classified into the following categories:

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

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

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 and are not included in hedging relationships are generally carried at amortized cost. In the MAN Group, loans and receivables primarily include customer receivables, other financial assets, and cash and cash equivalents. The future cash flows associated with non- or low-interest-bearing receivables with a remaining term of more than twelve months are discounted using a market rate of interest.

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

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

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

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

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

The fair value of marketable securities is generally their quoted market price. Shares in unconsolidated subsidiaries and financial investments that are not accounted for using the equity method are classified as available-for-sale financial assets. If there is no active market for these companies and fair values cannot be measured without undue effort, they are recognized at cost.

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

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

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

### k) Derivatives

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

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

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

Derivatives that do not meet the IAS 39 hedge accounting criteria are classified as financial assets held for trading and are measured at fair value through profit or loss.

A condition for the application of hedge accounting is that the hedging relationship between the hedged item and the hedging instrument is clearly documented and that the hedge is highly effective. If these criteria are met, MAN 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 other operating income or expenses, respectively. The ineffective portion of the change in fair value is recognized immediately in profit or loss. If the hedging instrument expires, or is sold, terminated, or exercised or if the hedging relationship no longer exists, but the forecast transaction is still expected to occur, the unrealized gains or losses accumulated from the hedging instrument until that point remain in other comprehensive income and are recognized in profit or loss as described above when the hedged forecast transaction affects the income statement. If the originally hedged forecast transaction is no longer expected to occur, the unrealized cumulative gains or losses recognized in other comprehensive income until that point are also recognized in profit or loss.

See note (36) for information on the MAN Group's hedging strategy and the related volumes at the end of the reporting period.

### l) Income taxes

Tax provisions contain obligations resulting from current taxes. Deferred taxes are presented in separate balance sheet and income statement items. Provisions are recognized for potential liabilities arising from tax assessments that have not yet been subject to a final audit by the tax authorities. Recognized income tax items are based on the probable amount of the additional tax payments.

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

Deferred tax assets are only recognized to the extent that taxable income will probably be available to use deductible temporary differences. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances.

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 details on measurement, see note (27). If plan assets exceed the defined benefit obligation, the excess is only recognized as an asset to the extent that it results in a refund from the plan or the reduction of future contributions.

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

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

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

### o) Noncurrent assets held for sale and discontinued operations

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

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

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

### p) 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 and MAN SE, the accompanying consolidated financial statements have been prepared following appropriation of net profit by Truck & Bus GmbH. For further information, see notes (25) and (38).

### q) Prior-period information

See note (4) for information on the adjustments to financial reporting resulting from the integration of the MAN Group into the Volkswagen Group. 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 and may materially affect the Group's net assets, financial position, and results of operations. 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 a substantial degree of judgment and estimates by management.

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

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

Estimating the recoverability of financial assets requires estimates about the extent and probability of occurrence of future events. As far as possible, estimates are derived from past experience. In addition, considerable forecasts and estimates are used to determine the carrying amounts of financial investments recognized at fair value for which there are no quoted market prices. For further details, please see notes (19) and (35).

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

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

Depending on the underlying transaction, the measurement of other provisions and similar obligations may be complex and associated with a considerable degree of estimation uncertainty. Management's assumptions about the timing and amount of settlement are based on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates, possible recoverable amounts, and other factors. Other provisions also include provisions for various project-related risks in connection with the completion of major projects in the Power Engineering business area. 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. 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 (28).

## 6 Divestments and discontinued operations

### Divestments

MAN SE entered into an agreement with VWFS to sell the shares of MAN Finance. MAN Finance primarily operates the sales financing business for MAN Truck & Bus and used to be presented under the "Financial Services" heading in MAN's financial reporting. The transaction was completed on January 1, 2014. See notes (32) and (38) 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 transferred during the transaction were presented as held for sale as of December 31, 2013. The figures were presented in the MAN Truck & Bus segment. The following table provides information about the carrying amounts of these assets and liabilities as of December 31, 2013, and completion of the transaction:

| € 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 |
| Miscellaneous other liabilities | 81 |
| **Liabilities associated with assets held for sale** | **3,525** |

The transaction resulted in a gain in the single-digit millions, after deduction of the costs related to the sale. The net profit from the transaction is presented in other operating income. Due to the sale proceeds of €486 million, the consolidated statement of cash flows for the reporting period includes €415 million related to the sale of MAN Finance.

### Discontinued operations

MAN SE's annual reports for fiscal years 2009 to 2013 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 resulted in income taxes amounting to €277 million and relating primarily to tax risks for the past in fiscal year 2013. The tax interest expenses attributable to this amount came to €94 million and were reported in "Income and expenses" in fiscal 2013. Tax income of €55 million in fiscal 2014 resulted from the original income tax consolidation group with MAN SE and relate primarily to the clarification of differing views regarding taxes for the past in fiscal year 2014. The tax interest income attributable to this amount totals €29 million and is reported in "Income and expenses." In addition, the provision recognized for the maximum potential contractual warranties and guarantees in relation to the Ferrostaal transaction declined in fiscal years 2013 and 2014.

The net results from Ferrostaal recognized in the "Income/loss from discontinued operations, net of tax" are as follows:

| € million | 2014 | 2013 |
|---|---|---|
| Income and expenses | 69 | – 31 |
| Income taxes | 55 | – 277 |
| | **124** | **– 308** |

The consolidated income statements for the periods January 1, 2014, to December 31, 2014, and January 1, 2013, to December 31, 2013, do not contain any other results from this transaction. For the reporting period January 1, 2014, to December 31, 2014, net cash flows from operating activities contain cash flows from discontinued operations amounting to €–370 million. The consolidated statement of cash flows for fiscal year 2013 does not contain any effects from Ferrostaal.

# Income statement disclosures

## 7 Sales revenue

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

### Group sales revenue

| € million | 2014 | 2013 |
|---|---|---|
| Commercial Vehicles | 10,577 | 12,207 |
| Power Engineering | 3,732 | 3,875 |
| Others | – 23 | – 221 |
| | **14,286** | **15,861** |

The sales revenue of the Commercial Vehicles business area primarily contains revenue from the sale of trucks, heavy special-purpose vehicles, and city and intercity buses and coaches.

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 sales revenue from construction contracts amounting to €1,394 million (previous year: €1,535 million).

See note (43) for a presentation of sales revenue by segment.

## 8 Other operating income

| € million | 2014 | 2013 |
|---|---|---|
| Income from reversal of provisions and accruals | 163 | 154 |
| Income from foreign exchange gains | 157 | 135 |
| Income from cost allocations | 30 | 36 |
| Income from reversal of valuation allowances on receivables and other assets | 27 | 22 |
| Gains on disposal of property, plant, and equipment, and intangible assets | 19 | 11 |
| Income from foreign currency hedging derivatives | 9 | 18 |
| Rental and lease income | 9 | 9 |
| Miscellaneous other income | 143 | 157 |
| | **556** | **542** |

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

Miscellaneous other income includes a total of €46 million from the settlement with D&O insurers and the individual settlements with former members of MAN SE's Executive Board and individual Group companies. The resolutions regarding these settlements were adopted in the first half of 2014. Miscellaneous other income also includes government grants of €30 million (previous year: €9 million) for expenses incurred.

## 9 Other operating expenses

| € million | 2014 | 2013 |
|---|---|---|
| Foreign exchange losses | 179 | 182 |
| Losses from foreign currency hedging derivatives | 32 | 3 |
| Valuation allowances on receivables and other assets | 29 | 130 |
| Losses on disposal of noncurrent assets | 4 | 7 |
| Miscellaneous other expenses | 197 | 189 |
| | **441** | **513** |

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

The reduction of valuation allowances on receivables is primarily due to the sale of the financial services arm, MAN Finance. See note (6) for further information.

The other expenses include personnel expenses that cannot be specifically allocated to the functions as well as additions to provisions. For further information on restructuring measures, see note (28).

## 10 Finance costs

| € million | 2014 | 2013 |
|---|---|---|
| Interest and similar expenses | 162 | 243 |
| less: interest expenses reclassified as cost of sales | 0 | – 39 |
| **Interest expense** | **162** | **204** |
| Net interest on the net liability for pensions and other post-employment benefits | 16 | 17 |
| Unwinding of discount and effect of change in discount rate on liabilities and other provisions | 22 | – 4 |
| **Interest cost on liabilities and provisions** | **38** | **13** |
| **Finance costs** | **200** | **217** |

The finance costs primarily contain interest expenses for financial liabilities and the interest cost from unwinding of discounts on liabilities and provisions.

The assumptions used to determine the present value of buyback obligations were reviewed in fiscal year 2014. This resulted in an expense of €18 million from the unwinding of discounts, which is reported in finance costs. The impact on earnings of the amended assumptions in subsequent years will depend on the development of market rates of interest.

## 11 Other financial result

| € million | 2014 | 2013 |
|---|---|---|
| Income from profit and loss transfer agreements | – | 0 |
| Cost of loss absorption | 0 | – 1 |
| Other income from equity investments | 6 | 68 |
| Other expenses from equity investments | 0 | – 6 |
| Income from marketable securities and loans | – | 14 |
| Other interest and similar income | 60 | 14 |
| Gains and losses from remeasurement and impairment of financial instruments | – 29 | 15 |
| Gains and losses from changes in the fair value of derivatives not included in hedge accounting | 5 | 18 |
| Gains and losses from changes in the fair value of hedging transactions included in hedge accounting | 0 | 0 |
| | **42** | **122** |

## 12 Income taxes

The reported tax expense is broken down as follows:

| € million | 2014 | 2013 |
|---|---|---|
| Current tax income/expense, Germany | – 25 | 356 |
| Current tax expense, other countries | 101 | 148 |
| **Current tax expense** | **76** | **504** |
| of which prior-period expense | 20 | 210 |
| Income from reversal of tax provisions | – 3 | – |
| **Current income taxes** | **73** | **504** |
| Deferred tax income/expense, Germany | 61 | – 151 |
| Deferred tax income/expense, other countries | – 34 | 24 |
| **Deferred tax income/expense** | **27** | **– 127** |
| **Income taxes** | **100** | **377** |

The tax expense expected for fiscal 2014 is based on the application of the German tax rate applicable for the 2014 assessment period of 29.8% (previous year: 31.58%) to earnings before tax. This tax rate includes municipal trade tax (13.97%), corporate income tax (15.0%), and the solidarity surcharge (5.5% of the corporate income tax liability). The change in the Group tax rate is due to the profit and loss transfer agreement effective since January 1, 2014, with Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG. As in the previous year, tax rate changes outside Germany did not materially affect the total tax expense in fiscal 2014.

Deferred tax assets in respect of loss carryforwards for corporate income tax and municipal trade tax amounting to €0 million (previous year: €1 million) are currently recognized for German companies. Companies outside Germany have recognized deferred tax assets of €131 million (previous year: €50 million) for their local taxes. A deferred tax asset of €204 million (previous year: €216 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, 2014, for existing tax loss carryforwards of €441 million (previous year: €466 million) and temporary differences of €39 million (previous year: €41 million) due to the low probability of such deferred tax assets being recoverable. Tax loss carryforwards of €85 million (previous year: €100 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 2015 and 2030.

There are temporary differences in connection with shares in subsidiaries for which no deferred taxes of €35 million (previous year: €23 million) were recognized.

Reconciliation of expected to effective income tax:

| € million | 2014 | 2013 |
|---|---|---|
| Profit before tax | 242 | 172 |
| **Expected income tax expense** | **72** | **55** |
| Reconciliation: | | |
| Effect of different tax rates outside Germany | –23 | –37 |
| Proportion of taxation relating to: | | |
| Tax-exempt income | –21 | –26 |
| Expenses not deductible for tax purposes | 29 | 40 |
| Effects of loss carryforwards and tax credits | –9 | –2 |
| Temporary differences for which no deferred taxes were recognized | 8 | 109 |
| Prior-period tax expense | 20 | 210 |
| Effect of tax rate changes | 0 | 24 |
| Nondeductible withholding tax | 6 | 3 |
| Other tax changes | 18 | 1 |
| **Effective income tax expense** | **100** | **377** |
| Effective tax rate in % | 41.3 | 219.4 |

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

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| € million | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Intangible assets | 8 | 17 | 453 | 393 |
| Property, plant, and equipment, and assets leased out | 37 | 18 | 660 | 622 |
| Noncurrent financial assets | 1 | 2 | 12 | 4 |
| Inventories | 59 | 93 | 30 | 39 |
| Receivables and other assets | 90 | 153 | 68 | 84 |
| Pensions and other post-employment benefits | 194 | 171 | 1 | 40 |
| Liabilities and other provisions | 916 | 985 | 50 | 169 |
| Tax loss carryforwards | 145 | 70 | – | – |
| Valuation allowances on deferred tax assets | –26 | –30 | – | – |
| **Gross value** | **1,424** | **1,479** | **1,274** | **1,351** |
| of which noncurrent | 1,086 | 783 | 1,151 | 1,115 |
| Offset | –1,158 | –1,050 | –1,158 | –1,050 |
| Consolidation | 126 | 122 | 20 | 28 |
| **Amount recognized in balance sheet** | **392** | **551** | **136** | **329** |

## 13 Earnings per share

| € million (unless otherwise stated) | 2014 | 2013 |
|---|---|---|
| Profit/loss after tax attributable to shareholders of MAN SE | 254 | – 524 |
| of which: income/loss from discontinued operations, net of tax | 124 | – 308 |
| **Profit/loss from continuing operations attributable to shareholders of MAN SE** | **130** | **– 216** |
| Number of shares outstanding (weighted average, million) | 147.0 | 147.0 |
| **Earnings per share from continuing operations in €** | **0.88** | **– 1.47** |

Earnings per share are calculated by dividing consolidated profit/loss from continuing operations by the average number of shares outstanding in the year. The number of shares outstanding includes both common and preferred shares because both share classes carry the same dividend rights in 2014, as in the previous year.

There were no outstanding options on shares as of December 31, 2014, and December 31, 2013, that dilute earnings per share. Any exercise of MAN SE's contingent capital in future periods will be dilutive.

Earnings per share from discontinued operations were €0.85 (previous year: loss per share of €2.10).

## 14 Other income statement disclosures

### Cost of materials

| € million | 2014 | 2013 |
|---|---|---|
| Cost of raw materials, consumables, and supplies, and of purchased merchandise | 7,171 | 7,926 |
| Cost of purchased services | 736 | 905 |
| | **7,907** | **8,831** |

### Payments under operating leases

| € million | 2014 | 2013 |
|---|---|---|
| Minimum lease payments | 135 | 121 |
| Contingent lease payments | 39 | 42 |
| Payments under subleases | 1 | 2 |
| | **176** | **165** |

### Personnel expenses

| € million | 2014 | 2013 |
|---|---|---|
| Wages and salaries | 2,821 | 2,734 |
| Social security contributions, retirement and other employee benefit expenses | 596 | 609 |
| | **3,417** | **3,343** |

See note (27) for information on expenses from post-employment benefits. They are included in the relevant functional expenses. The net interest expense component of the additions to pension provisions is reported in finance costs, see note (10).

### Average annual headcount

| | 2014 | 2013 |
|---|---|---|
| Performance-related wage-earners | 25,633 | 25,832 |
| Salaried staff | 26,985 | 27,179 |
| | **52,618** | **53,011** |
| of which in the passive phase of partial retirement | 604 | 690 |
| Vocational trainees | 2,969 | 2,988 |
| | **55,587** | **55,999** |

The definition of headcount was adapted in line with Volkswagen's reporting. It comprises active employees, employees in the passive phase of partial retirement, and vocational trainees. It does not include subcontracted employees. The comparable prior-year figures were adjusted accordingly.

### Depreciation and amortization expense

| € million | 2014 | 2013 |
|---|---|---|
| | | |
| Intangible assets | 154 | 169 |
| Property, plant, and equipment | 313 | 314 |
| | **467** | **483** |

### Impairment losses

| € million | 2014 | 2013 |
|---|---|---|
| | | |
| Intangible assets | 12 | – |
| Property, plant, and equipment | 1 | 0 |
| Financial investments and equity-method investments[1] | 0 | 27 |
| | **13** | **27** |

[1] See note (18) for further information.

In fiscal year 2014, borrowing costs of €1 million (previous year: €3 million) were capitalized as part of the cost of qualifying assets. An average capitalization rate of 2.2% was applied (previous year: 3.0%).

## 15 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 | 2014 | 2013 |
|---|---|---|
| | | |
| Audits | 3.4 | 3.2 |
| Other assurance and valuation services | 1.0 | 1.3 |
| Tax advisory services | 0.5 | 0.5 |
| Other services | 4.2 | 2.5 |
| | **9.1** | **7.5** |

The fees charged for work performed by the auditor, PwC, and its affiliated German companies totaled €6.7 million in fiscal 2014 (previous year: €5.5 million). €1.6 million of this amount relates to audits (previous year: €1.5 million), €0.8 million to other assurance and valuation services (previous year: €1.3 million), €0.2 million to tax advisory services (previous year: €0.3 million), and €4.1 million to other services (previous year: €2.4 million).

# Balance sheet disclosures

## 16 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, 2013 | 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 |
| **Balance at January 1, 2014** | **398** | **766** | **760** | **1,924** |
| Change in consolidated Group structure/acquisitions | – 1 | – | – | – 1 |
| Additions | 18 | 211 | – | 229 |
| Transfers | 1 | – | – | 1 |
| Disposals | – 1 | – | – | – 1 |
| Amortization | – 65 | – 89 | – | – 154 |
| Impairment losses | – 1 | – 11 | – | – 12 |
| Currency translation differences | 7 | 1 | 26 | 33 |
| Reclassified as assets held for sale | – | – | – | – |
| **Balance at December 31, 2014** | **357** | **877** | **786** | **2,020** |
| Gross carrying amount at December 31, 2014 | 870 | 1,556 | 863 | 3,290 |
| Accumulated amortization and impairment losses | – 514 | – 679 | – 77 | – 1,270 |

Purchased licenses, software, similar rights and assets, and capitalized development costs are finite-lived assets. Amortization and impairment losses amounted to €166 million (previous year: €169 million) and are included in the functional expenses, in particular cost of sales and selling expenses. The impairment losses reflect in particular the knowledge gained from project changes and the current assessment of the market environment.

