The partner of choice.

2012 Annual Report

Engineering the Future – since 1758.

MAN SE

A partner

for win-win solutions.

Our success is the result of close cooperation and constant communication with our customers. Only by working as a team can we come up with the best possible solutions and innovative products that add real value for all of us.

Financial Report ➔

A partner

for strong performance

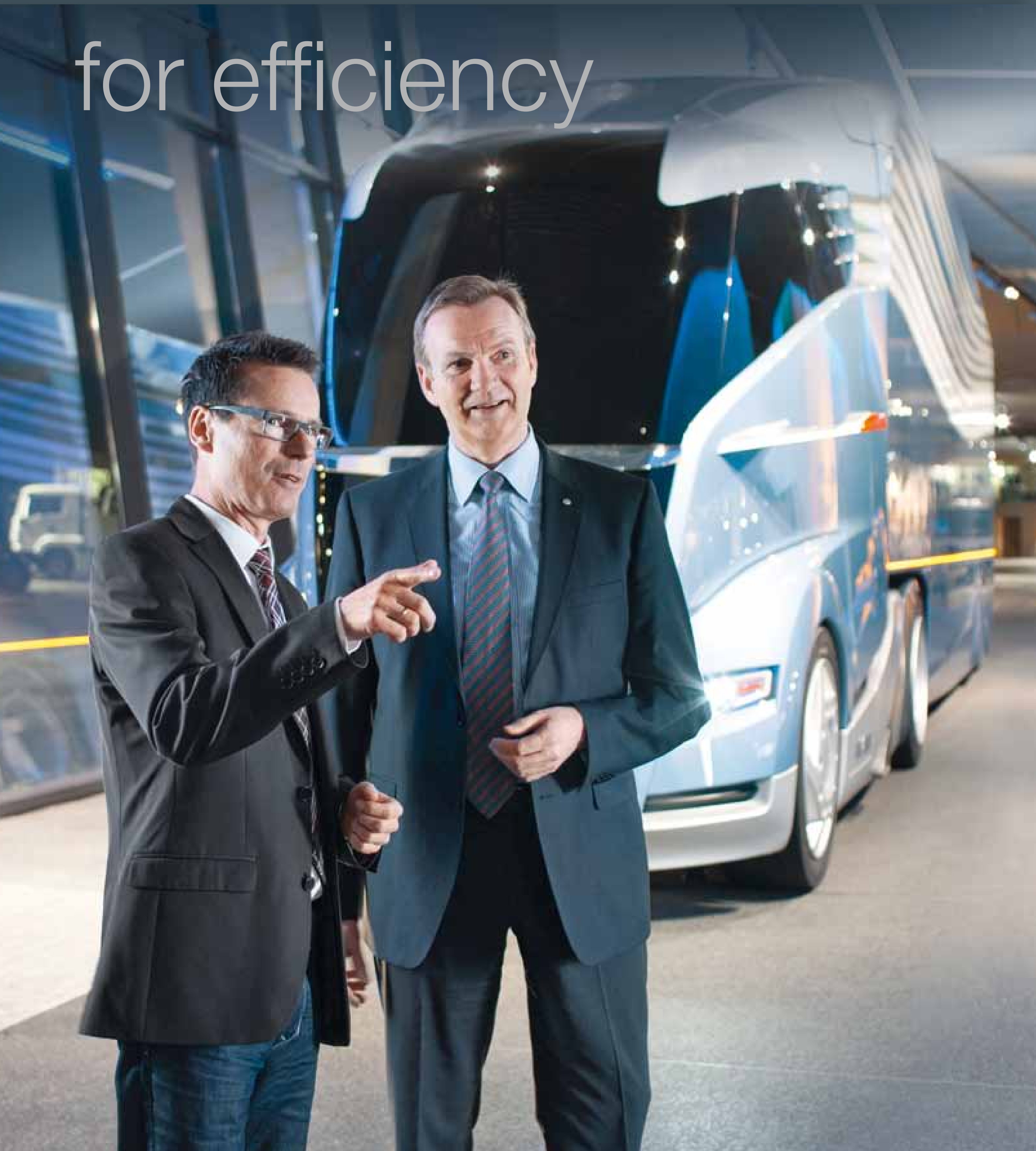
Focused on the key industries of transportation and energy, in use around the world, and present in the major growth markets.

Financial Report →

We combine our expertise and competitive edge to provide tailored solutions for customers' requirements.

A partner

for efficiency



Financial Report →

The aerodynamic truck of the future

The Concept S truck study shows what can be achieved by combining an aerodynamic design with additional innovations: up to 25% less fuel consumption and a sustainable reduction in CO_2 emissions. The vehicle concept is a perfect blend of the streamlined MAN Concept S tractor unit and the matching Krone AeroLiner trailer, forming a single aerodynamic unit with the same amount of loading space as today's semitrailer tractors.

Sustainable transport solution

Krone and MAN's joint study is a real head turner. If the Concept S reminds you of a dolphin, then you're right on track. The design of the semitrailer tractor features efficient lines – just like the body of a dolphin – enabling extremely low aerodynamic drag similar to that for cars.

Top marks for aerodynamics

A rounded front, streamlined integrated tanks, and an intelligent roof spoiler concept: the optimized design facilitates outstanding airflow around the entire semitrailer tractor.

Futuristic and customer-oriented

The Concept S's fascinating design gives a glimpse into the future in terms of safety, environmental protection, and efficiency.

Design study on the screen.

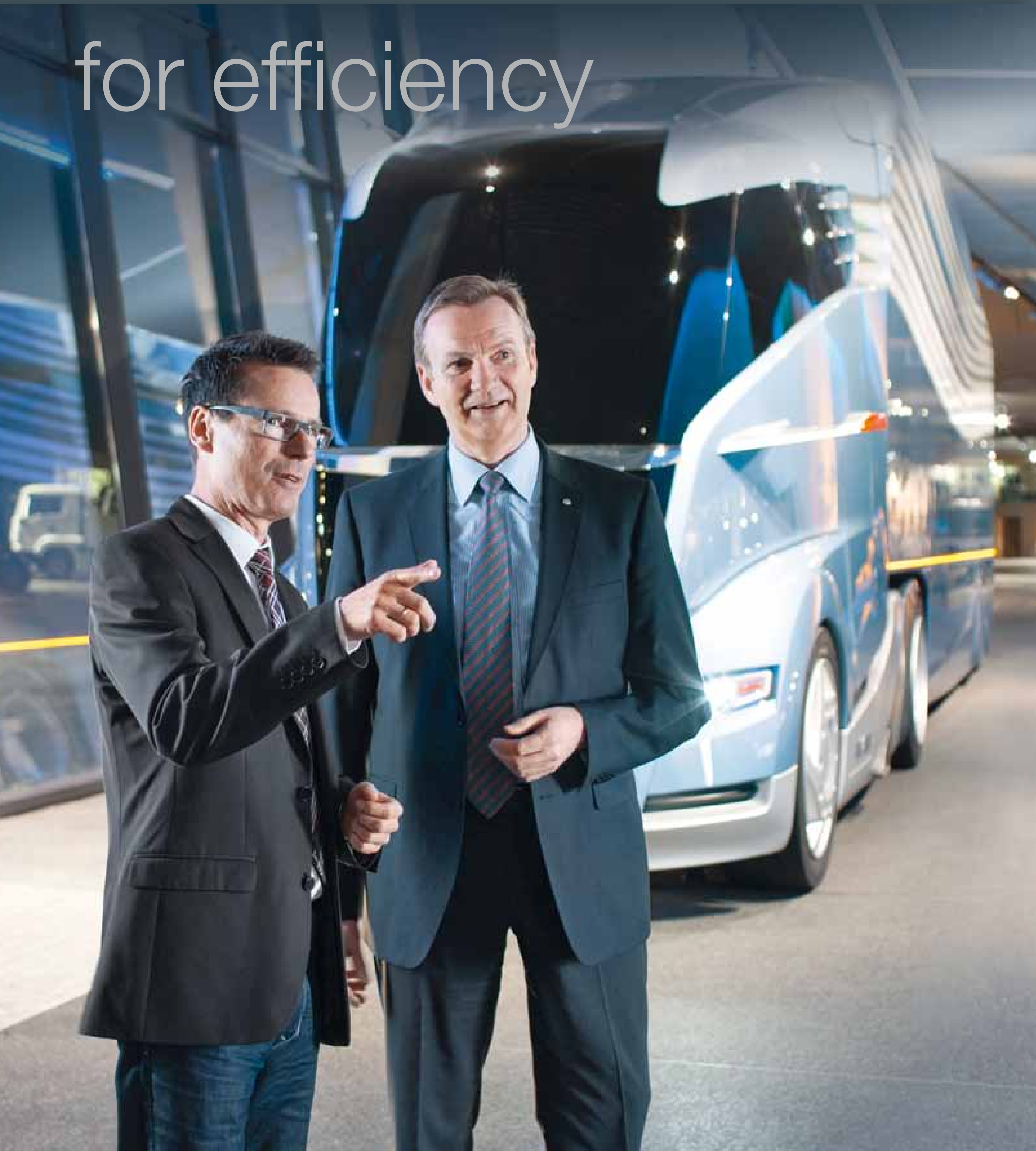
A head turner down to the smallest detail.