### Development costs

| € million | 2014 | 2013 |
|---|---|---|
| Research and noncapitalized development costs | 507 | 459 |
| Amortization of and impairment losses on capitalized development costs | 101 | 81 |
| **Research and development costs reported in the income statement** | **608** | **540** |

Capitalized development costs for in-process development projects that are not subject to amortization amounted to €469 million as of December 31, 2014 (previous year: €352 million).

### Analysis of goodwill

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| MAN Truck & Bus | 230 | 211 |
| MAN Latin America | 469 | 465 |
| MAN Diesel & Turbo | 87 | 84 |
| | **786** | **760** |

Goodwill is allocated to the divisions as shown above.

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

The principal planning assumptions are expected market trends in relation to MAN's development, changes in significant production and other costs, developments in the after-sales business, and the discount rate. Assumptions are based on general market forecasts, current developments, and past experience. The long-term growth rates reflect business- and country-specific circumstances. The long-term growth rate used in fiscal 2014 is a maximum of 1% (previous year: 1%).

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

| WACC | 2014 | 2013 |
|---|---|---|
| MAN Truck & Bus | 9.8% | 11.2% |
| MAN Latin America | 13.2% | 14.5% |
| MAN Diesel & Turbo | 12.6% | 14.7% |

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 2014 and 2013. Recognized goodwill is also recoverable if the growth forecast or the discount rate varies by –/+ 0.5 percentage points.

## 17 Property, plant, and equipment

| € million | Land and buildings | Production plant and machinery | Other plant, operating and office equipment | Prepayments and construction in progress | Investment property | Property, plant, and equipment |
|---|---|---|---|---|---|---|
| Gross carrying amount at January 1, 2013 | 1,889 | 1,838 | 1,533 | 162 | 106 | 5,529 |
| Accumulated depreciation and impairment losses | – 899 | – 1,209 | – 1,083 | – 6 | – 85 | – 3,284 |
| **Balance at January 1, 2013** | **990** | **629** | **450** | **156** | **20** | **2,245** |
| Change in consolidated Group structure/ acquisitions | 1 | 0 | 0 | 0 | – | 1 |
| Additions | 40 | 60 | 141 | 112 | 0 | 352 |
| Transfers | 13 | 64 | 24 | – 101 | 0 | – 1 |
| Disposals | – 20 | – 2 | – 28 | – 1 | 0 | – 51 |
| Reversals of impairment losses | 1 | – | – | 2 | – | 3 |
| Depreciation | – 55 | – 126 | – 131 | – 1 | – 1 | – 314 |
| Impairment losses | 0 | – | – | – | – | 0 |
| Currency translation differences | – 18 | – 13 | – 17 | – 1 | – | – 49 |
| Reclassified as assets held for sale | – 11 | 0 | – 1 | 0 | – | – 12 |
| **Balance at December 31, 2013** | **941** | **612** | **436** | **166** | **19** | **2,174** |
| Gross carrying amount at December 31, 2013 | 1,846 | 1,889 | 1,523 | 170 | 107 | 5,534 |
| Accumulated depreciation and impairment losses | – 905 | – 1,277 | – 1,086 | – 4 | – 88 | – 3,360 |
| **Balance at January 1, 2014** | **941** | **612** | **436** | **166** | **19** | **2,174** |
| Change in consolidated Group structure/ acquisitions | 0 | 0 | 1 | – | – | 0 |
| Additions | 29 | 80 | 97 | 170 | – | 376 |
| Transfers | 33 | 53 | 33 | – 123 | 0 | – 4 |
| Disposals | – 12 | – 6 | – 5 | 0 | – 1 | – 23 |
| Reversals of impairment losses | 0 | – | – | 0 | – | 1 |
| Depreciation | – 53 | – 122 | – 132 | – 5 | – 1 | – 313 |
| Impairment losses | 0 | – | – | – 1 | – | – 1 |
| Currency translation differences | 1 | 5 | 2 | 0 | – | 9 |
| Reclassified as assets held for sale | – | – | – | – | – | – |
| **Balance at December 31, 2014** | **939** | **622** | **432** | **208** | **17** | **2,217** |
| Gross carrying amount at December 31, 2014 | 1,893 | 1,991 | 1,611 | 213 | 101 | 5,809 |
| Accumulated depreciation and impairment losses | – 954 | – 1,368 | – 1,179 | – 6 | – 84 | – 3,591 |

Special tools and equipment amounting to €156 million (December 31, 2013: €178 million), which were previously allocated to production plant and machinery, are allocated to operating and office equipment as of fiscal year 2014. The prior-year figures were adjusted accordingly.

Depreciation and impairment losses on items of property, plant, and equipment amounted to €315 million (previous year: €314 million) and are included in the functional expenses, in particular cost of sales.

The items of property, plant, and equipment that are classified as finance leases amounted to €3 million (previous year: €5 million). These relate primarily to land and buildings.

The following table shows the future lease payments due together with their present values.

| 2014 (€ million) | up to 1 year | 1–5 years | > 5 years | Total |
|---|---|---|---|---|
| Lease payments | 1 | 3 | – | **4** |
| Interest components | 0 | 0 | – | **0** |
| Present values | 1 | 3 | – | **4** |

| 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** |

Future lease payments due are not offset by any minimum lease payments expected to be received from subleases (previous year: €1 million).

The carrying amount of investment property amounted to €17 million as of December 31, 2014 (previous year: €19 million), compared with a fair value of €54 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). Rental income of €4 million (previous year: €4 million) and directly attributable operating costs of €2 million (previous year: €2 million) were generated from leasing out investment property. Further directly attributable operating costs of €2 million (previous year: €2 million) related to investment property from which no rental income was generated.

## 18 Equity-method investments

### Associates

The most significant equity-method investment as of December 31, 2014, is the Sinotruk Ltd., Hong Kong/China, associate (Sinotruk).

**Sinotruk**

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

The quoted market value of MAN's equity interest in Sinotruk amounted to €317 million as of December 31, 2014 (previous year: €281 million). No impairment of the investment in Sinotruk was identified on the basis of the impairment test as of December 31, 2014, and December 31, 2013.

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

### Balance sheet

| € million | 2014 [1] | 2013 [2] |
|---|---|---|
| Noncurrent assets | 1,922 | 2,065 |
| Current assets | 4,112 | 3,694 |
| **Total assets** | **6,034** | **5,759** |
| Noncurrent liabilities and provisions | 168 | 605 |
| Current liabilities and provisions | 3,377 | 2,580 |
| **Total liabilities and provisions** | **3,545** | **3,185** |
| **Net assets** | **2,490** | **2,574** |

[1] Fiscal 2014: Amounts shown relate to the reporting period ended June 30, 2014.
[2] Fiscal 2013: Amounts shown relate to the reporting period ended June 30, 2013.

### Statement of comprehensive income

| € million | 2014 [1] | 2013 [2] |
|---|---|---|
| Sales revenue | 3,886 | 3,417 |
| Profit/loss after tax from continuing operations | 70 | 30 |
| Other comprehensive income | –1 | –2 |
| **Total comprehensive income** | **69** | **28** |
| Dividends received | 3 | 1 |

[1] Fiscal 2014: Amounts shown relate to the reporting period from July 1, 2013, to June 30, 2014.
[2] Fiscal 2013: Amounts shown relate to the reporting period from July 1, 2012, to June 30, 2013.

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

| € million | 2014 | 2013 |
|---|---|---|
| Net assets | 2,490 | 2,574 |
| Noncontrolling interests | 236 | 233 |
| Net assets attributable to shareholders | 2,254 | 2,341 |
| Interest held by MAN in %[1] | 25 | 25 |
| **Net assets attributable to the MAN Group** | **563** | **585** |
| Impairment losses | – 190 | – 190 |
| Goodwill, effect of purchase price allocation, currency translation differences, and other changes | 42 | 8 |
| **Carrying amount at December 31** | **415** | **404** |

[1] 25% plus one share.

### Other associates

The carrying amounts of other associates amounted to €56 million as of December 31, 2014 (December 31, 2013: €59 million). The following table contains summarized financial information on the other associates; the disclosures relate in all cases to the Group's share of the investees:

| € million | 2014[1] | 2013[2] |
|---|---|---|
| Profit/loss after tax from continuing operations | 2 | – 18 |
| Other comprehensive income for the period | 2 | – 1 |
| **Total comprehensive income for the period** | **4** | **– 19** |

[1] Fiscal 2014: Amounts shown relate to the reporting period from October 1, 2013, to September 30, 2014.
[2] Fiscal 2013: Amounts shown relate to the reporting period from October 1, 2012, to September 30, 2013.

The 49% interest in the Rheinmetall MAN Military Vehicles GmbH, Munich, (RMMV) associate is also accounted for using the equity method and presented in the MAN Truck & Bus segment. The equity method is applied with a three-month delay. The 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 "Share of profits and losses of 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.

There are no unrecognized losses in connection with the investments in associates or contingent liabilities to associates.

## 19 Financial investments

Financial investments relate to shares in unconsolidated affiliated companies and other equity investments.

MAN reports shares of Scania AB, Södertalje/Sweden (Scania), as a material financial investment. This is classified as an available-for-sale financial asset. See note (35) for further information.

In the previous year, the other financial result included dividend income of €59 million from the investment in Scania (2014: –).

## 20 Assets leased out

| € million | 2014 | 2013 |
|---|---|---|
| Gross carrying amount at January 1 | 3,609 | 3,676 |
| Accumulated depreciation | – 1,126 | – 1,175 |
| **Balance at January 1** | **2,483** | **2,501** |
| Change in consolidated Group structure/acquisitions | 0 | 110 |
| Additions | 1,083 | 974 |
| Disposals | – 478 | – 318 |
| Depreciation | – 423 | – 470 |
| Currency translation differences and other changes | 13 | – 41 |
| Reclassified as assets held for sale | – | – 273 |
| **Balance at December 31** | **2,677** | **2,483** |
| Gross carrying amount at December 31 | 3,688 | 3,609 |
| Accumulated depreciation | – 1,010 | – 1,126 |

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. Some of the figures for the previous year in the table above have been adjusted.

**Future revenue from noncancelable operating leases**

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Due within one year | 558 | 510 |
| Due between one and five years | 789 | 697 |
| Due after more than five years | 23 | 34 |
| | **1,370** | **1,241** |

For sales with buyback options, the customer payments still to be received by the date of expected return are recognized as future revenue.

## 21 Inventories

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Raw materials, consumables, and supplies | 445 | 458 |
| Work in progress | 908 | 897 |
| Finished goods and purchased merchandise | 1,632 | 1,656 |
| Prepayments | 110 | 102 |
| | **3,095** | **3,112** |

Consumption of inventories amounting to €7,171 million (previous year: €7,926 million) is recognized as cost of sales in the reporting period. The impairment loss amounted to €29 million (previous year: €93 million).

## 22 Trade receivables

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Customer receivables | 1,983 | 2,031 |
| PoC receivables | 180 | 241 |
| Receivables from affiliated companies | 71 | 74 |
| | **2,234** | **2,346** |

€3 million of the trade receivables (previous year: €17 million) is due between one and five years. The remaining €2,231 million (previous year: €2,329 million) is due in less than one year.

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 €4 million (previous year: €17 million). The corresponding liabilities are contained in financial liabilities; see note (26).

PoC receivables recognized using the percentage of completion method are calculated as follows:

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Contract costs and proportionate contract profit/loss of construction contracts | 1,128 | 1,429 |
| Exchange rate effects | 6 | – 3 |
| **PoC receivables, gross** | **1,134** | **1,426** |
| Prepayments received | – 954 | – 1,185 |
| | **180** | **241** |

Other prepayments of €380 million (previous year: €362 million) received on construction contracts for which no contract costs have yet been incurred are recognized as liabilities.

Revenue from construction contracts amounted to €1,394 million (previous year: €1,535 million). Orders and part-orders billed to customers are reported in customer receivables.

## 23 Other financial assets

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Positive fair value of derivatives | 57 | 54 |
| Claim against Truck & Bus GmbH for absorption of the net loss of MAN SE under German GAAP | – | 724 |
| Receivables from loans, bonds, profit participation rights (excluding interest) | 606 | 1,182 |
| Other financial assets | 116 | 90 |
| | **778** | **2,049** |

Other financial assets are reported as follows:

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Other noncurrent financial assets | 482 | 692 |
| Other current financial assets | 296 | 1,357 |

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

Other financial assets amounting to €482 million (previous year: €692 million) are due after more than one year, including €2 million (previous year: €6 million) due after more than five years. The remaining €296 million (previous year: €1,357 million) is due in less than one year.

## 24 Other receivables

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Recoverable income taxes | 596 | 466 |
| Miscellaneous receivables | 295 | 269 |
| | **891** | **735** |

Other receivables are reported in the following balance sheet items:

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Other noncurrent receivables | 156 | 141 |
| Other current receivables | 735 | 595 |

## 25 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 commercial register on July 16, 2013, common and preferred shareholders will be paid a compensatory or guaranteed dividend within the meaning of section 304 of the *Aktiengesetz* (AktG — German Stock Corporation Act). 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 AktG, 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 (26), 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 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.

### c) Reserves

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

A dividend of €0.14 per share carrying dividend rights, amounting to a total of €21 million, was distributed from the net retained profits of MAN SE.

The €486 million net income before profit transfer was transferred to Truck & Bus GmbH in accordance with the domination and profit and loss transfer agreement entered into in fiscal 2013.

Based on the domination and profit and loss transfer agreement, starting in fiscal 2014 MAN SE no longer distributes dividends. Instead, Truck & Bus GmbH will pay each free float shareholder of MAN the contractually agreed cash compensation payment of €3.07 per share.

### d) Other comprehensive income

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Currency translation differences | – 158 | – 267 |
| Fair value measurement of marketable securities and financial investments | 878 | 293 |
| Fair value of derivatives | – 37 | – 22 |
| Pension plan remeasurements | – 707 | – 475 |
| Other comprehensive income for the period from equity-method investments | – 8 | – 3 |
| Deferred taxes | 186 | 124 |
| | **152** | **– 350** |

Of the deferred taxes of €186 million (previous year: €124 million), €185 million (previous year: €115 million) is attributable to remeasurements of pension plans, €12 million (previous year: €11 million) is attributable to the measurement of derivatives, and €–11 million (previous year: €–2 million) to the fair value measurement of marketable securities and financial investments.

In the previous year, €–12 million of the total other comprehensive income of €–350 million was attributable to assets held for sale. For further information, see note (6).

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

| € million | 2014 before tax | 2014 tax effect | 2014 after tax | 2013 before tax | 2013 tax effect | 2013 after tax |
|---|---|---|---|---|---|---|
| **Items that will not be reclassified to profit or loss** | | | | | | |
| Pension plan remeasurements | – 238 | 72 | – 166 | 124 | – 35 | 89 |
| Other comprehensive income for the period from equity-method investments | – 3 | – | – 3 | – | – | – |
| **Items that will be reclassified subsequently to profit or loss** | | | | | | |
| Currency translation differences | 94 | – | 94 | – 372 | – | – 372 |
| Unrealized gains and losses from the fair value measurement of marketable securities and financial investments | 585 | – 9 | 576 | – 170 | 3 | – 167 |
| Reclassification of realized gains and losses to profit or loss | – | – | – | – | – | – |
| Fair value measurement of marketable securities and financial investments | 585 | – 9 | 576 | – 170 | 3 | – 167 |
| Unrealized gains and losses from the fair value measurement of derivatives | – 39 | 4 | – 35 | 1 | 0 | 1 |
| Reclassification of realized gains and losses to profit or loss | 23 | – 3 | 20 | – 16 | 4 | – 12 |
| Fair value of derivatives | – 16 | 1 | – 15 | – 15 | 4 | – 11 |
| Unrealized other comprehensive income for the period from equity-method investments | 2 | – | 2 | – 4 | – | – 4 |
| Reclassification of realized gains and losses to profit or loss | – | – | – | – | – | – |
| Other comprehensive income for the period from equity-method investments | 2 | – | 2 | – 4 | – | – 4 |
| **Other comprehensive income** | **425** | **64** | **489** | **– 437** | **– 28** | **– 465** |

A net amount of €–2 million (previous year: €1 million) of pension plan remeasurements, €1 million (previous year: €0 million) of exchange differences on translating foreign operations, and €–1 million (previous year: €0 million) of the fair value measurement of derivatives is attributable to noncontrolling interests.

In connection with the sale of MAN Finance, €–10 million was reclassified from other comprehensive income to profit or loss.

### e) Noncontrolling interests

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

| € million | 2014 | 2013 |
|---|---|---|
| **Interest attributable to noncontrolling interest shareholders** | **24** | **24** |
| Noncurrent assets | 185 | 163 |
| Current assets | 404 | 417 |
| **Total assets at December 31** | **589** | **581** |
| Noncurrent liabilities and provisions | 34 | 19 |
| Current liabilities and provisions | 228 | 259 |
| **Total liabilities and provisions at December 31** | **262** | **278** |
| **Net assets** | **327** | **302** |
| Carrying amount attributable to noncontrolling interest shareholders | 79 | 76 |
| | | |
| Sales revenue | 480 | 485 |
| Profit after tax | 49 | 43 |
| Other comprehensive income | – 10 | 7 |
| **Total comprehensive income** | **38** | **50** |
| Net income attributable to noncontrolling interest shareholders | 12 | 11 |
| Other comprehensive income attributable to noncontrolling interest shareholders | – 2 | 1 |
| Dividends allocated to noncontrolling interest shareholders | 3 | 3 |
| | | |
| Net cash provided by operating activities | 35 | 85 |
| Net cash used in investing activities | – 38 | – 29 |
| Net cash used in financing activities | – 14 | – 14 |
| **Net change in cash and cash equivalents** | **– 16** | **42** |

### f) Capital management

The primary objective of capital management in the MAN Group is to ensure that the Group has the financial flexibility required to achieve its business and growth targets and to continuously and sustainably increase its enterprise value. Due to the inclusion of the MAN Group in the Volkswagen Group's internal management process, the management also focuses on generating the minimum return on invested assets that is required by the capital markets. To this end, the capital structure is managed in a targeted manner, while maintaining a constant overview of economic conditions. In order to maximize the use of resources and measure the success of this, since fiscal 2014 MAN SE has been using return on investment (ROI), which, like the delta to the cost of capital (ROCE – WACC) used until December 31, 2013, is a control variable linked to the capital employed.

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Equity | 5,485 | 5,227 |
| Pensions and other post-employment benefits | 603 | 452 |
| Financial liabilities | 2,485 | 3,627 |
| **Capital employed** | **8,573** | **9,306** |

In fiscal year 2014, the capital employed declined by €733 million or 7.9% compared with the previous year. This is primarily attributable to the €1.1 billion decline in financial liabilities resulting from the bond repayments of €860 million, among other things. The €258 million increase in equity had an offsetting effect. The positive comprehensive income of €757 million less dividends and profit transfer of €511 million is largely responsible for this increase in equity. The increase in pensions and other post-employment benefits also had an offsetting effect of €151 million, largely due to the reduction in the discount rate.

MAN SE's Articles of Association do not stipulate any capital requirements.

## 26 Financial liabilities

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Bonds | 1,866 | 2,724 |
| Liabilities to banks | 469 | 598 |
| Liabilities from loans | 32 | 23 |
| Other liabilities to affiliated companies | 114 | 278 |
| Liabilities under finance leases | 4 | 5 |
| | **2,485** | **3,627** |

Financial liabilities are reported in the following balance sheet items:

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Noncurrent financial liabilities | | |
| due after more than one year | 1,500 | 2,267 |
| of which: due after more than five years | 9 | 6 |
| Current financial liabilities | | |
| due within one year | 985 | 1,360 |

The following bonds are currently outstanding under the €5 billion EMTN program that was launched in 2009:

| Instrument | € million | Interest rate | Issue date | Maturity | Carrying amount 12/31/2014 | Fair value 12/31/2014 |
|---|---|---|---|---|---|---|
| Private placement | 120 | variable | 4/8/2013 | 4/8/2015 | 120 | 120 |
| Publicly offered bonds | 500 | 1.000% | 9/21/2012 | 9/21/2015 | 499 | 503 |
| Publicly offered bonds | 500 | 7.250% | 5/20/2009 | 5/20/2016 | 499 | 548 |
| Publicly offered bonds | 750 | 2.125% | 3/13/2012 | 3/13/2017 | 748 | 783 |
| | **1,870** | | | | **1,866** | **1,954** |

In addition, there are two promissory note loans in the total amount of €19 million expiring in 2019 (amortizing) that bear an interest rate of 6.76%.

An internal cash line of €1.5 billion expiring in December 2016 and a perpetual cash line of €1 billion were agreed with Volkswagen AG, but have not been utilized.

As announced, the cooperation with rating agency Moody's was ended at the end of March 2014. Due to the domination and profit and loss transfer agreement, MAN's credit quality is now considered by both rating agencies and investors to be on a level with that of Volkswagen.

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

Repayment of the publicly offered bonds (€1.75 billion) and the privately placed note (€120 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 promissory note loans issued in the amount of €19 million can be terminated with immediate effect if one or more persons acting in concert acquire the majority of voting rights in MAN SE.

## 27 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 €166 million in 2014 (previous year: €163 million). Of this total amount, contributions of €156 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 | 2014 | 2013 |
|---|---|---|
| Present value of funded obligations | 2,739 | 2,361 |
| Fair value of plan assets | – 2,258 | – 2,007 |
| **Funded status at December 31** | **481** | **354** |
| Present value of unfunded obligations | 121 | 97 |
| Amount not recognized as an asset because of the ceiling in IAS 19 | 0 | 0 |
| **Carrying amounts at December 31** | **602** | **451** |
| of which: pension provisions | 603 | 452 |
| of which: other assets | – 1 | – 1 |

## 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 management studies form the basis for investment and risk management. The investment risk is being successively reduced as part of a defined derisking strategy as funding ratios improve.

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

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[1] | |
|---|---|---|---|---|
| in % | 2014 | 2013 | 2014 | 2013 |
| Discount rate at December 31 | 2.30 | 3.70 | 3.07 | 3.69 |
| Payroll trend | 3.30 | 3.32 | 2.63 | 2.55 |
| Pension trend | 1.80 | 1.80 | 1.46 | 1.63 |
| Employee turnover rate | 4.55 | 4.65 | 4.32 | 6.21 |

[1] Weighted average rates.

The biometric parameters are based on current country-specific mortality tables. For Germany, the 2005 G mortality tables issued by Prof. Klaus Heubeck were adjusted in line with MAN-specific empirical values. In the United Kingdom and Switzerland, the "S2PA CMI_2013 1.25%" 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 | 2014 | 2013 |
|---|---|---|
| Present value of DBO at January 1 | 2,458 | 2,365 |
| Current service cost | 74 | 72 |
| Interest cost | 90 | 78 |
| Actuarial gains (–)/losses (+) arising from changes in demographic assumptions | – 13 | 0 |
| Actuarial gains (–)/losses (+) arising from changes in financial assumptions | 328 | – 87 |
| Actuarial gains (–)/losses (+) arising from experience adjustments | – 16 | 7 |
| Employee contributions to plan assets | 14 | 15 |
| Pension payments from company assets | – 28 | – 27 |
| Pension payments from plan assets | – 79 | – 79 |
| Past service cost (including plan curtailments) | – 7 | – |
| Gains (–) or losses (+) arising from plan settlements | 0 | – |
| Change in consolidated Group structure | – 1 | – |
| Reclassified as liabilities associated with assets held for sale | – | – 10 |
| Other changes | 10 | 139 |
| Currency translation differences from foreign plans | 30 | – 15 |
| **Present value of DBO at December 31** | **2,859** | **2,458** |

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 | | 12/31/2014 € million | 12/31/2014 % | 12/31/2013 € million | 12/31/2013 % |
|---|---|---|---|---|---|
| Discount rate | is 0.5 percentage points higher | 2,695 | – 5.74 | 2,324 | – 5.45 |
| | is 0.5 percentage points lower | 3,044 | 6.46 | 2,608 | 6.12 |
| Payroll trend | is 0.5 percentage points higher | 2,874 | 0.51 | 2,471 | 0.53 |
| | is 0.5 percentage points lower | 2,846 | – 0.47 | 2,446 | – 0.48 |
| Pension trend | is 0.5 percentage points higher | 2,979 | 4.19 | 2,563 | 4.26 |
| | is 0.5 percentage points lower | 2,751 | – 3.79 | 2,378 | – 3.23 |
| Longevity | increases by 1 year | 2,925 | 2.29 | 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: 12 years).

The present value of the defined benefit obligation is attributable as follows to the members of the plan:

| € million | 2014 | 2013 |
|---|---|---|
| Active members | 1,280 | 1,070 |
| Former members | 297 | 257 |
| Pensioners | 1,282 | 1,131 |
| **Total** | **2,859** | **2,458** |

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 | 2014 | 2013 |
|---|---|---|
| Payments due within one year | 120 | 114 |
| Payments due between one and five years | 442 | 392 |
| Payments due after more than five years | 2,297 | 1,952 |
| **Total** | **2,859** | **2,458** |

Changes in plan assets are shown in the following table:

| € million | 2014 | 2013 |
|---|---|---|
| Plan assets at January 1 | 2,007 | 1,775 |
| Interest income on plan assets calculated using the discount rate | 75 | 61 |
| Return on plan assets not included in interest income | 67 | 50 |
| Employer contributions to plan assets | 151 | 67 |
| Employee contributions to plan assets | 9 | 15 |
| Pension payments from plan assets | – 79 | – 79 |
| Change in consolidated Group structure | 0 | – |
| Reclassified as liabilities associated with assets held for sale | – | – 6 |
| Other changes | 0 | 138 |
| Currency translation differences from foreign plans | 28 | – 14 |
| **Plan assets at December 31** | **2,258** | **2,007** |

The investment of plan assets resulted in income of €142 million (previous year: €111 million), of which €92 million (previous year: €73 million) was attributable to Germany and €50 million (previous year: €38 million) to other countries.

Employer contributions to plan assets are expected to amount to €60 million in the next annual reporting period (previous year: €66 million).

Plan assets are invested in the following asset classes:

| € million | 12/31/2014 Quoted prices in active markets | 12/31/2014 No quoted prices in active markets | 12/31/2014 Total | 12/31/2013 Quoted prices in active markets | 12/31/2013 No quoted prices in active markets | 12/31/2013 Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 70 | – | 70 | 34 | – | 34 |
| Equity instruments | 55 | – | 55 | 57 | – | 57 |
| Debt instruments | 187 | – | 187 | 139 | – | 139 |
| Direct investments in real estate | – | 75 | 75 | – | 71 | 71 |
| Equity funds | 511 | – | 511 | 377 | – | 377 |
| Bond funds | 729 | – | 729 | 780 | – | 780 |
| Real estate funds | 28 | – | 28 | 27 | 1 | 28 |
| Other funds | 70 | 2 | 72 | 17 | 2 | 19 |
| Other instruments | 13 | 518 | 531 | 41 | 461 | 502 |
| **Fair value of plan assets** | **1,664** | **594** | **2,258** | **1,472** | **535** | **2,007** |

29% (previous year: 33%) of the plan assets are invested in German assets, 56% (previous year: 52%) in other European assets and 14% (previous years: 15%) in assets in other regions.

### d) Pension expense

The following amounts were recognized in the income statement:

| € million | 2014 | 2013 |
|---|---|---|
| Current service cost | 74 | 72 |
| Net interest expense (+)/income (–) | 16 | 17 |
| Past service cost (including plan curtailments) | – 7 | – |
| Gains (–) or losses (+) arising from plan settlements | 0 | – |
| **Total** | **82** | **89** |

## 28 Other provisions

| € million | As of 12/31/2013 | Change in consolidated Group structure, currency translation | Utilization | Additions | Reversals | Interest unwinding and change in discount rate | As of 12/31/2014 |
|---|---|---|---|---|---|---|---|
| Warranties | 853 | 3 | – 194 | 294 | – 80 | 0 | 875 |
| Outstanding costs | 265 | 2 | – 91 | 73 | – 17 | 0 | 233 |
| Obligations to employees | 128 | 1 | – 31 | 59 | – 19 | 2 | 140 |
| Other obligations arising from operating activities | 213 | 1 | – 103 | 74 | – 10 | 0 | 176 |
| Miscellaneous provisions | 493 | 3 | – 296 | 199 | – 78 | 1 | 320 |
| | **1,952** | **10** | **– 716** | **699** | **– 203** | **3** | **1,745** |

Other provisions are reported in the following balance sheet items:

| € million | 12/31/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| | Noncurrent | Current | Noncurrent | Current |
| Warranties | 408 | 467 | 383 | 470 |
| Outstanding costs | 47 | 186 | 43 | 222 |
| Obligations to employees | 100 | 40 | 108 | 20 |
| Other obligations arising from operating activities | 80 | 96 | 101 | 112 |
| Miscellaneous provisions | 24 | 296 | 8 | 485 |
| | **659** | **1,086** | **644** | **1,308** |

Provisions for warranty obligations are recognized for statutory and contractual guarantee obligations and for ex gratia settlements with customers. The timing of settlement of provisions for warranties depends on the occurrence of the warranty claim and may extend to the entire warranty and ex gratia settlement period. Provisions for outstanding costs are recognized for services still to be provided for customer contracts and contract elements already billed, and for obligations under maintenance and service contracts. Obligations to employees relate to anniversary payments, termination benefits, and partial retirement obligations. Miscellaneous other provisions relating to operating activities relate to provisions for expected losses from onerous contracts as well as other obligations. The miscellaneous provisions relate to obligations in the single-digit millions arising from the restructuring measures for the bus plants in Plauen and Poznan announced in 2014.

Other obligations arising from operating activities 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. A significant proportion of these provisions had been used as of December 31, 2014. See note (31) for further information.

## 29 Other financial liabilities

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Liabilities from buyback obligations | 1,813 | 1,718 |
| Liabilities from the profit and loss transfer agreement and tax allocation procedure with Truck & Bus GmbH | 378 | – |
| Negative fair value of derivatives | 72 | 65 |
| Interest payable | 41 | 40 |
| Miscellaneous other financial liabilities | 70 | 95 |
| | **2,374** | **1,918** |

The liabilities from buyback obligations originate from sales of commercial vehicles accounted for as operating leases because of a buyback agreement. For further information, see notes (32) and (33).

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

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

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Other noncurrent financial liabilities | 1,204 | 1,163 |
| Other current financial liabilities | 1,169 | 755 |

Of the other noncurrent liabilities, €38 million (previous year: €35 million) is due in more than five years.

## 30 Other liabilities

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Deferred purchase price payments for assets leased out | 1,370 | 1,241 |
| Miscellaneous other tax payables | 335 | 306 |
| Payroll liabilities | 280 | 323 |
| Liabilities related to social security contributions | 24 | 22 |
| Miscellaneous other liabilities | 55 | 72 |
| | **2,063** | **1,964** |

Other liabilities are reported in the following balance sheet items:

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Other noncurrent liabilities | 956 | 861 |
| Other current liabilities | 1,107 | 1,103 |

Of the other noncurrent liabilities, €136 million (previous year: €52 million) is due in more than five years.

# Other disclosures

## 31 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 (28) 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. In November 2014, the European Commission sent MAN and the other commercial vehicle manufacturers concerned the statement of objections, informing the companies concerned of the claims brought against them. MAN is continuing to cooperate in full with the European Commission. As of December 31, 2014, MAN had not recognized any provisions for these proceedings. The antitrust investigation of several commercial vehicle manufacturers that was also launched in 2011 by the South Korean antitrust authorities was terminated at the end of 2013 with the imposition of administrative fines on all the manufacturers involved. An administrative fine of €2 million was imposed on MAN Truck & Bus Korea Ltd. MAN filed an appeal against this fine with the competent court at the start of 2014.

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.

## 32 Contingent liabilities

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Contingent liabilities under guarantees | 80 | 89 |
| Other contingent liabilities | 188 | 105 |

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 €54 million (previous year: €78 million). MAN's guarantees for Ferrostaal are largely covered by indemnities, depending on the origination date of the guarantee.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist for MAN Latin America in particular. It is not currently considered likely that a claim will be made against MAN Latin America in connection with these liabilities. These liabilities are also largely covered by indemnities. An additional tax case is expected to have a favorable outcome for MAN Latin America. This relates to differing assessments with regard to the tax issues arising in the year that the Brazilian arm of the company was acquired.

Customer liabilities to financing companies that finance the purchase of the Group's products are covered by standard industry buyback guarantees, under which MAN Truck & Bus is obliged to buy back vehicles from the financing company in the event of default. As of December 31, 2013, liabilities of €111 million related to vehicles. MAN Finance, which primarily operates the sales financing business for MAN Truck & Bus, was sold to VWFS on January 1, 2014. See note (6) for further information. Due to this transaction, the liabilities to MAN Finance under buyback guarantees were reported for the first time in fiscal 2014. The maximum expenses under buyback guarantees amounted to €1,398 million as of December 31, 2014. However, based on experience, the majority of these guarantees expire without being drawn upon.

There are various project-related risks in connection with the completion of major projects at MAN Diesel & Turbo. Claims in connection with these risks are currently considered unlikely though a net risk position for MAN Diesel & Turbo cannot be ruled out. The assessment of these risks will change in line with new information and increasing progress.

MAN Finance, which was sold to VWFS on January 1, 2014, had proportionate additional payment obligations in the event of losses at an associate in the previous year.

Any recourse claims are not offset in the measurement of the contingent liabilities disclosed.

## 33 Other financial obligations

Other financial obligations include rental and lease obligations. The future rental and lease obligations under operating leases are due as follows until expiration of the lease terms:

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| | | |
| Due within one year | 142 | 132 |
| Due between one and five years | 332 | 321 |
| Due after more than five years | 356 | 385 |
| | **830** | **838** |

Rental and lease obligations contain the sale of leased vehicles and are partly offset by future income from subleases amounting to €2 million (previous year: €5 million).

Purchase commitments for items of property, plant, and equipment amounted to €241 million at the end of the reporting period (previous year: €193 million). Purchase commitments for intangible assets amounted to €3 million (previous year: €4 million). Purchase commitments for services amounted to €332 million (previous year: €266 million).

## 34 Statement of cash flows

The statement of cash flows classifies cash flows into cash flows from operating, investing, and financing activities. The effects of changes in the consolidated Group structure and of exchange rate changes are eliminated in the corresponding line items. The change in cash and cash equivalents attributable to changes in exchange rates is presented in a separate line item. Cash flow from operating activities is reported using the indirect method.

Noncash operating expenses and income, as well as gains and losses from asset disposals, are eliminated in cash flow from operating activities. The change in assets leased out and in the customer payments received for them is allocated to cash flow from operating activities.

Cash flow from investing activities includes additions to property, plant, and equipment, intangible assets and equity investments, capitalized development costs, and investments in securities and loans. Payments received from these positions are offset. Payments from the disposal of subsidiaries are reported net of cash disposed.

Cash flow from financing activities is composed of the following cash transactions: dividends paid, absorption of the loss for fiscal 2013 by Truck & Bus GmbH, issuance and repayment of bonds, and the change in other financial liabilities.

The cash and cash equivalents reported in the statement of cash flows correspond to the cash and cash equivalents recognized in the balance sheet.

In 2014, cash flows from operating activities include interest received amounting to €50 million (previous year: €28 million) and interest paid amounting to €341 million (previous year: €207 million). In addition, the share of profits and losses of equity-method investments includes dividends amounting to €9 million (previous year: €6 million). Dividends received from financing activities amounted to €5 million (previous year: €68 million).

Based on the domination and profit and loss transfer agreement between Truck & Bus GmbH and MAN SE, the loss of €724 million for fiscal 2013 was absorbed on March 14, 2014. The loss absorption was recognized in net cash provided by financing activities.

For information regarding cash flows from discontinued operations, see note (6).

## 35 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.

Financial instruments are divided into the following classes:

- financial instruments measured at fair value,
- financial instruments measured at amortized cost, and
- financial instruments not falling within the scope of IFRS 7.