Up to 25% less fuel

// Truck of the future – the MAN Concept S // (only in German)

01/ → Uwe Sasse (Managing Director, Construction & Development, Fahrzeugwerk Bernard KRONE GmbH), right, and Holger Koos (Vice President Styling Truck, MAN Truck & Bus) with the prototype they developed together.

A partner for efficiency



Financial Report →

// Premiered at the IAA 2012

MAN and Krone are ringing in the future in the area of efficient commercial vehicles with the Concept S.

A partner for reliability

Financial Report →

Special operations and MAN PrimeServ have one thing in common: they have no fixed business hours. The engineers are there for their customers 24 x 7. Petrobras has relied on this service expertise for ten years now.

// Always on call for rapid, reliable deployment on site

A leading-edge service

MAN Diesel & Turbo – a leading international manufacturer of large-bore diesel engines and turbomachinery – operates more than 100 service stations worldwide under the MAN PrimeServ brand. PrimeServ's team responds immediately when a customer needs help, be it to deal with technical faults or for maintenance. It doesn't matter what time it is or where you are in the world.

Many years of cooperation

The location may even be on the high seas – for example in an oil and natural gas exploration area. MAN Diesel & Turbo is responsible for corrective and preventive maintenance and extensive operational support of the gas turbines on four offshore platforms belonging to the Brazilian energy group, Petroleo Brasileiro (Petrobras). The Company has its own service staff on the platforms round the clock. In 2012, Petrobras extended the service agreement – which has been in place since 2002 – for the second time.

Custom solutions

The service offering meets the special needs of the oil and gas business, which includes compliance with extremely high safety and environmental requirements. MAN also puts together individual service packages that are tailored to meet the needs of customers in other sectors.

365 DAYS A YEAR. 24 HOURS A DAY.

02/ → Maintenance work on a Petrobras oil platform – customers can rely on MAN PrimeServ's engineers.

A partner for reliability

// A highly unusual location

MAN Diesel & Turbo and its service team from MAN PrimeServ provide the Petrobras energy group with extensive single-source professional services on four offshore platforms 120 kilometers off the coast of Brazil.

A partner for exclusivity

Special seats for increased comfort.

One-off: the “Rauten-Express” team coach.

Creating the extraordinary together

Comfortable travel

MAN built a very special coach for the HSV soccer team's 125th anniversary: the “Rauten-Express” (Diamond Express). MAN has been an official partner of the traditional Hamburg club and four other German Bundesliga clubs for two years. A large number of the world's best teams have customized MAN team coaches.

Premium features

480 horsepower, 13.8 meters long, 24.9 tons – the measurements of the new MAN Lion's Coach L for HSV. The anniversary coach, with VIP fittings and lots of leg room, ensures that the team arrives at games relaxed. The interior was designed very precisely to meet the wishes of the players and trainers.

// Building the HSV coach //
(only in German)

Fans help design the coach

HSV fans designed the coach's exterior. They voted for twelve photos that show the most important milestones, moments, and idols in HSV's history – from the club's foundation in 1887 to the present day. These are displayed on the 12.5 meter-long sides of the vehicle.

// Christening the HSV coach //
(only in German)

Spectacular coach christening

The coach was christened the “Rauten-Express” on a barge in the middle of the river Elbe by a fireboat. The HSV team watched the show together with fans in Hamburg's harbor.

→ Frank Dauksch (Bus Sales Manager at MAN Truck & Bus Deutschland GmbH, Center Hamburg), left, with Marinus Bester (HSV team manager).

A partner for exclusivity

// Coach christening in Hamburg's harbor

The HSV team's new vehicle was christened with water from the river Elbe.

A partner for flexibility

Financial Report →

D08 engines reduce fuel consumption and cut production costs in the field of commercial vehicles. Together, these two factors give customers like the Rio de Janeiro Refrescos bottling plant in Brazil a real advantage.

As one of the largest bottling plants in the world, Rio de Janeiro Refrescos operates a sizeable fleet of trucks, which transport a huge number of bottles and other products in all directions every day. The Company has selected the VW Constellation model with innovative EGR* technology for its new truck purchases.

Environmentally friendly drive technology for the Brazilian market

Since 2012, most vehicles in the new VW Constellation ADVANTECH series have been using MAN D08 engines. This model is equipped with an EGR system that recirculates exhaust gas, thus decreasing emissions. Developed in Europe, this engine has been specially adapted to national requirements and complies with the Conama P7 emission standard that came into force in Brazil in 2012.

Compelling arguments

The high-performance D08 engines also come with additional advantages for customers: not only do they reduce weight, installation space, and fuel consumption, but they also do away with the need for chemical solutions to lower exhaust gas pollutant levels (AdBlue). This means lower costs and less work.

Latin American growth market

MAN Latin America is continuing its growth. The Company uses its deep market expertise to produce compelling solutions that are precisely tailored to regional requirements.

2012 Launch of TGX, the MAN brand's first truck series in South America

€400 million Investment in production, projects, and research and development at the Resende location in Brazil in the period up to 2016

5,100 Employees at the Resende location

* EGR system: exhaust gas recirculation works by cooling the recirculated exhaust gas, lowering the temperature in the cylinder's combustion chamber – which means fewer nitrogen oxides are produced during the combustion process.

→ The D08 engines are installed by MAN Latin America employees at the MAN plant in Resende.

A partner for flexibility

// A clean fleet

More than 150 trucks from the VW Constellation range featuring fuel-efficient EGR technology have been part of Rio de Janeiro Refrescos' fleet since 2012.