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments, as well as the allocation of the balance sheet items to the measurement categories.

| | IAS 39 measurement categories[1] | Measured at fair value | Measured at amortized cost | | Not within the scope of IFRS 7 | Balance sheet item at 12/31/2014 |
|---|---|---|---|---|---|---|
| € million | | Carrying amount | Carrying amount | Fair value | Carrying amount | |
| **Noncurrent assets** | | | | | | |
| Equity-method investments | n/a | – | – | – | 471 | 471 |
| Financial investments | AfS | 2,071 | 42 | – | – | 2,113 |
| Other financial assets | | 42 | 440 | 440 | – | 482 |
| At fair value through profit or loss | aFV | 42 | – | – | – | 42 |
| Derivatives in hedging relationships | n/a | 1 | – | – | – | 1 |
| Miscellaneous other financial assets | LaR | – | 440 | 440 | – | 440 |
| **Current assets** | | | | | | |
| Trade receivables | LaR | – | 2,234 | 2,234 | – | 2,234 |
| Other financial assets | | 14 | 282 | 282 | – | 296 |
| At fair value through profit or loss | aFV | 10 | – | – | – | 10 |
| Derivatives in hedging relationships | n/a | 4 | – | – | – | 4 |
| Miscellaneous other financial assets | LaR | – | 282 | 282 | – | 282 |
| Cash and cash equivalents | LaR | – | 525 | 525 | – | 525 |
| **Noncurrent liabilities** | | | | | | |
| Financial liabilities | OL | – | 1,500 | 1,587 | – | 1,500 |
| Other financial liabilities | | 24 | 1,179 | 1,179 | – | 1,204 |
| At fair value through profit or loss | aFV | 19 | – | – | – | 19 |
| Derivatives in hedging relationships | n/a | 5 | – | – | – | 5 |
| Miscellaneous other financial liabilities | OL | – | 1,179 | 1,179 | – | 1,179 |
| **Current liabilities** | | | | | | |
| Financial liabilities | OL | – | 985 | 985 | – | 985 |
| Trade payables | OL | – | 1,662 | 1,662 | – | 1,662 |
| Other financial liabilities | | 47 | 1,122 | 1,122 | – | 1,169 |
| At fair value through profit or loss | aFV | 11 | – | – | – | 11 |
| Derivatives in hedging relationships | n/a | 36 | – | – | – | 36 |
| Miscellaneous other financial liabilities | OL | – | 1,122 | 1,122 | – | 1,122 |

[1] 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.

| € million | IAS 39 measurement categories [1] | Measured at fair value | Measured at amortized cost | | Not within the scope of IFRS 7 | Balance sheet item at 12/31/2013 |
|---|---|---|---|---|---|---|
| | | Carrying amount | Carrying amount | Fair value | Carrying amount | |
| **Noncurrent assets** | | | | | | |
| Equity-method investments | n/a | – | – | – | 462 | 462 |
| Financial investments | AfS | 1,485 | 37 | – | – | 1,522 |
| Other financial assets | | 26 | 666 | 666 | – | 692 |
| At fair value through profit or loss | aFV | 25 | – | – | – | 25 |
| Derivatives in hedging relationships | n/a | 1 | – | – | – | 1 |
| Miscellaneous other financial assets | LaR | – | 666 | 666 | – | 666 |
| **Current assets** | | | | | | |
| Trade receivables | LaR | – | 2,346 | 2,346 | – | 2,346 |
| Other financial assets | | 32 | 1,325 | 1,325 | – | 1,357 |
| Available for sale | AfS | 4 | – | – | – | 4 |
| At fair value through profit or loss | aFV | 15 | – | – | – | 15 |
| Derivatives in hedging relationships | n/a | 13 | – | – | – | 13 |
| Miscellaneous other financial assets | LaR | – | 1,325 | 1,325 | – | 1,325 |
| Marketable securities | AfS | 1 | – | – | – | 1 |
| Cash and cash equivalents | LaR | – | 1,137 | 1,137 | – | 1,137 |
| Assets held for sale | | | | | | |
| Equity-method investments | n/a | – | – | – | 2 | 2 |
| Financial services receivables | n/a | – | 2,841 | 2,878 | – | 2,841 |
| Derivatives in hedging relationships | n/a | 2 | – | – | – | 2 |
| Other financial assets | LaR | – | 140 | 140 | – | 140 |
| Cash and cash equivalents | LaR | – | 71 | 71 | – | 71 |
| | | | | | | |
| **Noncurrent liabilities** | | | | | | |
| Financial liabilities | OL | – | 2,267 | 2,375 | – | 2,267 |
| Other financial liabilities | | 33 | 1,130 | 1,145 | – | 1,163 |
| At fair value through profit or loss | aFV | 20 | – | – | – | 20 |
| Derivatives in hedging relationships | n/a | 13 | – | – | – | 13 |
| Miscellaneous other financial liabilities | OL | – | 1,130 | 1,145 | – | 1,130 |
| **Current liabilities** | | | | | | |
| Financial liabilities | OL | – | 1,360 | 1,360 | – | 1,360 |
| Trade payables | OL | – | 1,922 | 1,922 | – | 1,922 |
| Other financial liabilities | | 32 | 723 | 723 | – | 755 |
| At fair value through profit or loss | aFV | 12 | – | – | – | 12 |
| Derivatives in hedging relationships | n/a | 20 | – | – | – | 20 |
| Miscellaneous other financial liabilities | OL | – | 723 | 723 | – | 723 |
| Liabilities associated with assets held for sale | | | | | | |
| At fair value through profit or loss | aFV | 2 | – | – | – | 2 |
| Derivatives in hedging relationships | n/a | 15 | – | – | – | 15 |
| Miscellaneous other financial liabilities | OL | – | 3,274 | 3,274 | – | 3,274 |

[1] 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 € million | 12/31/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| AfS | 2,113 | – | 1,527 | – |
| aFV | 51 | 30 | 41 | 34 |
| LaR | 3,481 | – | 5,685 | – |
| OL | – | 6,449 | – | 10,676 |

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 reported for fiscal 2013 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.

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 table contains an overview of the financial assets and liabilities measured at fair value:

| € million | 12/31/2014 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Noncurrent assets** | | | | |
| Financial investments | 2,071 | – | – | 2,071 |
| Other financial assets | 42 | – | 42 | – |
| **Current assets** | | | | |
| Other financial assets | 14 | – | 14 | – |
| **Noncurrent liabilities** | | | | |
| Other financial liabilities | 24 | – | 24 | – |
| **Current liabilities** | | | | |
| Other financial liabilities | 47 | – | 47 | – |

| € million | 12/31/2013 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Noncurrent assets** | | | | |
| Financial investments | 1,485 | 1,485 | – | – |
| Other financial assets | 26 | – | 26 | – |
| **Current assets** | | | | |
| Other financial assets | 28 | – | 28 | – |
| Marketable securities | 1 | – | 1 | – |
| Assets held for sale | 2 | – | 2 | – |
| **Noncurrent liabilities** | | | | |
| Other financial liabilities | 33 | – | 33 | – |
| **Current liabilities** | | | | |
| Other financial liabilities | 32 | – | 32 | – |
| Liabilities associated with assets held for sale | 17 | – | 17 | – |

The following table contains an overview of the fair values of the financial assets and liabilities measured at amortized cost by level:

| € million | 12/31/2014 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Trade receivables | 2,234 | – | 2,185 | 49 |
| Other financial assets | 722 | – | 722 | – |
| Cash and cash equivalents | 525 | 525 | – | – |
| **Fair value of financial assets measured at amortized cost** | **3,481** | **525** | **2,907** | **49** |
| Financial liabilities | 2,573 | 1,954 | 619 | – |
| Trade payables | 1,662 | – | 1,662 | – |
| Other financial liabilities | 2,302 | – | 2,302 | – |
| **Fair value of financial liabilities measured at amortized cost** | **6,537** | **1,954** | **4,583** | **–** |

| € million | 12/31/2013 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Trade receivables | 2,346 | – | 2,307 | 39 |
| Other financial assets | 1,991 | – | 1,991 | – |
| Cash and cash equivalents | 1,137 | 1,137 | – | – |
| Assets held for sale | 3,089 | – | 3,089 | – |
| **Fair value of financial assets measured at amortized cost** | **8,563** | **1,137** | **7,387** | **39** |
| Financial liabilities | 3,735 | 2,832 | 903 | – |
| Trade payables | 1,922 | – | 1,922 | – |
| Other financial liabilities | 1,868 | – | 1,868 | – |
| Liabilities associated with assets held for sale | 3,274 | – | 3,274 | – |
| **Fair value of financial liabilities measured at amortized cost** | **10,799** | **2,832** | **7,967** | **–** |

Fair value hierarchy:
Measurement and presentation of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is classified as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of Level 2 financial instruments is determined on the basis of the conditions prevailing at the end of the reporting period, such as interest rates or exchange rates, and using recognized models such as discounted cash flow or option pricing models.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value of Level 3 receivables was measured by reference to individual expectations of losses; these are based to a significant extent on the Company's assumptions about counterparty credit quality.

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. There were no transfers between Level 1 and Level 2 in fiscal years 2014 and 2013. As of December 31, 2013 no financial instruments measured at fair value were classified in Level 3.

The investment in Scania, which is classified as an available-for-sale financial asset, was allocated to Level 1 as of December 31, 2013.

The shares of Scania have not been measured at fair value since June 2014 when they were delisted. Due to the progress of the Scania transaction, it was possible to measure the fair value of the investment using a discounted cash flow method as of year-end 2014. Consequently, the investment in Scania was classified in Level 3 of the fair value hierarchy as of December 31, 2014. The effect of the fair value measurement of the investment in Scania as of December 31, 2014, was recognized in other comprehensive income in the fiscal year and resulted in a carrying amount of €2,071 million (previous year: €1,485 million).

In fiscal 2014, this measurement effect of €586 million impacted the "Measurement of marketable securities and financial investments" item within "Other comprehensive income."

| € million | Financial assets measured at fair value | Financial liabilities measured at fair value |
|---|---|---|
| Balance at January 1, 2014 | – | – |
| Additions as of December 31, 2014 (available-for-sale assets) | 2,071 | – |
| Balance at December 31, 2014 | 2,071 | – |

As significant unobservable inputs, the assumptions regarding corporate planning, the growth rates used to estimate cash flows after the end of the planning period, and the discount rate are taken into account in the measurement. A long-term growth rate of 1% and a pre-tax cost of capital of 9.3% are applied. Based on the information currently available, a material change in corporate planning is considered unlikely. The cash flow forecasts used are therefore considered to be an appropriate basis for measuring fair value. Likewise, a variation in the growth forecast or in the discount rate of +/–0.5 percentage points would not lead to a material change in fair value. Consequently, no material impact on equity or profit after tax is expected in connection with the most significant unobservable inputs, either in isolation or in combination with each other.

Other investments and shares classified as available for sale are measured at cost and have a carrying amount of €42 million (previous year: €37 million). These are mainly investments in and shares of unlisted entities. These investments and shares are recognized at cost if it is not possible to reliably measure their fair value without undue effort. No material shares measured at cost were sold in the reporting period or in the previous year. The Company currently has no intention to sell these shares.

The valuation allowances on financial assets mainly related to trade receivables and other financial assets. They changed as follows:

| € million | 2014 | 2013 |
|---|---|---|
| **Balance at January 1** | **145** | **114** |
| Additions | 26 | 75 |
| Utilization | – 24 | – 11 |
| Reversals | – 27 | – 13 |
| Exchange rate effects and other changes | – 1 | – 4 |
| Reclassified as assets held for sale | – | – 16 |
| **Balance at December 31** | **120** | **145** |

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.

| | | | | Amounts that are not set off in the balance sheet | | |
|---|---|---|---|---|---|---|
| € 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 | Financial instruments | Collateral received | Net amount at Dec. 31, 2014 |
| Derivatives | 57 | – | 57 | – 26 | – | 31 |
| Trade receivables | 2,234 | – | 2,234 | – | – 305 | 1,929 |

| € 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 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, 2014 |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Collateral pledged | |
| Derivatives | 72 | – | 72 | – 26 | – | 46 |

| € 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 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. These amounts can only be set off if specific future events occur, such as the insolvency of one of the counterparties. The “Collateral received” and “Collateral pledged” columns contain the amounts of cash collateral and collateral in the form of financial instruments received and pledged for the total amount of assets and liabilities.

Net gains and losses on financial instruments are presented in the following table:

| € million | 2014 | 2013 |
|---|---|---|
| Loans and receivables | 4 | – 97 |
| Available-for-sale financial assets | – 5 | 62 |
| Financial liabilities at cost | – 60 | – 21 |
| Financial assets and liabilities at fair value through profit or loss | 6 | 18 |

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 mainly relate to net income from investments.

Net gains and losses on financial liabilities measured at cost are principally composed of gains and losses from currency translation.

Net gains and losses on financial assets and liabilities at fair value through profit or loss contain changes in the fair value of derivative financial instruments for which hedge accounting is not used.

The interest income and expenses relating to financial assets and liabilities are as follows:

| € million | 2014 | 2013 |
|---|---|---|
| Interest income | 35 | 191 |
| Interest expenses | – 161 | – 219 |

Interest income of €35 million (previous year: €189 million) and interest expenses of €161 million (previous year: €195 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.

## 36 Derivatives and hedging strategies

Because of the MAN Group's business activities and international focus, its assets, liabilities, and forecast transactions are exposed to market, credit, and liquidity risk. The MAN Group has in place a Group-wide risk management system to identify, quantify, and mitigate these risks.

MAN Group companies generally hedge their currency, interest rate, and commodity risks through MAN SE's Group Treasury on an arm's length basis using nonderivative and, primarily, derivative financial instruments. In countries whose exchange controls or regulatory provisions do not permit direct hedging by MAN SE — especially Brazil — currency, interest rate, and money market transactions are entered into by MAN SE on behalf of and for the account of the Group company concerned. Derivatives are accounted for at the trade date.

The Group's risk positions are hedged externally by Group Treasury with banks within defined risk limits. Hedging transactions entered into adequately reflect the risk management requirements applicable to banks and are subject to rigorous oversight, which is ensured in particular by the strict separation of trading, settlement, and supervision functions.

The MAN Group's market risks are reported regularly to the Executive and Supervisory Boards. Compliance with the guidelines is reviewed by the Internal Audit function.

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 UK pound sterling. MAN SE was not exposed to any material currency risk due to the hedging transactions entered into for this exposure.

Cash flow hedges are generally used for hedge accounting.

In fiscal 2014, net losses of €34 million (previous year: gains of €1 million) from cash flow hedges were recognized in other comprehensive income. In the course of the fiscal year, gains of €9 million (previous year: €23 million) were reclassified from other comprehensive income to other operating income, and losses of €32 million (previous year: €7 million) were reclassified to other operating expenses.

If the results of the retrospective effectiveness test applied to cash flow hedge accounting indicate that effectiveness is not 100% but within the effectiveness range of 80% to 125%, the resulting hedge ineffectiveness is recognized in other financial result.

The maximum remaining term of cash flow hedges of forecast transactions was 32 months at the end of fiscal 2014. 31% (previous year: 41%) of the hedged forecast transactions are expected to occur and thus affect net income in the first quarter of 2015. A further 55% (previous year: 47%) of the forecast transactions are expected to be implemented by the end of 2015.

There were no fair value hedges. Losses relating to fair value hedging instruments in 2013 amounted to €3 million and gains on the related hedged items amounted to €3 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, 2014:

| | 12/31/2014 | | | | 12/31/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| € million | Equity | | Net income/loss | | Equity | | Net income/loss | |
| **Exchange rate** | + 10% | – 10% | + 10% | – 10% | + 10% | – 10% | + 10% | – 10% |
| Euro/Brazilian real | 3 | – 3 | 10 | – 10 | 0 | 0 | 13 | – 13 |
| Euro/Danish krone | 4 | – 4 | – 18 | 18 | 4 | – 4 | – 20 | 20 |
| U.S. dollar/Brazilian real | 8 | – 8 | – 1 | 1 | 2 | – 2 | 0 | 0 |
| Euro/UK pound sterling | 11 | – 11 | 7 | – 7 | 9 | – 9 | 58 | – 58 |
| Euro/Swiss franc | 3 | – 3 | – 8 | 8 | 6 | – 6 | 7 | – 7 |
| Euro/U.S. dollar | 18 | – 18 | – 7 | 7 | 7 | – 7 | – 6 | 6 |
| Euro/South Korean won | 0 | 0 | 5 | – 5 | 0 | 0 | 0 | 0 |
| Euro/South African rand | 3 | – 3 | 1 | – 1 | 4 | – 4 | 2 | – 2 |

## b) Interest rate risk

The MAN Group is exposed to interest rate risk from interest rate-sensitive assets and liabilities. Most of the assets that are sensitive to interest rate movements result from the existing nonderivative and derivative financial instruments entered into with MAN Finance before January 1, 2014. Interest rate-sensitive financial liabilities at the end of the reporting period related in particular to fixed- and variable-rate euro-denominated bond issues. There were also liabilities from asset-backed 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.

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, hypothetical changes in market rates of interest would affect the earnings before tax as of the reporting date as shown below.

Fixed-rate nonderivative financial instruments measured at amortized cost are not exposed to any interest rate risk. At MAN, these include the fixed-rate bonds issued under the EMTN program and the promissory note loans. The interest rate risk of interest rate derivatives is analyzed and managed based on the measurement of the variable and fixed interest payments.

A 100 basis point (bp) parallel shift in the yield curve is assumed to calculate interest rate sensitivity. This would produce the following opportunities (positive values) and risks (negative values):

| | 12/31/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| € million | + 100 BP | – 100 BP | + 100 BP | – 100 BP |
| Variable-rate nonderivative financial instruments | 1 | – 1 | – 17 | +17 |
| Derivatives [1] | 2 | – 2 | +36 | – 36 |

[1] The reduction in interest rate sensitivity from variable-rate nonderivative financial instruments and derivative financial instruments is due to the sale of MAN Finance as of January 1, 2014.

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 enters into cash-settled commodity futures 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 gas, steel, nonferrous metals, precious metals, and rubber with a fair value of €+0.4 million (previous year: €–1.4 million).

The maximum remaining term of hedges of forecast transactions was 27 months at the end of fiscal 2014. 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 €+4 million (previous year: €+2 million) for +10% or €–4 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 (35).

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 or in the previous year. The remaining receivables are combined into groups of similar contracts and then tested for impairment, reflecting country-specific risks and any collateral received. The maximum default risk exposure for trade receivables is reduced by collateral of €305 million (€348 million). The trade receivables include transferred receivables that were not derecognized in their entirety because all of the credit risk remains with MAN. As of December 31, 2014, the fair value of the transferred receivables that are still recognized amounted to €4 million (previous year: €17 million). The fair value of the associated liabilities amounted to €1 million as of the reporting date (previous year: €8 million). The fair values of the receivables and liabilities are not materially different to their carrying amounts.