A partner

for mobility

Financial Report →

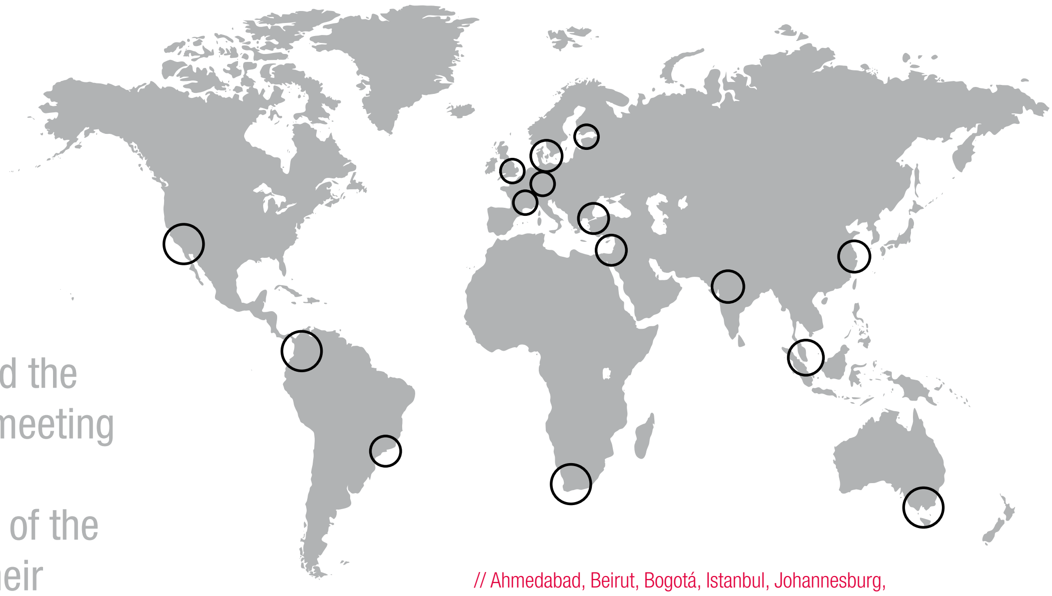
Where is urban mobility heading?

MAN is investigating what mobility in cities will look like in the future together with 15 cities around the world and Munich Technical University.

"What Cities Want"
This is the title of the study that MAN will publish in 2013. The subject matter is relevant both to the present and to the future. Developments such as growing population figures and climate change require cities all around the world to provide sustainable traffic solutions.

Fifteen selected cities with completely different requirements in terms of their size and infrastructure provided information on their mobility strategies and their priorities for transportation planning and development.

Objectives of the study:
- To gain insights into discussions about, and plans for, shaping mobility
- To gain an overview of political decision-making structures and processes
- To examine political stances and topics such as CO_2, climate change, and noise emissions in their global context
- To draw conclusions for MAN's strategy in promising markets across the world



Cities round the globe are meeting the mobile challenges of the future in their own ways.

// Ahmedabad, Beirut, Bogotá, Istanbul, Johannesburg, Copenhagen, London, Los Angeles, Lyon, Melbourne, Munich, São Paulo, Shanghai, Singapore, St. Petersburg //

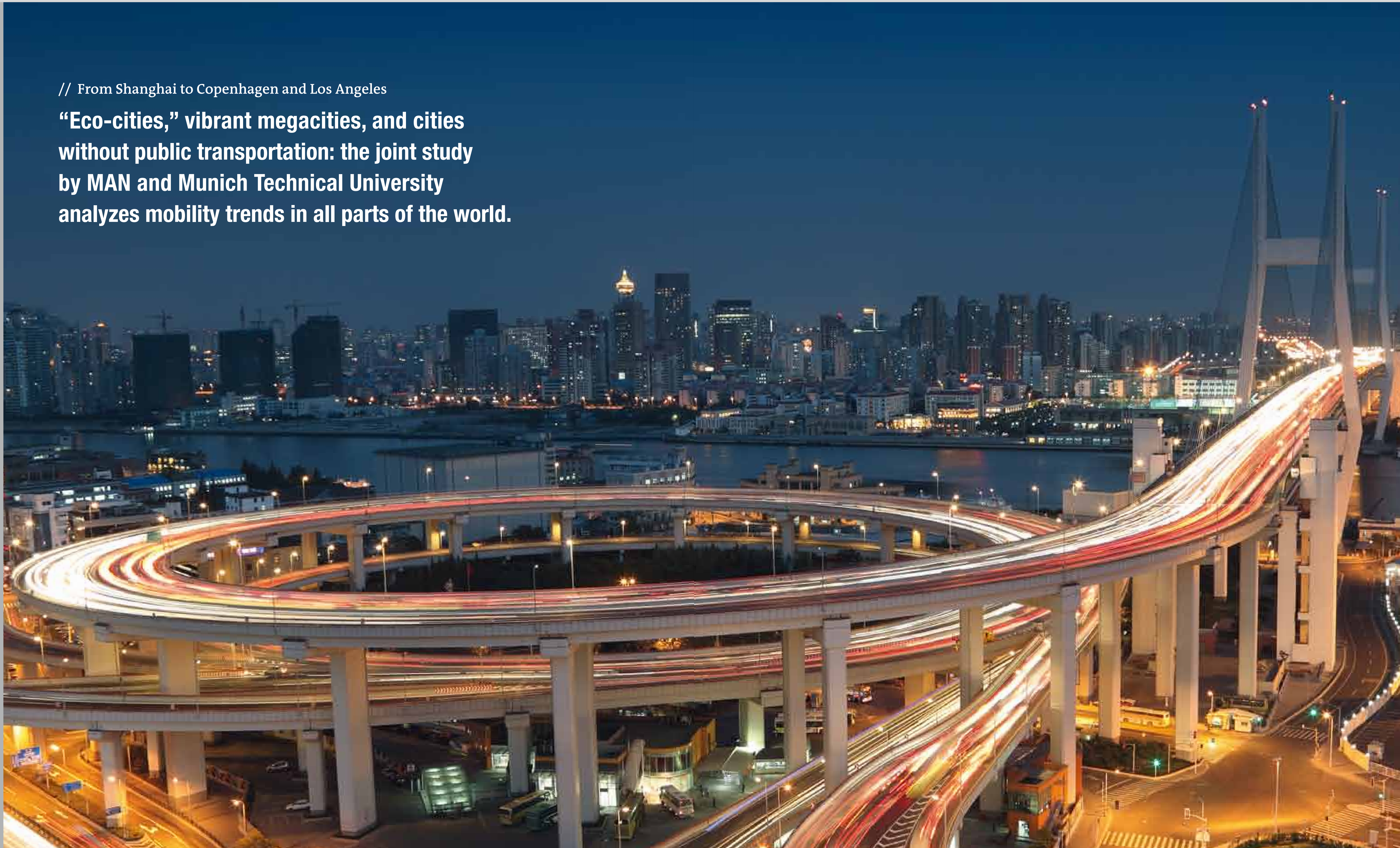
→ Prof. Gebhard Wulfhorst (Head of the Department for Urban Structures and Transportation Planning, Munich Technical University) and Dr. Kirsten Broecheler (Public Affairs, MAN SE) are in charge of the study.

A partner

for mobility

// From Shanghai to Copenhagen and Los Angeles

"Eco-cities," vibrant megacities, and cities without public transportation: the joint study by MAN and Munich Technical University analyzes mobility trends in all parts of the world.