The sale of MAN Finance as of January 1, 2014, significantly reduced the credit risk from financing and leasing activities at December 31, 2014.

The MAN Group has so far recognized 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. In the previous year, the payment terms for contracts with an outstanding volume of receivables of €43 million had been renegotiated. Contract terms were renegotiated only if the customer's liquidity problems were deemed by MAN Finance to be no more than temporary. Customer-specific risk provisions were recognized to reflect certain criteria. These provisions covered 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 reflected the estimated fair value of the financed assets serving as collateral, as well as prepayments received and other collateral. In addition, risk provisions were recognized for the relevant MAN Finance company depending on certain indicators. The amount of these provisions was measured in particular on the basis of actual credit losses in the recent past.

In the previous year, the maximum default risk exposure for financial services receivables was reduced by the collateral of €1,061 million deriving from the ability to realize vehicles covered by finance leases. Vehicles with a carrying amount of €8 million were recovered in the previous year.

There were no material concentrations of credit risk in the MAN Group as of the 2014 reporting date.

Maturity overview of financial assets measured at amortized cost that are not individually impaired:

| | 12/31/2014 | | | 12/31/2013 | | |
|---|---|---|---|---|---|---|
| € million | Trade receivables | Financial services receivables | Other financial assets | Trade receivables | Financial services receivables | Other financial assets |
| Up to 30 days past due | 230 | – | 1 | 295 | 22 | – |
| 31 – 90 days | 137 | – | 0 | 136 | 16 | – |
| 91 days – 1 year | 126 | – | 0 | 126 | 6 | – |
| More than 1 year | 82 | – | 0 | 70 | 0 | – |
| Total financial assets past due but not individually impaired | 574 | – | 1 | 627 | 44 | – |
| Financial assets neither individually impaired nor past due | 1,622 | – | 721 | 1,691 | 2,549 | 2,111 |
| Carrying amounts of financial assets not individually impaired | 2,196 | – | 722 | 2,318 | 2,593 | 2,111 |

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.

The gross carrying amount of the individually impaired trade receivables amounted to €154 million (previous year: €164 million) and the associated impairment loss was €105 million, (previous year: €125 million), so the net carrying amount was €49 million (previous year: €39 million). In the previous year, the gross carrying amount of individually impaired financial services receivables was €395 million, and the associated impairment loss was €138 million, resulting in net carrying amount of €257 million.

There are no indications at the end of the reporting period that the credit quality of receivables and other financial assets that are neither individually impaired nor past due is impaired.

#### e) Liquidity risk

Liquidity risk describes the risk that the MAN Group will have difficulty in meeting its obligations associated with financial liabilities or that it can only procure liquidity at a higher price.

To 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 2015 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 €1.87 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 €0.12 billion is attributable to variable-rate private placements (maturing on April 8, 2015). The integration with the Volkswagen Group also enables the MAN Group to draw on intra-group financing. MAN SE has agreed two (undrawn) lines totaling €2.5 billion with Volkswagen AG, and local MAN companies have agreed financing in an amount equivalent to €90 million with the respective local Volkswagen companies, of which €88 million has been utilized.

There are also committed bilateral credit lines with financial institutions in the amount of €655 million (previous year: €861 million), of which €357 million (previous year: €652 million) has been utilized. As a result of the sale of the financial services arm to Volkswagen, the related financing needs no longer exist.

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 (26).

Management is informed regularly about cash inflows and outflows, as well as sources of finance.

The following table shows how the cash flows relating to liabilities, derivatives, and contingent liabilities affect the MAN Group's liquidity position:

**Maturity overview** [1]

| € million | 12/31/2014 2015 | 2016–2019 | > 2019 | 12/31/2013 2014 | 2015–2018 | > 2018 |
|---|---|---|---|---|---|---|
| Cash outflows from nonderivative financial liabilities [2] | 3,861 | 2,691 | 43 | 6,575 | 4,221 | 52 |
| of which: financial liabilities | 1,041 | 1,527 | 9 | 3,893 | 3,112 | 4 |
| of which: trade payables | 1,662 | 0 | 0 | 1,965 | 12 | 0 |
| of which: other financial liabilities [3] | 1,158 | 1,163 | 34 | 717 | 1,097 | 48 |
| Cash outflows from derivatives with a negative fair value that are settled gross [2] | 1,032 | 157 | 0 | 1,058 | 113 | 0 |
| related cash flows [2] | 1,007 | 150 | 0 | 1,044 | 110 | 0 |
| Cash outflows from derivatives with a negative fair value that are settled net [2] | 26 | 10 | 1 | 28 | 17 | 0 |
| Potential cash flows from contingent liabilities [4] | 1,478 | – | – | 200 | – | – |
| of which: for contingent liabilities under guarantees | 80 | – | – | 89 | – | – |
| of which: for contingent liabilities under buyback guarantees | 1,398 | – | – | 111 | – | – |

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.
4 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 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) Amounts recognized for hedging instruments

The positive fair values of hedging instruments that are included in a cash flow hedge amounted to €5 million as of December 31, 2014 (previous year: €15 million). The negative fair values of hedging instruments that are included in a cash flow hedge amounted to €41 million as of December 31, 2014 (previous year: €48 million). These relate mainly to currency forwards.

The amounts as of December 31, 2013, also include MAN Finance's hedging instruments. €2 million of this amount was attributable to hedging instruments with positive fair values and €15 million to hedging instruments with negative fair values.

## 37 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.

## 38 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, 2014, 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, 2014, Truck & Bus GmbH held 75.28% of MAN SE's voting rights and 74.04% of its share capital.

Following completion of the sale of MAN Finance to VWFS on January 1, 2014, MAN SE no longer exercises any influence over MAN Finance. The relationships with MAN Finance are presented with the relationships with other Volkswagen AG subsidiaries and equity investments that are not part of the MAN Group. See note (6) for further information.

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 | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Sales and services to | | |
| Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart[1] | 7 | 7 |
| Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group | 1,129 | 146 |
| Purchases and services received from | | |
| Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart[1] | 32 | 18 |
| Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group | 74 | 24 |
| Receivables from | | |
| Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart[1] | 67 | 779 |
| Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group | 725 | 21 |
| Liabilities to | | |
| Truck & Bus GmbH, Volkswagen AG, and Porsche Stuttgart[1] | 465 | 1,377 |
| Other subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group | 1,876 | 91 |

[1] Porsche Automobil Holding SE, Stuttgart, including its affiliated companies and related parties.

The liabilities to Truck & Bus GmbH include the claim for the transfer of MAN SE's net profit for the fiscal year under German GAAP amounting to €486 million in 2014. For more information, see note (29). As of December 31, 2013, the claim for absorption of MAN SE's net loss for the fiscal year under German GAAP of €724 million was recognized under the receivables from Truck & Bus GmbH, see note (23).

In addition, there are liabilities to MAN Finance in the amount of €1,753 million. Furthermore, customer liabilities to MAN Finance are covered by standard industry buyback guarantees, see note 32 "Contingent liabilities."

A payment of €28 million was made to Volkswagen International Finance N.V., Amsterdam/the Netherlands in 2014 in connection with the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., São Paulo/Brazil (now: MAN Latin America Indústria e Comércio de Veículos Ltda.) in fiscal 2009. This payment relates to the contractually agreed settlement of events occurring before the acquisition date.

The following table shows the volume of relationships with unconsolidated subsidiaries, associates, and joint ventures with goods and services are exchanged as part of normal business transactions.

| € million | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Revenue and other income generated with | | |
| unconsolidated subsidiaries | 44 | 47 |
| associates and joint ventures | 182 | 237 |
| Goods and services purchased from | | |
| unconsolidated subsidiaries | 3 | 2 |
| associates and joint ventures | 219 | 249 |
| Receivables from | | |
| unconsolidated subsidiaries | 20 | 39 |
| associates and joint ventures | 65 | 27 |
| Liabilities to | | |
| unconsolidated subsidiaries | 33 | 33 |
| associates and joint ventures | 36 | 37 |

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to notes (39) and (40) below.

## 39 Remuneration of the Executive Board

The remuneration of the members of the Executive Board was as follows:

| € thousand | 2014 | 2013 |
|---|---|---|
| **Executive Board members in office as of December 31, 2014**[1] | | |
| Fixed remuneration[2] | 2,067 | 2,007 |
| Variable remuneration | 2,015 | 2,895 |
| Pension expense | 796 | 974 |
| **Former Executive Board members**[3] | | |
| Fixed remuneration[2] | 366 | 639 |
| Variable remuneration | –71 | 319 |
| Pension expense | 179 | 305 |
| **Total** | **5,352** | **7,139** |

[1] Dr. Georg Pachta-Reyhofen (Chief Executive Officer), Ulf Berkenhagen, Jochen Schumm.
[2] Including fringe benefits.
[3] Dr.-Ing. René Umlauft until August 31, 2014, Frank H. Lutz until February 18, 2013.

The variable remuneration in fiscal 2014 contains €–665 thousand from the adjustment of the bonus for fiscal 2013, based on the figures for 2013 and 2014 now available. The variable remuneration in fiscal 2013 contains €–322 thousand from the adjustment of the bonus for fiscal 2012, based on the figures for 2012 and 2013.

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 € thousand | Former Executive Board members |
|---|---|---|
| 2009 | 4,408 | Dr. jur. Matthias Mitscherlich |
| 2009 | 604 | Dipl.-Ing. Håkan Samuelsson<br>Prof. Dr. h.c. Karlheinz Hornung<br>Dipl.-Ökonom Anton Weinmann |
| 2010 | 7,142 | Dipl.-Ing. Håkan Samuelsson<br>Prof. Dr. h.c. Karlheinz Hornung<br>Dipl.-Ökonom Anton Weinmann |
| 2011 | 2,930 | Prof. Dr. h.c. Karlheinz Hornung<br>Dipl.-Ökonom Anton Weinmann<br>Klaus Stahlmann |
| 2012 | 1,480 | Klaus Stahlmann<br>Jörg Schwitalla |
| 2013 | 3,930 | Dipl.-Ing. Håkan Samuelsson<br>Jörg Schwitalla<br>Frank H. Lutz |
| 2014 | 1,329 | Jörg Schwitalla<br>Dipl.-Ökonom Anton Weinmann<br>Klaus Stahlmann |

Corresponding provisions were recognized for the termination benefits granted in excess of this amount. Until the Annual General Meeting of MAN SE adopted the decision on the settlement agreement between MAN SE and Dipl.-Ing. Håkan Samuelsson on May 15, 2014, there was a liability (classified under “Other liabilities”) to Dipl.-Ing. Håkan Samuelsson amounting to €1,250 thousand. Please refer to note (8) for information on the settlement with D&O insurers and the individual settlements with former Executive Board members of MAN SE and individual Group companies.

The present value of pension obligations as of December 31, 2014, to members of the Executive Board in office as of the end of the year amounted to €4,062 thousand (previous year: €4,096 thousand). The total pension expense amounted to €975 thousand in 2014 (previous year: €1,279 thousand), of which €561 thousand (previous year: €685 thousand) related to current service. Starting in fiscal year 2014, the interest component is no longer reported as part of the pension expense. The prior-year figure was adjusted accordingly. The pension expense includes the current service cost for Dr.-Ing. René Umlauft in fiscal 2014 and for Frank H. Lutz in fiscal 2013 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. No amounts were recharged for Jochen Schumm in 2014 and 2013. 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 €2,862 thousand as of December 31, 2014 (previous year: €2,913 thousand). A total of €50,189 thousand (previous year: €46,057 thousand) was recognized as of December 31, 2014, for provisions for pension obligations to former Executive Board members and their surviving dependents.

The members of the Executive Board, including their memberships in statutory supervisory boards and comparable supervisory bodies, are listed on page 181, 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:

**Executive Board remuneration 2014/(2013)**

| € thousand | Fixed remuneration[1] | Variable remuneration | Pension expense | Total |
|---|---|---|---|---|
| **Executive Board members in office as of December 31, 2014** | | | | |
| Dr. Georg Pachta-Reyhofen (Chief Executive Officer) | 803<br>(779) | – 7<br>(454) | 382<br>(380) | 1,178<br>(1,613) |
| Ulf Berkenhagen | 631<br>(607) | 2,026<br>(2,046) | 414<br>(594) | 3,071<br>(3,247) |
| Jochen Schumm | 633<br>(621) | – 4<br>(395) | –<br>(–) | 629<br>(1,016) |
| **Former Executive Board members** | | | | |
| Dr.-Ing. René Umlauft (until August 31, 2014) | 366<br>(549) | – 71<br>(319) | 179<br>(267) | 475<br>(1,135) |
| Frank H. Lutz (until February 18, 2013) | –<br>(90) | –<br>(–) | –<br>(38) | –<br>(128) |
| **Total** | **2,433<br>(2,646)** | **1,944<br>(3,214)** | **975<br>(1,279)** | **5,352<br>(7,139)** |

[1] Including fringe benefits.

## 40 Remuneration of the Supervisory Board

The components of the remuneration of the Supervisory Board are as follows:

| € thousand | 2014 | 2013 |
|---|---|---|
| Fixed remuneration | 490 | 479 |
| Variable remuneration | 93 | – |
| Remuneration for committee membership | 210 | 202 |
| Attendance fees | 40 | 48 |
| | **833** | **729** |

The members of the Supervisory Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on pages 178 ff., and more detailed information on the remuneration structure and its components is disclosed in the Remuneration Report, which is part of the Combined Management Report.

The individual remuneration of the active members of the Supervisory Board is shown in the following table:

**Supervisory Board remuneration in € thousand**

| Name | Period of membership | Fixed remuneration | Variable remuneration | Remuneration for committee membership | Attendance fees | Total 2014 | Total 2013 |
|---|---|---|---|---|---|---|---|
| Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman | Full-year | 70 | 13 | 35 | – | 118 | 105 |
| Jürgen Kerner, Deputy Chairman [1] | Full-year | 53 | 9 | 35 | 5 | 102 | 52 |
| Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h.c. Ekkehard D. Schulz, Deputy Chairman | Full-year | 53 | 9 | 35 | 6 | 103 | 94 |
| Michael Behrendt | Full-year | 35 | 7 | 35 | 6 | 82 | 76 |
| Marek Berdychowski [1] | Full-year | 35 | 7 | – | 2 | 44 | 38 |
| Detlef Dirks [1] | Full-year | 35 | 7 | – | 2 | 44 | 38 |
| Jürgen Dorn [1] | Full-year | 35 | 7 | 35 | 6 | 83 | 77 |
| Gerhard Kreutzer [1] | Full-year | 35 | 7 | 35 | 6 | 83 | 77 |
| Nicola Lopopolo [1] | Full-year | 35 | 7 | – | 2 | 44 | 28 |
| Dr. h.c. Leif Östling | Full-year | – | – | – | – | – | – |
| Angelika Pohlenz | Full-year | 35 | 7 | – | 2 | 44 | 37 |
| Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch | Full-year | – | – | – | – | – | – |
| Karina Schnur [1] | Full-year | 35 | 7 | – | 2 | 44 | 12 |
| Erich Schwarz [1] | Full-year | 35 | 7 | – | 2 | 44 | 38 |
| Prof. Rupert Stadler | Full-year | – | – | – | – | – | – |
| Prof. Dr. Dr. h.c. mult. Martin Winterkorn | Full-year | – | – | – | – | – | – |
| Members who left the Supervisory Board in 2013 | | | | | | | 57 |
| **Total 2014** | | **490** | **93** | **210** | **40** | **833** | **–** |
| **Total 2013** | | **479** | **–** | **202** | **48** | **–** | **729** |

[1] **The employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the German Confederation of Trade Unions (DGB).**

The employee representatives on the Supervisory Board who are employed by MAN also receive their standard employee remuneration.

For their membership of supervisory boards of other companies in the MAN Group, Mr. Behrendt received €5 thousand (previous year: €0 thousand), Mr. Dirks received €11 thousand (previous year: €11 thousand), Mr. Dorn received €11 thousand (previous year: €11 thousand), Mr. Kreutzer received €11 thousand (previous year: €11 thousand), Mr. Loos received €0 thousand (previous year: €1 thousand), Mr. Otto received €0 thousand (previous year: €16 thousand), and Ms. Schnur received €24 thousand (previous year: €5 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €15 thousand in the fiscal year (previous year: €19 thousand).

## 41 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 2014. 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**.

## 42 Events after the reporting period

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

## 43 Segment reporting

The activities of the MAN Group are classified into the following reportable segments: MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and the Renk industrial subsidiary. In order to make decisions about the allocation of resources and the assessment of performance, the results of these segments are regularly reviewed by MAN SE's Executive Board in its role as chief operating decision-maker. "Others" mainly comprises MAN's Corporate Center. Companies with no operating activities and the Scania and Sinotruk investments are allocated to the Corporate Center. Consolidation adjustments between a business area's segments are presented in the business area itself starting in 2014. Other consolidation adjustments and the earnings effects of purchase price allocations in the event of the acquisition of an individual segment are reported in the "Others" item. In the previous year, consolidation adjustments between a business area's segments were reported in the "Others" item. The figures have not been adjusted due to their immateriality.

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 leads 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).

Since January 1, 2014, MAN has used operating profit as defined by the Volkswagen Group as the earnings measure for calculating a segment's results of operations. Operating profit previously corresponded to earnings before interest and taxes (EBIT). An adjustment was made for earnings effects from purchase price allocation and, in individual cases, for nonrecurring items. According to the Volkswagen Group's definition, operating profit is calculated as profit before tax and before the financial result. As a result, net investment income in particular is no longer part of operating profit. However, earnings effects relating to tangible and intangible assets resulting from the acquisition of an individual segment are eliminated from the operating profit of that segment. Details on the definition of the new earnings measure can be found in the notes to the consolidated financial statements under "Income statement disclosures." The figures for the prior-year period have been adjusted accordingly.

Net cash flow comprises cash flows from operating activities and cash flows from investing activities attributable to operating activities.

Segment financial information is presented in accordance with the disclosure and measurement policies applied to preparation of the consolidated financial statements. Sales revenues between the segments are transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to the intangible assets, property, plant, and equipment, financial investments, and assets leased out allocated to the individual divisions.

The following table contains segment-related information and a reconciliation from operating profit to profit before tax.

**Segment information (1/3)**
Reporting period from January 1 to December 31 and as of December 31

| | Commercial Vehicles | | | | | |
|---|---|---|---|---|---|---|
| | MAN Truck & Bus incl. MAN Finance [3] | | MAN Latin America | | Commercial Vehicles [1] | |
| € million | 2014 | 2013 [2] | 2014 | 2013 [2] | 2014 | 2013 [2] |
| **Segment order intake** | **9,269** | **9,551** | **2,253** | **2,955** | **11,429** | **12,506** |
| of which: Germany | 2,851 | 3,036 | 0 | 1 | 2,851 | 3,037 |
| of which: other countries | 6,418 | 6,514 | 2,253 | 2,955 | 8,578 | 9,469 |
| Intersegment order intake | – 111 | – 177 | – 8 | – 11 | – 26 | – 188 |
| Group order intake | 9,158 | 9,373 | 2,245 | 2,945 | 11,403 | 12,318 |
| **Segment sales revenue** | **8,412** | **9,251** | **2,253** | **2,955** | **10,577** | **12,207** |
| of which: Germany | 2,454 | 2,919 | 0 | 1 | 2,454 | 2,919 |
| of which: other countries | 5,958 | 6,333 | 2,253 | 2,955 | 8,123 | 9,288 |
| Intersegment sales revenue | – 103 | – 186 | – 8 | – 11 | – 23 | – 196 |
| Group sales revenue | 8,309 | 9,066 | 2,245 | 2,945 | 10,554 | 12,011 |
| **Order backlog at December 31** | **2,212** | **1,902** | **0** | **0** | **2,204** | **1,902** |
| **Segment assets at December 31** | **9,143** | **13,039** | **1,773** | **1,935** | **10,807** | **14,974** |
| **Segment liabilities at December 31** | **6,674** | **10,175** | **948** | **1,137** | **7,509** | **11,312** |
| **Segment profit (operating profit)** | **152** | **244** | **65** | **220** | **221** | **464** |
| Share of profits and losses of equity-method investments | – 4 | – 53 | – | – | – 4 | – 53 |
| Net interest expense and other financial result | – 45 | – 26 | – 61 | – 37 | – 103 | – 64 |
| **Profit before tax of continuing operations** | **103** | **165** | **4** | **182** | **114** | **348** |
| of which: depreciation and amortization | – 693 | – 725 | – 41 | – 53 | – 729 | – 778 |
| of which: impairment losses | – 11 | – 27 | – 1 | – | – 12 | – 27 |
| **Net cash flow** | **– 259** | **5** | **– 2** | **– 111** | **– 262** | **– 106** |
| of which: net cash provided by/used in operating activities | 90 | 322 | 67 | – 43 | 155 | 279 |
| of which: net cash used in investing activities attributable to operating activities | – 349 | – 317 | – 69 | – 68 | – 417 | – 385 |
| **Capital expenditures** | **369** | **340** | **70** | **78** | **438** | **418** |
| **Operating return on sales (%)** | **1.8** | **2.6** | **2.9** | **7.4** | **2.1** | **3.8** |

[1] Consolidated presentation of business areas starting in 2014.
[2] Sales revenue and operating profit were adjusted due to the retrospective application of the income statement structure used by Volkswagen, see also "Income statement disclosures." See "Accounting policies" for an explanation of the adjustments made to the segment assets and liabilities.
[3] MAN Finance was sold as of January 1, 2014. See note (6) for further information.

## Segment information (2/3)

Reporting period from January 1 to December 31 and as of December 31

| | Power Engineering | | | | | |
|---|---|---|---|---|---|---|
| | MAN Diesel & Turbo | | Renk | | Power Engineering[1] | |
| € million | 2014 | 2013[2] | 2014 | 2013[2] | 2014 | 2013[2] |
| **Segment order intake** | **3,280** | **3,407** | **666** | **504** | **3,929** | **3,911** |
| of which: Germany | 287 | 351 | 137 | 196 | 415 | 547 |
| of which: other countries | 2,993 | 3,056 | 529 | 308 | 3,514 | 3,364 |
| Intersegment order intake | –3 | –3 | –15 | –21 | –2 | –24 |
| Group order intake | 3,277 | 3,404 | 651 | 483 | 3,927 | 3,887 |
| **Segment sales revenue** | **3,273** | **3,390** | **480** | **485** | **3,732** | **3,875** |
| of which: Germany | 312 | 318 | 153 | 168 | 452 | 486 |
| of which: other countries | 2,961 | 3,072 | 327 | 317 | 3,280 | 3,389 |
| Intersegment sales revenue | –3 | –3 | –20 | –24 | –2 | –28 |
| Group sales revenue | 3,270 | 3,387 | 460 | 461 | 3,730 | 3,847 |
| **Order backlog at December 31** | **3,225** | **3,245** | **827** | **648** | **4,047** | **3,893** |
| **Segment assets at December 31** | **3,614** | **3,691** | **589** | **581** | **4,196** | **4,268** |
| **Segment liabilities at December 31** | **2,228** | **2,284** | **262** | **278** | **2,481** | **2,559** |
| **Segment profit/loss (operating profit/loss)** | **206** | **–41** | **72** | **66** | **278** | **25** |
| Share of profits and losses of equity-method investments | 6 | 5 | – | – | 6 | 5 |
| Net interest income/expense and other financial result | –8 | 3 | 0 | 0 | –8 | 3 |
| **Profit/loss before tax of continuing operations** | **204** | **–33** | **72** | **66** | **276** | **33** |
| of which: depreciation and amortization | –88 | –84 | –17 | –16 | –104 | –101 |
| of which: impairment losses | – | 0 | –1 | – | –1 | 0 |
| **Net cash flow** | **37** | **–206** | **–3** | **56** | **38** | **–150** |
| of which: net cash provided by/used in operating activities | 155 | –94 | 35 | 85 | 190 | –9 |
| of which: net cash used in investing activities attributable to operating activities | –117 | –112 | –38 | –29 | –152 | –141 |
| **Capital expenditures** | **127** | **112** | **38** | **30** | **166** | **142** |
| **Operating return on sales (%)** | **6.3** | **–1.2** | **15.0** | **13.5** | **7.5** | **0.6** |

[1] Consolidated presentation of business areas starting in 2014.
[2] Sales revenue and operating profit were adjusted due to the retrospective application of the income statement structure used by Volkswagen, see also "Income statement disclosures." See "Accounting policies" for an explanation of the adjustments made to the segment assets and liabilities.

## Segment information (3/3)

Reporting period from January 1 to December 31 and as of December 31

| | Others | | | | | | Group | |
|---|---|---|---|---|---|---|---|---|
| | Corporate Center [2] | | Cons./Reconcil. | | Total | | | |
| € million | 2014 | 2013 [1] | 2014 | 2013 [1] | 2014 | 2013 [1] | 2014 | 2013 [1] |
| **Segment order intake** | **20** | **17** | **– 46** | **– 227** | **– 26** | **– 210** | **15,332** | **16,207** |
| of which: Germany | 19 | 17 | – 19 | – 31 | 0 | – 14 | 3,267 | 3,570 |
| of which: other countries | 1 | 0 | – 27 | – 196 | – 26 | – 196 | 12,066 | 12,637 |
| Intersegment order intake | – 18 | – 15 | 46 | 227 | 28 | 212 | 0 | 0 |
| Group order intake | 2 | 2 | 0 | 0 | 2 | 2 | 15,332 | 16,207 |
| **Segment sales revenue** | **20** | **17** | **– 42** | **– 238** | **– 23** | **– 221** | **14,286** | **15,861** |
| of which: Germany | 19 | 17 | – 19 | – 34 | – | – 17 | 2,906 | 3,388 |
| of which: other countries | 1 | 0 | – 23 | – 204 | – 22 | – 204 | 11,380 | 12,472 |
| Intersegment sales revenue | – 18 | – 15 | 42 | 238 | 24 | 223 | 0 | 0 |
| Group sales revenue | 2 | 2 | 0 | 0 | 2 | 2 | 14,286 | 15,861 |
| **Order backlog at December 31** | **0** | **0** | **– 7** | **– 19** | **– 7** | **– 19** | **6,244** | **5,776** |
| **Segment assets at December 31** | **7,081** | **5,321** | **– 4,547** | **– 2,026** | **2,534** | **3,295** | **17,538** | **22,537** |
| **Segment liabilities at December 31** | **4,237** | **6,074** | **– 2,175** | **– 2,635** | **2,063** | **3,439** | **12,053** | **17,310** |
| **Segment profit/loss (operating profit/loss)** | **– 65** | **– 108** | **– 51** | **– 72** | **– 116** | **– 180** | **384** | **309** |
| Share of profits and losses of equity-method investments | 12 | 4 | 2 | 2 | 14 | 6 | 16 | – 41 |
| Net interest income/expense and other financial result | – 21 | – 41 | – 26 | 6 | – 47 | – 35 | – 158 | – 95 |
| **Profit/loss before tax of continuing operations** | **– 73** | **– 145** | **– 75** | **– 64** | **– 149** | **– 209** | **242** | **172** |
| of which: depreciation and amortization | – 8 | – 8 | – 49 | – 66 | – 57 | – 74 | – 891 | – 953 |
| of which: impairment losses | 0 | 0 | – | – | 0 | 0 | – 14 | – 27 |
| **Net cash flow** | **– 495** | **– 110** | **– 130** | **– 24** | **– 625** | **– 134** | **– 849** | **– 390** |
| of which: net cash provided by/used in operating activities | – 983 | – 110 | – 57 | – 24 | – 1,040 | – 134 | – 695 | 136 |
| of which: net cash provided by/used in investing activities attributable to operating activities | 488 | 0 | – 73 | 0 | 416 | 0 | – 154 | – 526 |
| **Capital expenditures** | **8** | **9** | **– 2** | **– 7** | **6** | **2** | **610** | **562** |
| **Operating return on sales (%)** | **–** | **–** | **–** | **–** | **–** | **–** | **2.7** | **1.9** |

[1] Sales revenue and operating profit were adjusted due to the retrospective application of the income statement structure used by Volkswagen, see also "Income statement disclosures." See "Accounting policies" for an explanation of the adjustments made to the segment assets and liabilities.

[2] Corporate Center: MAN SE, Shared Services, and holding companies.

**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 |
|---|---|---|---|---|
| **2014** | | | | |
| Noncurrent assets (excl. financial instruments and deferred taxes) at December 31 | 3,278 | 2,052 | 1,740 | 7,071 |
| Sales revenue [2] | 2,906 | 5,121 | 6,259 | 14,286 |
| **2013** | | | | |
| Noncurrent assets (excl. financial instruments and deferred taxes) at December 31 | 3,173 | 2,014 | 1,535 | 6,721 |
| Sales revenue [2] | 3,388 | 5,515 | 6,958 | 15,861 |

[1] Detailed segment information relating to MAN Latin America is contained in the "Segment information" table.
[2] Allocation of sales revenue to the regions follows the destination principle.

# List of Shareholdings as of December 31, 2014

| Name and domicile of the company | Equity interest |
|---|---|
| | |
| **I. PARENT** | |
| MAN SE, Munich, Germany | |
| | |
| **II. SUBSIDIARIES** | |
| **A. Consolidated companies** | |
| **1. Germany** | |
| MAN HR Services GmbH, Munich | 100.00% |
| GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal | 100.00% |
| GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal | 100.00% |
| GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal | 100.00% |
| GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal | 100.00% |
| GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal | 100.00% |
| MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich | 100.00% |
| MAN Truck & Bus AG, Munich | 100.00% |
| MAN Truck & Bus Deutschland GmbH, Munich | 100.00% |
| MAN Grundstücksgesellschaft mbH & Co. Beta KG, Munich | 100.00% |
| MAN Grundstücksgesellschaft mbH & Co. Alpha KG, Munich | 100.00% |
| MAN Service und Support GmbH, Munich | 100.00% |
| KOSIGA GmbH & Co. KG, Pullach i. Isartal | 94.00% |
| NEOPLAN Bus GmbH, Plauen | 100.00% |
| MAN GHH Immobilien GmbH, Oberhausen | 100.00% |
| MAN Diesel & Turbo SE, Augsburg | 100.00% |
| MAN Grundstücksgesellschaft mbH & Co. Werk Deggendorf DWE KG, Munich | 100.00% |
| M A N Verwaltungs-Gesellschaft mbH, Munich | 100.00% |
| Renk Aktiengesellschaft, Augsburg | 76.00% |
| RENK Test System GmbH, Augsburg | 100.00% |
| | |
| **2. Other countries** | |
| MAN Finance and Holding S.A., Luxembourg, Luxembourg | 100.00% |
| MAN Finance Luxembourg S.A., Luxembourg, Luxembourg | 100.00% |
| MAN Capital Corporation, Pompano Beach, Florida, U.S.A. | 100.00% |
| MAN Trucks Sp. z o.o., Niepolomice, Poland | 100.00% |
| MAN Accounting Center Sp. z o.o., Poznan, Poland | 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) Ltd., Seoul, South Korea | 100.00% |
| MAN Truck & Bus Polska Sp. z o.o., Nadarzyn, Poland | 100.00% |
| MAN Trucks India Pvt. Ltd., Pune, India | 100.00% |
| MAN ERF Ireland Properties Ltd., Waterford, Ireland | 100.00% |
| ERF Ltd., Swindon, UK | 100.00% |
| MAN Iberia S.A., Coslada, Spain | 100.00% |
| MAN Truck & Bus Trading (China) Co., Ltd., Beijing, China | 100.00% |
| MAN Camions & Bus S.A.S., Evry Cedex, France | 100.00% |
| MAN Truck & Bus Danmark A/S, Glostrup, Denmark | 100.00% |
| MAN Truck & Bus N.V., Kobbegem, Belgium | 100.00% |
| TOV MAN Truck & Bus Ukraine, Kiev, Ukraine | 100.00% |

| Name and domicile of the company | Equity interest |
|---|---|
| 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 GmbH, Steyr, Austria | 100.00% |
| MAN Hellas Truck & Bus A.E., Aspropygros, Greece | 100.00% |
| MAN Engines & Components Inc., Pompano Beach, Florida, U.S.A. | 100.00% |
| MAN Truck & Bus Schweiz AG, Otelfingen, Switzerland | 100.00% |
| MAN Truck & Bus Italia S.p.A, Verona, Italy | 100.00% |
| MAN Truck & Bus Iberia S.A., Coslada, Spain | 100.00% |
| MAN Truck & Bus UK Ltd., Swindon, UK | 100.00% |
| MAN Truck & Bus Norge A/S, Lorenskog, Norway | 100.00% |
| MAN Truck & Bus Österreich AG, Steyr, Austria | 99.99% |
| MAN 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., Ankara, Turkey | 99.99% |
| MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey | 100.00% |
| MAN Truck & Bus Portugal S.U. Lda., Lisbon, Portugal | 100.00% |
| Ipecas-Gestao de Imoveis S.A., Lisbon, Portugal | 100.00% |
| MAN Truck & Bus 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 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 | 97.01% |
| MAN Diesel & Turbo Canada Ltd., Oakville, Ontario, Canada | 100.00% |
| MAN Diesel & Turbo Pakistan Pvt. Ltd., Lahore, Pakistan | 100.00% |
| MAN Diesel & Turbo Operations Pakistan Pvt. Ltd., Lahore, Pakistan | 100.00% |
| MAN Diesel & Turbo España S.A., Madrid, Spain | 100.00% |
| MAN Diesel & Turbo Brasil Ltda., Rio de Janeiro, Brazil | 100.00% |
| MAN Diesel & Turbo France S.A.S., 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 E.P.E., Piraeus, Greece | 100.00% |
| MAN Diesel & Turbo Benelux B.V., Schiedam, Netherlands | 100.00% |
| MAN Diesel & Turbo Benelux N.V., Antwerp, Belgium | 100.00% |
| MAN Diesel & Turbo North America Inc., Woodbridge, New Jersey, U.S.A. | 100.00% |
| MAN Diesel & Turbo Korea Ltd., Busan, South Korea | 100.00% |
| PBS Turbo s.r.o., Velká Bíteš, Czech Republic | 100.00% |
| MAN Diesel & Turbo Middle East LLC, Dubai, United Arab Emirates | 100.00% |

| Name and domicile of the company | Equity interest |
|---|---|
| | |
| 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 Diesel & Turbo Shanghai Co., Ltd., Shanghai, China | 100.00% |
| Gulf Turbo Services LLC, Doha, Qatar | 55.00% |
| RENK Corporation, Duncan, South Carolina, U.S.A. | 100.00% |
| RENK-MAAG GmbH, Winterthur, Switzerland | 100.00% |
| Renk Systems Corporation, Camby, Indiana, U.S.A. | 100.00% |
| Renk France S.A.S., Saint-Ouen-l'Aumône, France | 100.00% |
| MAN Truck & Bus Middle East FZE, Dubai, United Arab Emirates | 100.00% |
| MAN Truck & Bus (M) Sdn. Bhd., Rawang, Malaysia | 70.00% |
| MAN Diesel ve Turbo Satis Servis Ltd. Sti., Istanbul, Turkey | 100.00% |
| MAN Diesel & Turbo Italia S.r.l., Genoa, Italy | 100.00% |
| MAN Diesel & Turbo Chile Limitada, Valparaíso, Chile | 100.00% |
| | |
| **B. Unconsolidated companies** | |
| **1. Germany** | |
| MAN Grundstücksgesellschaft mbH, Oberhausen | 100.00% |
| MAN IT Services GmbH, Munich | 100.00% |
| MAN-Unterstutzüngskasse GmbH, Munich | 100.00% |
| MAN Erste Beteiligungs GmbH, Munich | 100.00% |
| MAN Grundstücksgesellschaft mbH & Co. Gamma KG, Munich | 100.00% |
| MAN Personal Services GmbH, Dachau | 100.00% |
| Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal | 100.00% |
| MAN Grundstücksgesellschaft mbH & Co. Objekt Heilbronn KG, Oberhausen | 100.00% |
| tcu Turbo Charger GmbH, Augsburg (inactive) | 100.00% |
| Aumonta GmbH, Augsburg | 100.00% |
| | |
| **2. Other countries** | |
| MBC Mobile Bridges Corp., Houston, Texas, U.S.A. (inactive) | 100.00% |
| MAN Truck & Bus India Pvt. Ltd., Mumbai, India (inactive) | 100.00% |
| ERF (Holdings) plc, Swindon, UK (inactive) | 100.00% |
| MAN Properties (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% |
| Railway Mine & Plantation Equipment Ltd., London, UK (inactive) | 100.00% |
| MAN Turbo (UK) Ltd., London, UK (inactive) | 100.00% |
| Renk (UK) Ltd., London, UK (inactive) | 100.00% |
| MAN Latin America Importacao, Industria e Comércio de Veículos Ltda., São Paulo, Brazil (inactive) | 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% |