A partner for sustainability

Always thinking a step ahead

Together with the Korean licensee HHI, MAN Diesel & Turbo is reducing pollutant emissions by marine engines. The second generation of the EGR system* already complies with the requirements of the IMO Tier III** emissions standards, which will enter into force in 2016.

Marine transportation is rising with global trade
Ships are used for approximately 95% of international long-distance goods transportation. They mainly use heavy oil as fuel, which produces nitrogen and sulfur oxides when burned. Stricter emission limits aim to mitigate the effects on the environment in the future.

MAN Diesel & Turbo is working actively to find solutions
The EGR (exhaust gas recirculation) system significantly decreases pollutant emissions by recirculating exhaust gas. Developers have made further decisive progress with the second generation of the technology.

Three-year test phase to offer new insights
The exhaust gas recirculation system will be used on board one of Maersk Line's new container ships in 2013 for the first time. It will be fully integrated with the ship's main engine, an MAN two-stroke engine. Hyundai Heavy Industries (HHI) is responsible for building the engine. MAN and HHI will use the findings from this practical test to further optimize the system, particularly with a view to future projects.

EGR has great potential
The innovation gives ship owners around the world advantages in terms of environmental compatibility, flexibility, maintenance costs, and value retention.

* EGR system: exhaust gas recirculation works by cooling the recirculated exhaust gas, lowering the temperature in the cylinder's combustion chamber – which means fewer nitrogen oxides are produced during the combustion process.
** IMO Tier III: The next level of the emission standards for marine transportation worldwide laid down by the International Maritime Organization (IMO) comes into force in January 2016.

→ MAN Diesel & Turbo developed the groundbreaking EGR system together with engineers from HHI, the largest shipbuilding company in the world.

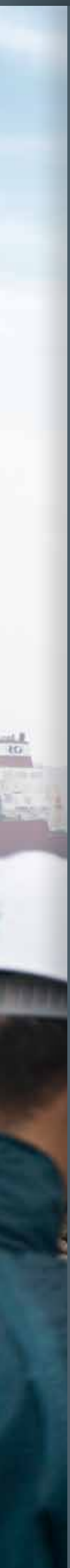
A partner for sustainability

Financial Report ➔

// Focus on sustainability

The objective: fewer emissions in marine transportation. The cooperation between MAN and HHI to develop engines with the EGR system is delivering promising solutions.

A partner



Financial Report →

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.

€15.9 billion
Order intake down 7%

€15.8 billion
A moderate 4% drop in revenue following the prior-year record

€964 million
Operating profit just under one billion

54,283
Employees worldwide

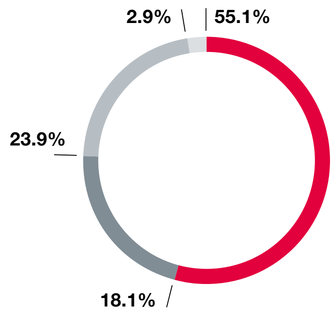
MAN at a Glance

Group key figures (IFRSs)

€ million	2012	2011	Change in %
Order intake	**15,889**	**17,145**	**–7**
Germany	3,252	3,646	–11
Other countries	12,637	13,499	–6
Revenue	**15,772**	**16,472**	**–4**
Germany	3,170	3,515	–10
Other countries	12,602	12,957	–3
Order backlog[1]	**6,094**	**6,640**	**–8**
Headcount[1,2]	**54,283**	**52,542**	**3**
Income statement			**Change in € million**
Operating profit	964	1,483	–519
Earnings before tax (EBT)	311	1,122	–811
Net income	189	247	–58
ROS (%)	6.1	9.0	–2.9 pts.
ROCE (%)	13.9	24.4	–10.5 pts.
Balance sheet			
Total assets	19,918	18,670	1,248
Total equity[1]	5,619	5,590	29
Equity ratio (%)	28.2	29.9	–1.7 pts.
Net financial debt[1]	–3,928	–2,212	–1,716
Cash and cash equivalents[1]	1,366	957	409
Cash flow			
Net cash provided by operating activities	–84	518	–602
Net cash used in investing activities	–1,233	–637	–596
Free cash flow	–1,317	–119	–1,198
Shares			**Change in €**
Earnings per share from continuing operations in €	1.20	4.62	–3.42
Dividend per share in €[3]	1.00	2.30	–1.30

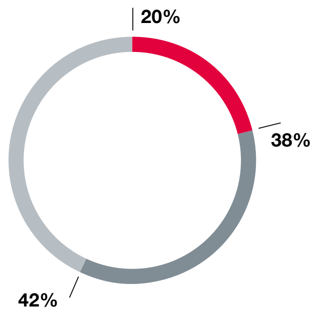
[1] As of December 31, 2012 vs. December 31, 2011.
[2] Including subcontracted employees.
[3] 2012: proposed dividend.

Revenue distribution by segment



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

Revenue distribution by region

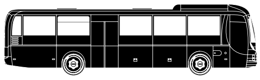


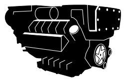
- Germany
- Rest of Europe
- Rest of World

The MAN Group

Business areas

Commercial Vehicles





Divisions

MAN Truck & Bus

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

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

€ million	2012	2011
Order intake	9,150	9,514
Revenue	8,822	8,984
Operating profit	225	565
Headcount as of Dec. 31 (no.)*	34,879	34,239
ROS (%)	2.6	6.3

* Including subcontracted employees.

More on page 70

MAN Latin America

is the largest truck manufacturer in South 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.

- Trucks from 5 to 74 t for all uses
- Chassis from 5 to 26 t for all uses

€ million	2012	2011
Order intake	2,870	3,579
Revenue	2,870	3,579
Operating profit	229	400
Headcount as of Dec. 31 (no.)*	1,937	1,915
ROS (%)	8.0	11.2

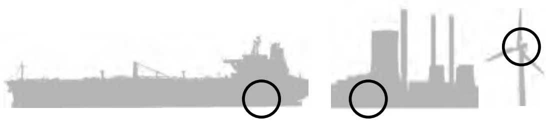
* Including subcontracted employees.

More on page 74

Investments

Sinotruk 25% + 1 share
Scania 17.4% voting rights

Power Engineering



MAN Diesel & Turbo

is one of the world's leading providers of large-bore diesel engines for marine and stationary applications and is also one of the leading suppliers of turbomachinery on the global market.

- Two- and four-stroke engines with high fuel flexibility for use in ships and power plants
- On-board gensets, exhaust-gas turbochargers, and propulsion systems
- Turnkey diesel 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	2012	2011
Order intake	3,510	3,692
Revenue	3,780	3,610
Operating profit	437	460
Headcount as of Dec. 31 (no.)*	14,863	14,039
ROS (%)	11.6	12.7

* Including subcontracted employees.

More on page 78

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	2012	2011
Order intake	525	456
Revenue	476	389
Operating profit	66	53
Headcount as of Dec. 31 (no.)*	2,245	2,013
ROS (%)	13.8	13.6

* Including subcontracted employees.

More on page 84

01/
To Our Shareholders
Letter to Our Shareholders

Dear Shareholders,

2012 was a year of major challenges for the MAN Group. The global economy cooled noticeably over the course of the year. We saw a high level of uncertainty as a result of the sovereign debt crisis, particularly in MAN's key European markets. Although this was still largely limited to the financial markets in 2011, it gradually spread to the real economy over the past fiscal year. Consequently, our customers cut back on their purchases or postponed investments. The Brazilian economy – one of our key markets – also slowed. In view of these circumstances, earnings for 2012 were well below our very good 2011 results.