| Name and domicile of the company | Equity interest |
|---|---|
| | |
| Ruston Diesels Ltd., Stockport, UK (inactive) | 100.00% |
| MAN Diesel & Turbo Kenya Ltd., Nairobi, Kenya | 100.00% |
| Dencop A/S, Copenhagen, Denmark (inactive) | 100.00% |
| MAN Diesel & Turbo Poland Sp. z o.o., Gdansk, Poland | 100.00% |
| MAN Diesel & Turbo Sverige AB, Gothenburg, Sweden | 100.00% |
| MAN Diesel & Turbo Portugal, Unipessoal, Lda., Setúbal, Portugal | 100.00% |
| MAN Diesel & Turbo Bulgaria EOOD, Varna, Bulgaria | 100.00% |
| MAN Diesel & Turbo Costa Rica 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% |
| MAN Iran Power Sherkate Sahami Khass, Tehran, Iran (inactive) | 100.00% |
| MAN Diesel & Turbo Panama Enterprises Inc., Panama City, Panama | 100.00% |
| OOO MAN Diesel & Turbo Rus, Moscow, Russian Federation | 100.00% |
| Centrales Diesel Export S.A.S., Villepinte, France | 100.00% |
| MAN Diesel & Turbo Jordan LLC, Aqaba, Jordan | 100.00% |
| MAN Diesel Shanghai Co., Ltd., Shanghai, China (inactive) | 100.00% |
| MAN Diesel & Turbo Philippines Inc., Manila, Philippines | 100.00% |
| MAN Diesel & Turbo Canarias S.L., Las Palmas, Spain | 100.00% |
| MAN Diesel & Turbo Guatemala Ltda., Guatemala City, Guatemala | 100.00% |
| MAN Diesel & Turbo Qatar Navigation LLC, Doha, Qatar | 49.00% |
| MAN Diesel & Turbo Lanka Pvt. Ltd., 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 | 100.00% |
| 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% |
| MAN Diesel & Turbo Senegal SARL, Dakar, Senegal | 100.00% |
| MAN Diesel & Turbo Perú S.A.C., Lima, Peru | 100.00% |
| ELCA Engineering Company (Pty) Ltd., Vanderbijlpark, South Africa | 100.00% |
| MAN Diesel & Turbo Fujairah FZC, Fujairah Free Zone, United Arab Emirates | 100.00% |
| S.A. Trucks Ltd., Bristol, UK (inactive) | 100.00% |
| MAN Diesel & Turbo Bangladesh Ltd., Dhaka, Bangladesh | 100.00% |
| MAN Power Engineering Ltd., Stockport, UK (inactive) | 100.00% |
| MAN Diesel & Turbo Engine Services Ltd., Stockport, UK, (inactive) | 100.00% |
| MAN Financial Services Administrators S.A. (Pty) Ltd., Isando, South Africa | 100.00% |

| Name and domicile of the company | Equity interest |
|---|---|
| | |
| **III. ASSOCIATES** | |
| **1. Germany** | |
| Hörmann Automotive Gustavsburg GmbH, Ginsheim-Gustavsburg | 40.00% |
| Rheinmetall MAN Military Vehicles GmbH, Munich | 49.00% |
| | |
| **2. Other countries** | |
| Sinotruk (Hong Kong) Ltd., Hong Kong, China | 25.00% |
| JV MAN AUTO - Uzbekistan LLC, Samarkand City, Uzbekistan | 49.00% |
| Atlas Power Ltd., Karachi, Pakistan | 33.54%[1] |
| | |
| **IV. OTHER EQUITY INVESTMENTS** | |
| **1. Germany** | |
| Roland Holding GmbH, Munich | 22.83%[2] |
| Verwaltungsgesellschaft Wasseralfingen mbH, Aalen | 50.00% |
| FFK Fahrzeugservice Förtsch GmbH Kronach, Kronach | 30.00% |
| Coburger Nutzfahrzeuge Service GmbH, in liquidation, Coburg (inactive) | 30.00% |
| MTC Marine Training Center Hamburg GmbH, Hamburg | 24.83% |
| | |
| **2. Other countries** | |
| Scania AB, Södertalje, Sweden | 13.35%[3] |
| Scania-MAN Administration ApS, Copenhagen, Denmark | 50.00% |
| Renk U.A.E. LLC, Abu Dhabi, United Arab Emirates | 49.00% |

[1] Different fiscal year.
[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 Holding Gesellschaft m.b.H., Austria
Scania AB, Sweden
Scania CV AB, Sweden

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**Jürgen Kerner***
Frankfurt,
Executive Board Member of IG Metall
Deputy Chairman of the Supervisory Board
[1] Airbus Operations GmbH
Premium Aerotec GmbH
Siemens AG

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**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] RWE AG

**Michael Behrendt**
Hamburg,
Supervisory Board Chairman of Hapag-Lloyd AG
[1] Barmenia Allgemeine Versicherungs-AG (Deputy Chairman)
Barmenia Krankenversicherung a. G. (Deputy Chairman)
Barmenia Lebensversicherung a. G. (Deputy Chairman)
Esso Deutschland GmbH
ExxonMobil C. E. Holding GmbH
Hamburgische Staatsoper GmbH
Hapag-Lloyd AG (Chairman)
MAN Diesel & Turbo SE
Renk Aktiengesellschaft

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**Marek Berdychowski***
Tarnowo, Podgórne/Poland,
Member of the Works Council at MAN Bus Sp. z o.o., Tarnowo Podgórne plant

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**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

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**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

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**Nicola Lopopolo***
Hanover,
Chairman of the Works Council of Renk Aktiengesellschaft, Hanover plant

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**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,
Former Secretary General of the International Chamber of Commerce (ICC), Berlin
Managing Partner of Dr. Pohl & Co. KG, Wiesbaden

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**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 Management SE
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***
Reichertshofen,
Labor Union Secretary of IG Metall
[1] MAN Diesel & Turbo SE
MAN Truck & Bus AG
MAN Truck & Bus Deutschland GmbH

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**Erich Schwarz***
Steyr/Austria,
Chairman of the Works Council of MAN Truck & Bus Österreich AG
[3] MAN Truck & Bus Österreich AG, Austria

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**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
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)
ŠKODA 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, 2014
[1] Membership of statutory German supervisory boards
[2] Membership of statutory German supervisory boards, Group appointments
[3] Membership of comparable German or foreign governing bodies
[4] Membership of comparable German or foreign governing bodies, Group appointments

## 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.

**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
(until August 31, 2014)
[4] OOO MAN Diesel & Turbo Russia (Chairman)

As of December 31, 2014, or date of departure
[1] Membership of statutory German supervisory boards
[2] Membership of statutory German supervisory boards, Group appointments
[3] Membership of comparable German or foreign governing bodies
[4] Membership of comparable German or foreign governing bodies, Group appointments

## Executive and management boards of Group companies

**MAN Truck & Bus AG**
Munich
Anders Nielsen, Chief Executive Officer
Jörg Astalosch (until June 30, 2014)
Ulf Berkenhagen
Dr. Carsten Intra
Jan-Henrik Lafrentz (since July 1, 2014)
Heinz-Jürgen Löw
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. Uwe Lauber (since October 1, 2014)
Chairman of the Executive Board (since January 1, 2015)
Dr.-Ing. René Umlauft, Chief Executive Officer
(until June 18, 2014)
Frank Burnautzki
Dr.-Ing. Hans-O. Jeske
Arnd Löttgen
Dr. Peter Park
Wilfried von Rath
Dr.-Ing. Stephan Timmermann
(until September 30, 2014)

**Renk Aktiengesellschaft**
Augsburg
Dipl.-Ing. (FH) Florian Hofbauer, Spokesman of the Executive Board
Ulrich Sauter

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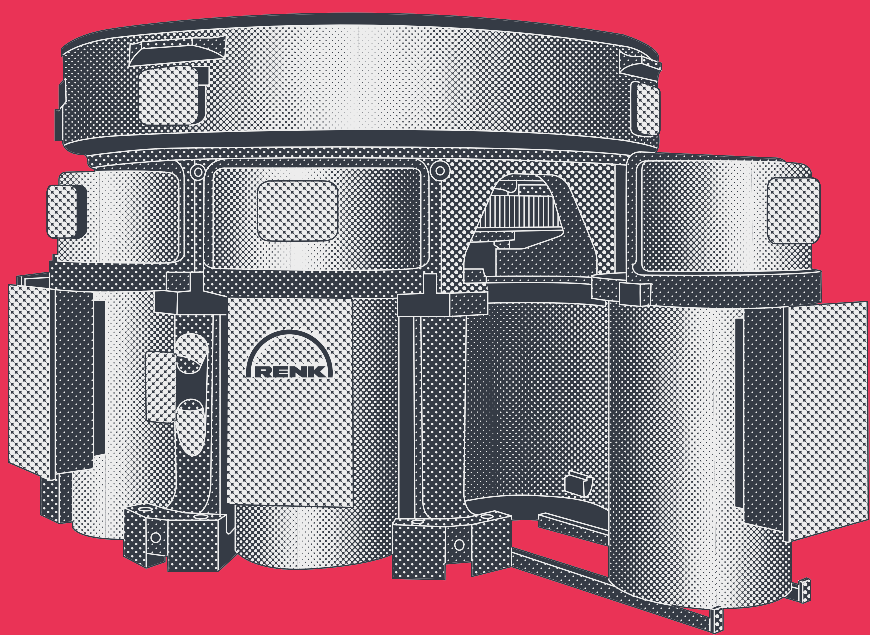

## COPE DRIVES

With its new compact planetary electric (COPE) drives, Renk aims to offer the market the vertical milling drive system with the highest availability and the lowest total costs.

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# UNAUDITED ADDITIONAL INFORMATION: OVERVIEW BY QUARTER (1/3)

| | 2014 | | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| € million | Total | Q4 | Q3 | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| **Order intake by division** [2] | | | | | | | | | | |
| MAN Truck & Bus | 9,269 | 2,499 | 2,114 | 2,390 | 2,267 | 9,551 | 2,169 | 2,797 | 2,392 | 2,194 |
| MAN Latin America | 2,253 | 524 | 534 | 625 | 570 | 2,955 | 660 | 719 | 754 | 822 |
| Commercial Vehicles [1] | 11,429 | 3,010 | 2,636 | 2,984 | 2,800 | 12,506 | 2,829 | 3,516 | 3,146 | 3,015 |
| MAN Diesel & Turbo | 3,280 | 840 | 753 | 901 | 786 | 3,407 | 1,126 | 679 | 874 | 727 |
| Renk | 666 | 345 | 95 | 102 | 125 | 504 | 83 | 184 | 121 | 116 |
| Power Engineering [1] | 3,929 | 1,180 | 843 | 1,001 | 905 | 3,911 | 1,209 | 863 | 995 | 843 |
| Others | – 26 | – 4 | – 6 | – 9 | – 6 | – 210 | – 27 | – 31 | – 102 | – 52 |
| **Order intake** | **15,332** | **4,186** | **3,473** | **3,976** | **3,699** | **16,207** | **4,012** | **4,349** | **4,039** | **3,806** |
| **Commercial Vehicles order intake (units)** [1] | **121,748** | **32,121** | **26,981** | **32,874** | **29,772** | **139,271** | **30,971** | **41,072** | **34,054** | **33,174** |
| MAN Truck & Bus | 75,402 | 20,352 | 16,196 | 20,657 | 18,197 | 78,914 | 16,403 | 25,584 | 18,838 | 18,089 |
| MAN Latin America | 48,161 | 11,993 | 10,971 | 12,806 | 12,391 | 60,357 | 14,568 | 15,488 | 15,216 | 15,085 |
| Intersegment order intake | – 1,815 | – 224 | – 186 | – 589 | – 816 | – 1,528 | – 206 | – 310 | – 467 | – 545 |
| Group order intake | 121,748 | 32,121 | 26,981 | 32,874 | 29,772 | 137,743 | 30,765 | 40,762 | 33,587 | 32,629 |
| **Sales revenue by division** [2] | | | | | | | | | | |
| MAN Truck & Bus | 8,412 | 2,482 | 2,017 | 2,131 | 1,782 | 9,251 | 2,791 | 2,114 | 2,404 | 1,942 |
| MAN Latin America | 2,253 | 524 | 534 | 625 | 570 | 2,955 | 660 | 719 | 754 | 822 |
| Commercial Vehicles [1] | 10,577 | 2,991 | 2,514 | 2,735 | 2,336 | 12,207 | 3,452 | 2,833 | 3,158 | 2,764 |
| MAN Diesel & Turbo | 3,273 | 964 | 883 | 726 | 700 | 3,390 | 980 | 795 | 872 | 743 |
| Renk | 480 | 134 | 130 | 108 | 108 | 485 | 135 | 125 | 103 | 123 |
| Power Engineering [1] | 3,732 | 1,090 | 1,008 | 830 | 804 | 3,875 | 1,115 | 919 | 975 | 865 |
| Others | – 23 | – 9 | – 7 | – 4 | – 2 | – 221 | – 47 | – 41 | – 98 | – 36 |
| **Sales revenue** | **14,286** | **4,072** | **3,515** | **3,561** | **3,138** | **15,861** | **4,520** | **3,712** | **4,036** | **3,594** |
| **Commercial Vehicles unit sales (units)** [1] | **120,088** | **34,410** | **28,043** | **31,249** | **26,386** | **141,919** | **42,898** | **33,471** | **34,752** | **30,798** |
| MAN Truck & Bus | 73,622 | 22,635 | 17,894 | 18,827 | 14,266 | 81,562 | 28,330 | 17,983 | 19,536 | 15,713 |
| MAN Latin America | 48,161 | 11,993 | 10,971 | 12,806 | 12,391 | 60,357 | 14,568 | 15,488 | 15,216 | 15,085 |
| Intersegment sales | – 1,695 | – 218 | – 822 | – 384 | – 271 | – 1,586 | – 447 | – 442 | – 371 | – 326 |
| Group sales | 120,088 | 34,410 | 28,043 | 31,249 | 26,386 | 140,333 | 42,451 | 33,029 | 34,381 | 30,472 |
| **Order backlog** [3] | **6,244** | **6,244** | **6,394** | **6,583** | **6,297** | **5,776** | **5,776** | **6,710** | **6,184** | **6,169** |
| **Commercial Vehicles production (units)** [1] | **116,072** | **28,242** | **28,906** | **29,367** | **29,557** | **142,517** | **37,834** | **36,662** | **35,941** | **32,080** |
| MAN Truck & Bus | 72,708 | 19,318 | 17,980 | 19,961 | 15,449 | 81,193 | 26,000 | 19,671 | 19,085 | 16,437 |
| MAN Latin America | 44,970 | 9,046 | 11,387 | 10,063 | 14,474 | 61,324 | 11,834 | 16,991 | 16,856 | 15,643 |
| Intersegment production | – 1,606 | – 122 | – 461 | – 657 | – 366 | – 1,306 | – 308 | – 393 | – 307 | – 298 |
| Group production | 116,072 | 28,242 | 28,906 | 29,367 | 29,557 | 141,211 | 37,526 | 36,269 | 35,634 | 31,782 |

[1] Consolidated presentation of business areas starting in 2014.
[2] 2013: Adjusted to reflect the retrospective application of the income statement structure used by Volkswagen, see also "Income statement disclosures."
[3] As of the reporting date.

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)

| € million | 2014 Total | 2014 Q4 | 2014 Q3 | 2014 Q2 | 2014 Q1 | 2013 Total | 2013 Q4 | 2013 Q3 | 2013 Q2 | 2013 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating profit/loss by division** [2] | | | | | | | | | | |
| MAN Truck & Bus | 152 | 63 | 9 | 68 | 11 | 244 | 152 | 48 | 66 | – 22 |
| MAN Latin America | 65 | – 11 | 9 | 36 | 32 | 220 | 67 | 50 | 45 | 59 |
| Commercial Vehicles [1] | 221 | 53 | 18 | 107 | 42 | 464 | 219 | 98 | 111 | 37 |
| MAN Diesel & Turbo | 206 | 59 | 59 | 55 | 33 | – 41 | 97 | 84 | – 104 | – 118 |
| Renk | 72 | 23 | 24 | 12 | 14 | 66 | 19 | 19 | 11 | 17 |
| Power Engineering [1] | 278 | 81 | 83 | 67 | 47 | 25 | 116 | 104 | – 93 | – 101 |
| Others | – 116 | – 54 | – 20 | – 20 | – 21 | – 180 | – 62 | – 42 | – 44 | – 34 |
| **Operating profit/loss** | **384** | **80** | **82** | **154** | **68** | **309** | **273** | **159** | **– 26** | **– 98** |
| **Financial result** | **– 142** | **– 40** | **– 37** | **– 39** | **– 26** | **– 137** | **– 48** | **– 82** | **39** | **– 46** |
| **Profit/loss before tax** | **242** | **39** | **45** | **116** | **42** | **172** | **225** | **77** | **14** | **– 144** |
| Income tax expense | – 100 | – 14 | – 19 | – 52 | – 14 | – 377 | – 138 | 9 | – 55 | – 193 |
| Income/loss from discontinued operations, net of tax | 124 | 124 | – | – | – | – 308 | – 4 | – 304 | – | – |
| **Profit/loss after tax** | **267** | **150** | **26** | **63** | **28** | **– 513** | **83** | **– 218** | **– 41** | **– 337** |
| **Operating return on sales (%)** | **2.7** | **2.0** | **2.3** | **4.3** | **2.2** | **1.9** | **6.0** | **4.3** | **– 0.6** | **– 2.7** |
| MAN Truck & Bus | 1.8 | 2.6 | 0.4 | 3.2 | 0.6 | 2.6 | 5.4 | 2.3 | 2.7 | – 1.1 |
| MAN Latin America | 2.9 | – 2.1 | 1.6 | 5.7 | 5.5 | 7.4 | 10.1 | 6.9 | 6.0 | 7.1 |
| Commercial Vehicles [1] | 2.1 | 1.8 | 0.7 | 3.9 | 1.8 | 3.8 | 6.3 | 3.5 | 3.5 | 1.3 |
| MAN Diesel & Turbo | 6.3 | 6.1 | 6.7 | 7.5 | 4.8 | – 1.2 | 9.9 | 10.6 | – 11.9 | – 15.9 |
| Renk | 15.0 | 16.9 | 18.4 | 11.0 | 12.8 | 13.5 | 14.0 | 15.6 | 10.2 | 13.8 |
| Power Engineering [1] | 7.5 | 7.5 | 8.3 | 8.0 | 5.9 | 0.6 | 10.4 | 11.3 | – 9.6 | – 11.7 |

[1] Consolidated presentation of business areas starting in 2014.