Measured against these factors, the MAN Group's revenue declined only moderately to a sound €15.8 billion, down 4% on the record revenue generated in 2011. This decrease is primarily attributable to the Commercial Vehicles business area, which saw annual revenue decline by 7% to €11.7 billion. While MAN Truck & Bus remained largely stable, MAN Latin America had to contend with both the cooling economy as mentioned above and a drop in demand as a result of the introduction of the Euro V emission standard in Brazil. Its revenue fell by a fifth to €2.9 billion. The Power Engineering business area generated revenue of €4.3 billion, exceeding the prior-year level of €4.0 billion. MAN Diesel & Turbo contributed €3.8 billion to this figure; Renk accounted for €0.5 billion.

The MAN Group's order intake declined by 7% in 2012 to €15.9 billion. At €12.0 billion, it was down 8% year-on-year in the Commercial Vehicles business area. Order intake in the Power Engineering business area fell just short of the prior-year level at €4.0 billion.

At €964 million, operating profit in the past fiscal year was down 35% on the high prior-year figure (€1,483 million). Here, too, it was first and foremost the commercial vehicles business that was unable to repeat its excellent prior-year performance due to the strained economic situation.

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

Operating profit in the Commercial Vehicles business area halved to €454 million. MAN Truck & Bus recorded an operating profit of €225 million and thus a return on sales of 2.6%. Higher pressure on margins and increased costs had a significant impact. Although MAN Truck & Bus was able to partially offset declining unit sales figures in Europe by increased sales in other regions, this led to changes in the country and product mix with lower margins on average. MAN Latin America's operating profit declined to €229 million in the year under review, compared with €400 million in the prior-year period. This was mainly due to the drop in revenue and increased competition under difficult market conditions. The Power Engineering business area made a stabilizing contribution of €503 million to operating profit. At 6.1%, the MAN Group's overall return on sales was below its target range.

"The transportation and energy markets are still among the most promising and highest growth markets in the world."

We are not satisfied with these results. The Executive Board has therefore already initiated a range of improvement measures, with a focus on cutting costs and increasing efficiency in production, administration, and sales. Increasing production flexibility will allow us to adapt to lower unit sales volumes and we are reviewing planned capital expenditure critically. Although we cannot influence the macroeconomic factors described above, we will take all of the steps necessary to keep MAN on the right course, even when times are difficult.

In the long term, this means aiming for growth. The transportation and energy markets are still among the most promising and highest growth markets in the world. MAN's clear strategic focus means that it is perfectly placed to offer its customers the exact products and services they need. Thus, the Company once again demonstrated its great innovative strength at the 2012 IAA Commercial Vehicles Show. It showcased its new TG family, which consumes no more fuel than its extremely efficient Euro V range, despite using sophisticated Euro VI technology. Another highlight of the IAA Commercial Vehicles Show and a top visitor attraction was the MAN Concept S semitrailer combination. The study shows how aerodynamic optimization and intelligent add-on systems can be used to achieve fuel savings of up to 25% for the same loading capacity.

"The basic conditions for long-term, profitable international growth are still very good."

MAN is also a technology leader in the Power Engineering business area. Together with our customers, we develop solutions that allow us to surpass their demands for efficient and reliable products as far as possible. For example large-bore diesel engines and turbomachinery from MAN Diesel & Turbo, as well as special gear units from Renk are usually custom made, tailored exactly to their respective purpose. Our new products, such as the gas engines and turbines unveiled in 2012, are among the most efficient in their class today. Combined with our many years of experience, this makes us a reliable and expert partner.

The rising demand for renewable and low-emission energies, the growing need for transportation in a globalized world, and rising prosperity combined with higher consumption in developing and emerging countries all translate to demand for MAN products and services both now and in the future.

We bring this expertise to the Volkswagen Group. Together with Volkswagen, we aim to become the global leader in the commercial vehicles and engines business. We will leverage significant synergies to this end.

The basic conditions for long-term, profitable international growth are still very good. MAN will continue its growth strategy, focusing on the BRIC countries. In 2013, we will open our new Russian plant in St. Petersburg, for instance, and we also want to grow long-term in India following the takeover of the former joint venture. However, we must first continue to deal with difficult economic conditions in most regions as we do not expect to see a quick economic recovery in 2013. In the Commercial Vehicles business area, we expect the European commercial vehicles business to continue to decline, particularly in the first half of the year. By contrast, the light at the end of the tunnel is already visible in Brazil, where sales are expected to return to growth. In the Power Engineering business area, we expect revenue to decline in 2013 following its weak order intake in 2012. Across the MAN Group as a whole, we are forecasting a slight decline in revenue and a disproportionately large drop in operating profit in 2013. If the global economy picks up again in 2013 and the euro zone in particular – a key market for MAN – stabilizes, the MAN Group will be in a position to return to profitable growth in 2014. We will establish the best possible foundations for achieving this.

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 both MAN SE and MAN Truck & Bus AG since January 1, 2010. Switched to the Supervisory Board of MAN Truck & Bus AG on September 1, 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.

Frank H. Lutz
Chief Financial Officer

Born in 1968. Studied business administration and economics at the University of St. Gallen. Started out at Goldman, Sachs & Co. in London, New York, and Frankfurt. From 2005, various management functions at Deutsche Bank AG. Managed Finance at MAN SE from 2006. Chief Financial Officer of MAN SE since December 11, 2009.

Jochen Schumm
Chief Human Resources Officer

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

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

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

Antonio Roberto Cortes
President of MAN Latin America

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

Anders Nielsen
Chief Executive Officer of MAN Truck & Bus AG

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

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

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board continued to discharge its duties under the law, the Articles of Association, and its Rules of Procedure in the course of the past fiscal year. We regularly advised the Executive Board in its management of the Company and monitored its activities.

The Executive Board provided the Supervisory Board with regular, timely, and comprehensive information, in both written and verbal form, on the development of the business, relevant business events, corporate planning, and deviations in the course of business from forecasts as well as their causes. The Executive Board also reported to the Supervisory Board on the MAN Group's strategy and the implementation status of strategic projects, the MAN Group's risk position and risk management, as well as compliance issues.
The Supervisory Board was involved in an advisory capacity in all matters and decisions of major importance to the MAN Group.

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

The Supervisory Board held six regular meetings in fiscal year 2012. One of the meetings was held in the form of a conference call.
Average attendance at Supervisory Board meetings was 98%. All members were present at more than half of the meetings.

Key areas of committee work in the year under review

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

The main role of the committees is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers or tasks are transferred to committees. The **Nomination Committee** is tasked with identifying candidates for Supervisory Board positions and recommending suitable candidates to the Supervisory Board as the latter's proposals for election at the Annual General Meeting. In this capacity, the shareholder representatives on the Presiding Committee act as the Nomination Committee.
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, Mr. 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 2012 is provided on **page 182** of this Annual Report.

The **Presiding Committee** met a total of five times in 2012. It dealt in particular with all the key issues to be discussed at the following Supervisory Board meetings and prepared Supervisory Board resolutions.

The **Nomination Committee** met once in 2012. The resignation of Ulf Berkenhagen, Dr. Matthias Bruse, and Dr. Thomas Kremer required the election of three shareholder representatives (see below).

The **Audit Committee** held a total of six meetings in the year under review. The Committee also adopted one written resolution.

The Audit Committee 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, 2012. This did not lead to any objections. The Committee discussed the findings of the review with the auditors in detail.

The Committee also addressed the engagement of the auditors (PwC) to audit the annual financial statements for 2012, the areas of emphasis of the audit, and the statement regarding the auditors' independence in accordance with section 7.2.1 of the German Corporate Governance Code.

The Audit Committee continued to focus on internal audit issues in 2012, including the audit plan for MAN's Corporate Audit function and its implementation status, risk management and the MAN Group's risk position, as well as its internal control system.

The Audit Committee regularly discussed business developments in the MAN Group, the status of corporate planning, financial issues, and commercial matters relating to strategic projects. The Audit Committee also addressed MAN Diesel & Turbo SE's turnkey power plant business, among other things.

Once again, compliance was another focus of the Audit Committee's work in the past year. MAN's Chief Compliance Officer also reported in person to the Committee.

Issues addressed by the full Supervisory Board

Topics discussed regularly by the full Supervisory Board included trends with respect to orders, revenue, earnings, and employment within the MAN Group. We also continuously addressed key strategic matters and compliance issues in detail.

The following information relates to the Supervisory Board meetings held in 2012:

On **February 13, 2012,** we primarily addressed the annual financial statements for 2011 and the dependent company report. Other issues discussed at this meeting included the agenda and the proposed resolutions for the 2012 Annual General Meeting, as well as the review on the efficiency of our work in accordance with the recommendation contained in section 5.6 of the German Corporate Governance Code, which was conducted on the basis of a questionnaire.

We held a further meeting following the Annual General Meeting on **April 20, 2012.**
We reappointed Frank H. Lutz as a member of the Executive Board for the period January 1, 2013, to December 31, 2017.
The regular agenda covered Executive Board remuneration matters. In particular, we decided on the basic remuneration awarded to members of the Executive Board. Further information is provided in the Remuneration Report for fiscal year 2012, which was published in the management reports contained in the annual financial statements of MAN SE and the MAN Group, see also **pages 66 ff.** of this Annual Report, **MAN Group Management Report.**
Furthermore, we resolved to engage PwC to audit MAN SE's annual financial statements for 2012, its risk early recognition system, and dependent company report.

In our meeting on **June 2, 2012,** we primarily dealt with personnel matters relating to the Executive Board.
We approved Jörg Schwitalla's resignation from the Executive Board effective June 30, 2012, and addressed the details relating to the termination of his contract of service.
We appointed Jochen Schumm as a member of the Executive Board and Arbeitsdirektor (member responsible for employee relations) with effect from July 1, 2012, until June 30, 2015, and Ulf Berkenhagen as a member of the Executive Board with effect from September 1, 2012, until August 31, 2017 (see below).

On **July 31, 2012,** we held a conference call to address in particular MAN Truck & Bus AG's earnings and measures to improve earnings.

One of the key issues discussed at our meeting on **October 10, 2012,** was again MAN Truck & Bus AG's economic situation. We were also informed of the status of MAN Truck & Bus AG's activities in India, among other things.
In addition, we resolved to propose Dr. Leif Östling to the responsible registry court as the successor to Prof. Dr. Jochem Heizmann, who stepped down from the Supervisory Board with effect from October 12 (see below).

In our meeting on **December 12, 2012,** we addressed in particular the MAN Group's corporate planning for the years 2013 to 2015, as well as the Group's strategic focus and corporate governance issues.
We also amended performance component two of the variable remuneration. The entitlement to common shares of the Company previously included in this remuneration component (variable stock bonus) was changed to an entitlement to a cash payout in the corresponding amount. This change also applies to the year under review. Further information on remuneration is provided in the Remuneration Report (see above).

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 December 12, 2012.

In December 2012, the Executive Board and Supervisory Board issued the most recent annual Declaration of Conformity in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). This is permanently available on MAN SE's website at → www.man.eu.
According to this Declaration of Conformity, MAN SE will comply with the recommendations of the German Corporate Governance Code (the Code) as amended on May 15, 2012, with the exception of section 5.3.2 sentence 3 (independence of the Chairperson of the Audit Committee), section 5.4.6 (2) sentence 2 (performance-related compensation of the Supervisory Board), and section 5.5.3 sentence 1 (report to the Annual General Meeting on any conflicts of interest that have occurred and their treatment). Detailed explanations of and the reasoning behind the above-mentioned departures from the recommendations of the Code can be found in the Declaration of Conformity.

No conflicts of interest involving members of the Supervisory Board within the meaning of section 5.5 of the German Corporate Governance Code were notified in the year under review.

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

Audit of the 2012 annual and consolidated financial statements and dependent company report

In accordance with our proposal, the Annual General Meeting elected PwC as the auditors for fiscal 2012 on April 20, 2012. 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 relevant management reports.

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.

Volkswagen Aktiengesellschaft has been a majority shareholder of MAN SE since November 9, 2011. No control agreement has been signed. As a result, the Executive Board prepared a report on relationships with affiliated companies (dependent company report) in accordance with section 9 (1) c (ii) of the *SE Verordnung* (SE VO – SE Regulation) and section 312 of the AktG for the period from January 1 to December 31, 2012. The auditors audited the dependent company report and issued the following audit opinion:

"On completion of our review and assessment in accordance with professional standards, we confirm that

1. the actual disclosures are accurate,
2. the consideration paid by the Company for the transactions listed in the report was not inappropriately high or any disadvantages were compensated,
3. there are no circumstances that would indicate a materially different assessment of the measures listed in the report to that given by the Executive Board."

The Supervisory Board concurred with the results of the audit of the dependent company report by the auditors.

The members of the Audit Committee and the members of the Supervisory Board received the documents relating to the annual financial statements and the dependent company report, and the audit reports prepared by the auditors, in good time for the meetings of these committees on February 6, 2013, and February 7, 2013, 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, the management reports for MAN SE and for the Group, and the dependent company report and reported on them in our meeting on February 7, 2013. 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 management reports correspond to those of the Supervisory Board. We therefore concurred with the results of the audit by the auditors in our meeting on February 7, 2013, and approved the annual financial statements prepared by the Executive Board and the consolidated financial statements. The annual financial statements are thus adopted.

Our examination of the dependent company report led to the conclusion that there are no objections to be raised to the declaration by the Executive Board at the end of the dependent company report.

We examined the Executive Board's proposal on the appropriation of the net profit with particular reference to the interests of the Company and its shareholders, and concurred with the recommendation.

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

Ulf Berkenhagen, Dr. Matthias Bruse, and Dr. Thomas Kremer left the Supervisory Board at the end of the Annual General Meeting on April 20, 2012.

As proposed, the Annual General Meeting elected Prof. Dr. Jochem Heizmann, Hans Dieter Pötsch, and Prof. Dr. Martin Winterkorn as shareholder representatives for the remaining period of office of the outgoing Supervisory Board members mentioned above, and Prof. Dr. Horst Neumann as the alternate member for these three gentlemen.

Prof. Dr. Jochem Heizmann resigned from the Supervisory Board with effect from the end of October 12, 2012. Prof. Dr. Horst Neumann, who had been elected as the alternate member for Prof. Heizmann, among other members, was not available as a successor.