[2] 2013: Adjusted to reflect the retrospective application of the income statement structure used by Volkswagen, see also "Income statement disclosures."

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)

| | 2014 | | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| € million | Total | Q4 | Q3 | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Net cash provided by/used in operating activities | –695 | 406 | –194 | –220 | –688 | 136 | 417 | 254 | –385 | –150 |
| Net cash provided by/used in investing activities attributable to operating activities | –154 | –264 | –115 | –113 | 338 | –526 | –223 | –100 | –118 | –85 |
| **Net cash flow** | **–849** | **142** | **–308** | **–333** | **–350** | **–390** | **194** | **154** | **–503** | **–235** |
| **Net financial debt** [1] | **–1,360** | **–1,360** | **–1,517** | **–1,225** | **–864** | **–1,315** | **–1,315** | **–4,641** | **–4,797** | **–4,152** |
| | | | | | | | | | | |
| **ROCE (%)** [2] | **5.8** | **4.4** | **4.9** | **8.9** | **5.3** | **6.9** | **17.4** | **11.0** | **4.1** | **–4.7** |
| **ROS (%)** [2] | **3.0** | **2.1** | **2.7** | **4.5** | **3.0** | **3.0** | **6.7** | **5.2** | **1.8** | **–2.3** |
| **Headcount** [1, 3] | **55,903** | **55,903** | **55,983** | **55,480** | **55,462** | **56,102** | **56,102** | **56,178** | **55,455** | **55,896** |
| **Capital markets information** | | | | | | | | | | |
| **Earnings per share from continuing operations (€)** | **0.88** | **0.14** | **0.15** | **0.42** | **0.17** | **–1.47** | **0.57** | **0.56** | **–0.29** | **–2.31** |
| **MAN share price (in €)** [4] | | | | | | | | | | |
| High | 93.80 | 92.49 | 90.80 | 93.30 | 93.80 | 89.74 | 89.72 | 88.14 | 86.51 | 89.74 |
| Low | 87.99 | 88.91 | 87.99 | 89.75 | 89.25 | 82.35 | 88.02 | 84.00 | 83.76 | 82.35 |
| Quarter-end | 92.16 | 92.16 | 89.10 | 90.25 | 92.50 | 89.25 | 89.25 | 88.14 | 83.90 | 83.87 |
| **MAN share performance (%)** | | | | | | | | | | |
| Performance of MAN shares | 3.3 | 3.4 | –1.3 | –2.4 | 3.6 | 10.5 | 1.3 | 5.1 | 0.0 | 3.9 |
| Dax performance | 2.7 | 3.5 | –3.6 | 2.9 | 0.0 | 25.5 | 11.1 | 8.0 | 2.1 | 2.4 |
| MDax performance | 2.2 | 5.9 | –4.9 | 2.1 | –0.7 | 39.1 | 10.2 | 9.7 | 2.9 | 11.8 |

[1] As of the reporting date.
[2] For the actual ROCE and ROS values, operating profit is compared with the average capital employed – in accordance with the methodology applied to date – with the previous income statement structure used to determine operating profit.
[3] Including employees in the passive phase of partial retirement and vocational trainees, excluding subcontracted employees. The prior-year figures were adjusted accordingly.
[4] 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 29, 2015

**MAN SE**

The Executive Board

**Dr. Georg Pachta-Reyhofen**

**Ulf Berkenhagen**

**Jochen Schumm**

# 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, 2014. 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 29, 2015

**PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft**

**Frank Hübner**
Wirtschaftsprüfer

**Petra Justenhoven**
Wirtschaftsprüferin

# GLOSSARY

**Committee of Sponsoring Organizations of the Treadway Commission (COSO):** Internationally recognized framework for enterprise risk management and internal control.

**Compliance:** Adherence to statutory provisions, internal corporate policies, and ethical principles.

**Contractual trust arrangement (CTA):** Trust arrangement for funding pension provisions under which a company assigns assets to an autonomous and legally independent trustee as security that it will meet its pension funding obligations.

**Derivatives/derivative financial instruments:** Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e. g., stocks, foreign currency, interest-bearing securities).

**Equity method:** Method of including investments that are not consolidated in the investor's consolidated financial statements in cases where the investor has significant influence over the investment's financial and operating policy decisions. The carrying amount of the investment is adjusted for any changes in the investor's share of the investment's equity. These changes are usually reported in the owner's income statement.

**Equity ratio:** Indicates the ratio of total equity to total capital.

**Equity-to-assets ratio:** Indicates the extent to which non-current assets (intangible assets, property, plant, and equipment, and investments) are covered by equity.

**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.

**Function expenses:** Function expenses comprise the cost of sales, distribution expenses, and general and administrative expenses.

**International Financial Reporting Standards (IFRSs):** Internationally applicable accounting standards that are designed to ensure comparability of financial accounting and reporting. They are issued by the International Accounting Standards Board (IASB), an international private body. IFRSs also comprise those International Accounting Standards (IASs) that are still effective.

**Invested capital:** Invested capital is calculated as total operating assets (intangible assets, property, plant, and equipment, assets leased out, inventories, and receivables) less non-interest-bearing liabilities (trade payables, prepayments received, and deferred revenue from sales with buyback obligations). Prepayments received are only deducted if they have already been used in order processing.

**Net cash flow:** Net cash flow represents the excess funds from operating activities. It is calculated as cash flows from operating activities less cash flow from investing activities attributable to operating activities.

**Net liquidity/net financial debt:** Net liquidity/net financial debt comprises cash and cash equivalents, loans to Group companies, and marketable securities, less financial liabilities.

**Operating return on sales:** Ratio of operating profit to sales revenue.

$$\textit{Operating return on sales} = \frac{\textit{Operating profit}}{\textit{Sales revenue}}$$

**Other comprehensive income (OCI):** OCI is a separate category within total equity. It comprises gains and losses that are recognized in the balance sheet but not in the income statement, in particular from the fair value measurement of marketable securities, financial investments, and hedging transactions, from the translation of the financial statements of foreign Group companies and from remeasurements of pension plans, after adjustment for deferred taxes.

**Operating profit:** Earnings measure for calculating operating return on sales and thus for assessing and measuring the performance of MAN Group divisions. Operating profit reflects the Company's actual business activity and documents economic output in the core business.

**Operating profit after tax:** Earnings measure for calculating return on investment. Using various international income tax rates, an overall average tax rate of 30% is assumed when calculating the operating profit after tax.

**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.

**Return on Investment (ROI):** Ratio to calculate the return on invested capital for a particular period by calculating the ratio of operating profit after tax to invested capital.

$$\textit{ROI} = \frac{\textit{Operating profit after tax}}{\textit{Invested capital}}$$

**Swap:** Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

**Syndicated credit line:** Committed credit line granted by a banking syndicate.

**Total cost of ownership (TCO):** Sum of all incurred costs, for the acquisition, its use and potential disposal of an asset.

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# MAN GROUP: SEVEN-YEAR OVERVIEW

| € million | 2014 | 2013[1] | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| **Order intake** | **15,332** | **16,207** | **15,889** | **17,145** | **15,072** | **9,860** | **14,033** |
| of which: Germany | 3,267 | 3,570 | 3,252 | 3,646 | 3,489 | 2,388 | 3,306 |
| of which: other countries | 12,066 | 12,637 | 12,637 | 13,499 | 11,583 | 7,472 | 10,727 |
| **Order intake by division** | | | | | | | |
| MAN Truck & Bus | 9,269 | 9,551 | 9,150 | 9,514 | 8,023 | 5,224 | 9,130 |
| MAN Latin America | 2,253 | 2,955 | 2,870 | 3,579 | 3,140 | 1,412 | – |
| MAN Diesel & Turbo | 3,280 | 3,407 | 3,510 | 3,692 | 3,475 | 2,936 | 4,515 |
| Renk | 666 | 504 | 525 | 456 | 525 | 294 | 443 |
| Others | – 26 | – 210 | – 166 | – 96 | – 91 | – 6 | – 55 |
| **Sales revenue** | **14,286** | **15,861** | **15,772** | **16,472** | **14,675** | **12,026** | **14,945** |
| of which: Germany | 2,906 | 3,388 | 3,170 | 3,515 | 3,058 | 2,751 | 3,704 |
| of which: other countries | 11,380 | 12,472 | 12,602 | 12,957 | 11,617 | 9,275 | 11,241 |
| **Sales revenue by division** | | | | | | | |
| MAN Truck & Bus | 8,412 | 9,251 | 8,822 | 8,984 | 7,446 | 6,395 | 10,610 |
| MAN Latin America | 2,253 | 2,955 | 2,870 | 3,579 | 3,140 | 1,412 | – |
| MAN Diesel & Turbo | 3,273 | 3,390 | 3,780 | 3,610 | 3,766 | 3,796 | 3,870 |
| Renk | 480 | 485 | 476 | 389 | 403 | 474 | 527 |
| Others | – 23 | – 221 | – 176 | – 90 | – 80 | – 51 | – 62 |
| **Order backlog at December 31** | **6,244** | **5,776** | **6,094** | **6,640** | **7,025** | **7,422** | **10,416** |
| of which: Germany | 1,216 | 1,114 | 1,067 | 1,172 | 1,264 | 1,107 | 1,626 |
| of which: other countries | 5,028 | 4,662 | 5,027 | 5,468 | 5,761 | 6,315 | 8,790 |
| **Headcount at December 31** | **55,903** | **56,102** | **56,513** | **53,792** | **49,155** | **49,571** | **52,622** |
| of which: German companies | 32,309 | 32,430 | 32,272 | 31,302 | 28,610 | 28,534 | 30,202 |
| of which: companies outside Germany | 23,594 | 23,672 | 24,241 | 22,490 | 20,545 | 21,037 | 22,420 |
| **Permanent employees at December 31** | **51,995** | **52,182** | **52,481** | **50,178** | **45,693** | **46,100** | **49,124** |
| **Subcontracted employees at December 31** | **879** | **1,327** | **1,802** | **2,364** | **1,976** | **1,643** | **2,197** |
| **Annual average headcount** | **55,587** | **55,999** | **55,963** | **52,283** | **49,019** | **50,567** | **51,951** |
| **MAN share data** | | | | | | | |
| Common shares at December 31 (in €) | 92.16 | 89.25 | 80.75 | 68.70 | 88.99 | 54.44 | 38.72 |
| Common shares, high (in €) | 93.80 | 89.74 | 102.45 | 98.72 | 96.44 | 61.23 | 110.91 |
| Common shares, low (in €) | 87.99 | 82.35 | 70.76 | 52.51 | 47.99 | 30.31 | 27.78 |
| Common shares, price/earnings ratio at December 31 [2] | 104.7 | – | 65.7 | 14.9 | 16.8 | – | 5.0 |
| Preferred shares at December 31 (in €) | 91.31 | 88.56 | 75.50 | 48.35 | 58.21 | 41.00 | 43.05 |
| Preferred shares, high (in €) | 93.25 | 88.95 | 85.51 | 69.94 | 62.24 | 49.95 | 110.00 |
| Preferred shares, low (in €) | 87.70 | 75.35 | 50.54 | 37.02 | 38.02 | 35.45 | 32.56 |
| Preferred shares, price/earnings ratio at December 31 [2] | 103.8 | – | 61.4 | 10.5 | 11.0 | – | 5.5 |
| Dividend per share (in €) [3, 4] | 3.07 | 3.07 | 1.00 | 2.30 | 2.00 | 0.25 | 2.00 |
| Earnings per share (IAS 33) (in €) [2] | 0.88 | – 1.47 | 1.23 | 4.62 | 5.30 | – 2.69 | 7.76 |
| Equity per share (in €) | 35.90 | 36.40 | 37.70 | 39.00 | 37.40 | 35.50 | 35.70 |

[1] 2013: Adjusted to reflect the retrospective application of the income statement, balance sheet, and statement of cash flows structure used by Volkswagen; see also management report.
[2] For continuing operations.
[3] 2013: Cash dividends of MAN SE in the amount of €0.14 are part of the guaranteed dividend of Truck & Bus GmbH.
[4] MAN SE will not distribute any further dividends from fiscal 2014 onwards as a result of the DPLTA. Instead, Truck & Bus GmbH has agreed to make annual cash compensation payments of €3.07 per common or preferred share for the full fiscal year to MAN SE free float shareholders for the duration of the DPLTA, starting in fiscal 2014.

| € million | 2014 | 2013[1] | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Noncurrent assets | 10,534 | 9,949 | 11,746 | 10,623 | 10,046 | 8,661 | 6,010 |
| Inventories | 3,095 | 3,112 | 3,373 | 3,513 | 2,852 | 3,037 | 3,275 |
| Other current assets | 3,384 | 8,338 | 3,426 | 3,576 | 3,462 | 3,561 | 7,140 |
| Marketable securities and cash and cash equivalents | 525 | 1,138 | 1,367 | 958 | 1,071 | 636 | 105 |
| Total equity | 5,485 | 5,227 | 5,632 | 5,590 | 5,990 | 5,129 | 5,396 |
| Pension obligations | 603 | 452 | 591 | 378 | 226 | 160 | 74 |
| Noncurrent and current financial liabilities | 2,485 | 3,627 | 5,299 | 3,170 | 2,849 | 3,270 | 1,736 |
| Prepayments received | 819 | 852 | 908 | 823 | 762 | 913 | 1,099 |
| Other liabilities and provisions | 8,145 | 12,379 | 7,482 | 8,709 | 7,604 | 6,423 | 8,225 |
| **Total assets/capital employed** | **17,538** | **22,537** | **19,912** | **18,670** | **17,431** | **15,895** | **16,530** |
| | | | | | | | |
| **Sales revenue** | **14,286** | **15,861** | **15,772** | **16,472** | **14,675** | **12,026** | **14,945** |
| Cost of sales[2] | –11,695 | –13,101 | –12,499 | –12,791 | –11,400 | –9,455 | –11,243 |
| **Gross profit** | **2,591** | **2,760** | **3,273** | **3,681** | **3,275** | **2,571** | **3,702** |
| Other income and expenses | –2,207 | –2,451 | –2,304 | –2,198 | –2,240 | –2,067 | –1,973 |
| **Operating profit** | **384** | **309** | **969** | **1,483** | **1,035** | **504** | **1,729** |
| Earnings effects from purchase price allocations | – | – | –110 | –109 | –109 | –62 | – |
| Gains/losses from nonrecurring items | – | – | –231 | –118 | 357 | –656 | –106 |
| Net interest income/expense | – | – | –312 | –134 | –158 | –117 | 20 |
| Financial result | –142 | –137 | – | – | – | – | – |
| **Profit/loss before tax** | **242** | **172** | **316** | **1,122** | **1,125** | **–331** | **1,643** |
| Income taxes | –100 | –377 | –124 | –434 | –338 | –53 | –488 |
| Income/loss from discontinued operations, net of tax | 124 | –308 | – | –441 | –65 | 126 | 92 |
| **Profit/loss after tax** | **267** | **–513** | **192** | **247** | **722** | **–258** | **1,247** |
| Noncontrolling interests | –13 | –11 | –12 | –9 | –9 | –12 | –14 |
| Withdrawal from/transfer to reserves | –254 | 545 | –33 | 100 | –419 | 307 | –939 |
| **Total dividend paid by MAN SE[3]** | **–** | **21** | **147** | **338** | **294** | **37** | **294** |
| | | | | | | | |
| Depreciation and amortization of, and impairment losses on noncurrent assets (from 2013 including assets leased out) | –905 | –980 | –706 | –1,129 | –467 | –804 | –324 |
| | | | | | | | |
| **Capital expenditures and financing** | | | | | | | |
| Property, plant, and equipment, and intangible assets | 605 | 558 | 754 | 601 | 391 | 366 | 603 |
| Equity investments | 5 | 4 | 175 | 70 | 5 | 1,937 | 270 |
| Research and development costs | 718 | 635 | – | – | – | – | – |
| Research and development expenditures | – | – | 830 | 740 | 626 | 504 | 493 |
| Net cash provided by/used in operating activities | –695 | 136 | –84 | 518 | 1,427 | 1,462 | 137 |
| Net cash used in investing activities attributable to operating activities | –154 | –526 | –1,233 | –637 | –374 | –2,584 | –707 |
| Net cash flow (free cash flow until 2013) | –849 | –390 | –1,317 | –119 | 1,053 | –1,122 | –570 |
| | | | | | | | |
| **Key performance indicators** | | | | | | | |
| Operating return on sales (%) | 2.7 | 1.9 | – | – | – | – | – |
| ROS (%) | 3.0 | 3.0 | 6.1 | 9.0 | 7.1 | 4.2 | 11.6 |
| ROCE (%) | 5.8 | 6.9 | 13.9 | 24.4 | 17.4 | 8.8 | 40.2 |

[1] 2013: Adjusted to reflect the retrospective application of the income statement, balance sheet, and statement of cash flows structure used by Volkswagen; see also management report.

[2] 2008 figure after reclassification of €–61 million of cost of sales to gains/losses from nonrecurring items.

[3] MAN SE will not distribute any further dividends from 2014 onward as a result of the DPLTA. Instead, Truck & Bus GmbH has agreed to make annual cash compensation payments of €3.07 per common or preferred share for the full fiscal year to MAN SE free float shareholders for the duration of the DPLTA, starting in fiscal 2014.

[4] CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made in 2009).

## Financial Diary (expected dates)*

| | |
|---|---|
| Report on Q1 / 2015 | April 28, 2015 |
| Annual General Meeting for fiscal 2014 | May 6, 2015 |
| Half-yearly report 2015 | July 28, 2015 |
| Report on Q3 / 2015 | October 27, 2015 |

* The latest information can be found on MAN SE's website at **www.man.eu/corporate** under "Investor Relations."

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