On application by the Executive Board, the registry court in Munich appointed Dr. Leif Östling as a member of the Supervisory Board in a resolution dated October 18, 2012.

Changes were also made to the composition of the Executive Board.

Jörg Schwitalla resigned from the Executive Board with effect from the end of June 30, 2012.

On June 2, the Supervisory Board appointed Jochen Schumm as a member of the Executive Board and Arbeitsdirektor (member responsible for employee relations) effective July 1, 2012. Mr. Schumm is responsible for human resources and also holds the positions of Chief Human Resources Officer and Arbeitsdirektor at MAN Truck & Bus AG.

Also on June 2, 2012, the Supervisory Board appointed Ulf Berkenhagen as a member of MAN SE's Executive Board effective September 1, 2012. He is responsible for the new Executive Board function – Procurement. Mr. Berkenhagen is also responsible for procurement in his role as a member of the Executive Board of MAN Truck & Bus AG.

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

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

On behalf of the Supervisory Board:

Munich, February 7, 2013

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 internationally and nationally 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.

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

Corporate governance at MAN*

Both MAN's Executive Board and Supervisory Board have examined the Group's corporate governance system in detail. They are aware that good and transparent corporate governance that complies with both national and international standards is of central importance to ensure responsible, long-term management. The governing bodies focused in detail on compliance with the Code.

* Also the Corporate Governance Report of the Executive and Supervisory Boards in accordance with section 3.10 of the German Corporate Governance Code as amended on May 15, 2012.

Declaration of Conformity

In December 2012, the Executive and Supervisory Boards issued the following Declaration of Conformity:

"MAN SE will comply with the recommendations of the German Corporate Governance Code (the Code) in the version dated May 15, 2012, with immediate effect, with the exception of sections 5.3.2, sentence 3 (independence of the Chairman of the Audit Committee), 5.4.6 paragraph 2, sentence 2 (performance-related compensation for members of the Supervisory Board), and section 5.5.3, sentence 1 (report to the Annual General Meeting of any conflicts of interest that have occurred together with their treatment).

1. *The recommendation in section 5.3.2, sentence 3 of the Code in the version dated May 15, 2012, is not followed only to the extent that the Chairman of the Audit Committee of the Supervisory Board, Rupert Stadler, cannot be considered "independent" within the meaning of section 5.4.2, sentence 2 of the Code in view of his functions within the VW Group.*

   This departure from the above-mentioned Code recommendation is for the following reasons:

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

The Executive and Supervisory Boards further declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010, published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on July 2, 2010, were complied with in the period from December 2011 through June 15, 2012, in accordance with the MAN SE Declaration of Conformity.

From June 15, 2012, until this Declaration of Conformity was issued, the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 15, 2012, published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 15, 2012, were complied with except for section 5.3.2, sentence 3 (independence of the Chairman of the Audit Committee) and section 5.4.6, paragraph 2 (performance-related Supervisory Board compensation). The grounds for these exceptions can be found in the above explanations. The Government Commission has amended section 5.4.1, paragraph 2 (specification of concrete objectives regarding the composition of the Supervisory Board) to require that the Supervisory Board shall also specify "the number of independent Supervisory Board members" in future. This recommendation has been complied with since December 12, 2012, on which date the Supervisory Board held the necessary consultations and made the corresponding decision."

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

We comment on the key recommendations and suggestions contained in the Code in more detail in the following.

Promoting transparency and shareholders' rights

The information we provide through our website → www.man.eu, financial publications, and capital market conferences enables our German and international shareholders as well as other interested parties to obtain an accurate and up-to-date picture of our Company and gain an insight into our corporate governance practices. We also post the following on our website immediately after publication: annual reports, interim reports, and a financial calendar showing all upcoming events (see section 6.3 of the Code). The website also contains the annual document we are required to prepare under section 10 of the *Wertpapierprospektgesetz* (WpPG – German Securities Prospectus Act), summarizing all the relevant information disclosed by the Company during the past calendar year.

Annual General Meeting

The Annual General Meeting is the platform 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. In addition, we e-mail the documents to interested shareholders and other parties if we have their consent to do so, as well as posting them on our website for download.

If shareholders are unable to attend the Annual General Meeting, they may either authorize a bank, shareholders' association, or other person to represent them, or authorize an MAN employee, either in writing or by electronic means, to exercise their voting rights by proxy.

To enable all shareholders and the interested public to follow the Annual General Meeting, the entire event is broadcast 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 five members. Please refer to the "Governing Bodies" section on **pages 180 ff.** for further information on its composition. The Executive Board is responsible for performing managerial and operational tasks. Its responsibilities extend in particular to the MAN Group's strategic focus, which it agrees with the Supervisory Board. The Executive Board is also responsible for target-driven, active management and the central financing of the Group, the development and deployment of managers, and the preparation of the quarterly and annual financial statements. In addition, it ensures compliance with legislation, official regulations, and internal policies.

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

The Supervisory Board has an oversight and advisory role. Certain important transactions laid down by the law, the Articles of Association, and the Supervisory Board's Rules of Procedure require the Supervisory Board's approval.

MAN SE's Supervisory Board has equal numbers of shareholders 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. Please refer to the "Report of the Supervisory Board" on **pages 12 ff.** and the "Governing Bodies" section on **pages 180 ff.** for further information on the composition of the Supervisory Board of MAN SE, its committees and duties, and its cooperation with the Executive Board.

The Government Commission on the German Corporate Governance Code passed various amendments to the Code on May 15, 2012. These changes mainly relate to the Supervisory Board, and in particular the independence and remuneration of the Supervisory Board members.

With regard to section 5.4.1 of the Code on the composition of the Supervisory Board, the Supervisory Board resolved in 2010, among other things, that at least two Supervisory Board positions on the shareholder side should, where possible, be held by persons who are both independent and have no conflicts of interest. In view of the Code's change to the definition of "independence" in section 5.4.2., the Supervisory Board resolved at its meeting on December 12, 2012, with respect to the question of who can be regarded as independent, that the new definition in section 5.4.2 of the Code should apply.

MAN complied with the Code's recommendation that no more than two former members of the Executive Board be members of the Supervisory Board; there are currently no former members of the Executive Board on the Supervisory Board.

No conflicts of interest were reported by members of either the Executive or Supervisory Board during the reporting period. MAN complied with the age limit set by the Supervisory Board for members of the Executive Board, which stipulates retirement from office at the age of 62 with the option for an extension up to a maximum age of 65 years. It also took into consideration the standard age limit of 70 set for members of the Supervisory Board. Only the Chairman of the Supervisory Board and one other Supervisory Board member are older than 70.

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 on the Volkswagen Group Management alongside his role on the Executive Board of MAN SE, and for Mr. Berkenhagen and Mr. Schumm to each become members of the Volkswagen Group's central coordination committee for the Commercial Vehicles business area alongside their roles on the Executive Boards of MAN SE and MAN Truck & Bus AG.

The Company is covered by Volkswagen AG's D&O (directors' and officers') liability insurance. This reflects the requirements of the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) dated July 31, 2009, and of the German Corporate Governance Code.

Compliance/risk management

MAN SE's Executive Board established a Compliance function as part of its responsibility for compliance as defined by the German Corporate Governance 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, and data protection. 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 second Group-wide compliance risk assessment was completed in the reporting period. The aim of this measure was to identify potential compliance risks affecting the Group's business models. The results of the compliance risk assessment are used to determine measures to avoid compliance risks and conduct preventative compliance audits at selected Group companies.

- The Compliance function continues to operate the Compliance Helpdesk, which all employees can contact with compliance-relevant questions. The Compliance Helpdesk answered approximately 900 employee questions in the reporting period.

- The Compliance function continued to hold compliance awareness training around the world in the form of classroom sessions for all employees who may be exposed to compliance risks in their day-to-day work. These training sessions focus on providing basic knowledge on combating corruption and on antitrust law. Approximately 3,800 employees around the world were trained in the period under review. The Compliance function also conducted special training sessions on antitrust law, combating corruption, and data protection for employees who are particularly exposed to risks from these areas. Approximately 3,600 employees attended these special in-depth training sessions. Finally, the Compliance function started rolling out an e-learning compliance program at the end of December 2012. This teaches the fundamentals of the MAN Code of Conduct and the basics of combating corruption, antitrust law, and data protection as covered in the Code.

- For the first time, classroom sessions on combating corruption and antitrust law were also conducted for business partners in the period under review.

- The Business Partner Approval Tool is used to check and approve the integrity of business partners. As approvals are limited to two years, a renewal process was initiated for the first time in the period under review to extend the approvals granted to individual business partners.

- The rollout of the Continuous Controls Monitoring (CCM) electronic monitoring system continued 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 accept and analyze information relating to serious compliance violations, especially in the area of white collar crime (e.g., corruption offenses), antitrust law, and data protection.

- 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 joined the Partnering Against Corruption Initiative (PACI) and the *Deutsches Institut für Compliance* (DICO – German Institution for Compliance) in the period under review. PACI is a global anticorruption initiative of the World Economic Forum, developed by companies for companies. It offers a platform for discussing measures to minimize compliance risks. DICO is an association of companies and individuals that aims to promote and develop compliance standards and qualifications.

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

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

Directors' dealings (reportable securities transactions)

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 2012. Any disclosures are published on our website → www.man.eu under the heading "Company".

According to the reports received, the Executive and Supervisory Board members' direct and indirect holdings of shares and derivatives on shares do not exceed 1% of the shares issued by the Company, either individually or in total.

Financial reporting

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). The financial statements are examined and approved by the Supervisory Board. All deadlines for the publication of financial statements and interim reports were met during the reporting period. In accordance with the recommendation in section 7.1.2 of the Code, the Audit Committee discusses MAN's half-yearly and quarterly financial reports with the Executive Board prior to their issue.

Audits

In the reporting period, the Supervisory Board proposed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich (PwC), as auditors of the financial statements; the Annual General Meeting endorsed its proposal. PwC provided MAN's Audit Committee with confirmation of its independence. It was also agreed that the Chairman of the Audit Committee would be immediately informed of any grounds for disqualifying the auditors or questioning their impartiality that might occur during the audit, unless such grounds could be immediately eliminated.

MAN Shares

The price of MAN shares recorded year-on-year growth. World stock markets were also up in 2012, but remain nervous. The main trigger was again the uncertainty surrounding the further course of the European sovereign debt crisis, accompanied by a cooling global economy.

Key indicators for MAN common shares

	2012	2011
Earnings per share in €[1]	1.20	4.62
Cash dividend per share in €[2]	1.00	2.30
Market capitalization (as of Dec. 31)[3] in € million	11,842	9,978
Closing price in €	80.75	68.70
High in €	102.45	98.72
Low in €	70.76	52.51
Dividend yield[4] in %	1.2	3.3
Total return[5] in %	20.4	–21.1
Number in thousands[6]	140,974	140,974
Dax yield in %	29.1	–14.7
MDax yield in %	33.9	–12.1
Euro Stoxx yield in %	19.3	–15.2

[1] Earnings per share excluding nonrecurring items and the effects from purchase price allocations: €3.31.
[2] 2012: proposed dividend.
[3] Basis: 140,974,350 common shares and 6,065,650 preferred shares.
[4] Cash dividend based on the closing price on December 31.
[5] Assumes reinvestment of the cash dividend on the last trading day of the month in which the Annual General Meeting was held.
[6] Only common shares.

Source: Bloomberg

Positive year on the stock markets despite uncertainty

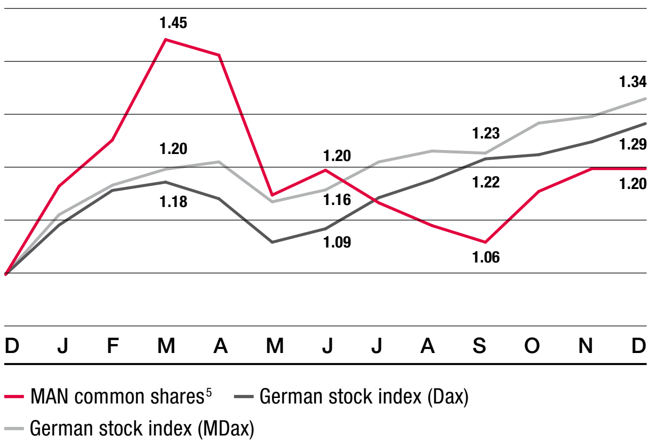
2012 was dominated by uncertainty and significant fluctuations on the global stock markets. Stock markets gained speed in the second half of the year after seeing a mix of ups and downs in the first six months, caused by new information about developments of the European sovereign debt crisis and the global economy. Monetary policy easing by central banks, which boosted liquidity, buoyed up the stock markets despite an economic slowdown that was felt worldwide. In particular, the European Central Bank's pledge to help "crisis countries" by purchasing government bonds from heavily indebted countries brought noticeable relief to the markets.

The index of the most important stocks in Europe, the Euro Stoxx, rose by 19% in full-year 2012. The German benchmark index, the Dax, went up by about 29% in the same period and closed at 7,612 points at the end of the year.

Performance of MAN shares

In this positive stock market environment, the value of MAN common shares rose by nearly one-fifth in full-year 2012, although they were also subject to significant fluctuations in the course of the year. MAN shares thus moved in line with other cyclical capital goods manufacturers, whose share prices react particularly sensitively to economic fluctuations.

MAN common shares vs. Dax and MDax December 2011 to December 2012



Indexed values, December 30, 2011 = 1.00

Source: Bloomberg

During the period from January to December 2012, the price of MAN common shares rose by 18% to €80.75 on December 31, 2012, from a closing price of €68.70 on December 30, 2011. The German benchmark index, the Dax, grew by around 29% in the same period, while the MDax went up by 34% to 11,914 points.

MAN's index-related market capitalization rose due to the better share price performance in fiscal 2012, increasing from just under €10 billion to nearly €12 billion.

At just short of €8.3 billion, the trading volume of MAN common shares was lower than in the past fiscal year (€17 billion). This means that MAN shares are some of the most liquid in the MDax.

Investment by Volkswagen AG in MAN SE

In 2012, Volkswagen Aktiengesellschaft increased the share it held in MAN SE, which amounted to 55.90% of the voting rights and 53.71% of the share capital at the end of 2011.

In accordance with section 21 (1) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), Volkswagen Aktiengesellschaft notified MAN SE on June 6, 2012, that its share of the voting rights in MAN SE exceeded the limit of 75% on June 6, 2012, and amounted to 75.03% (corresponding to 105,769,788 voting rights) on that date. Its interest in the share capital on June 6, 2012, amounted to 73.41%.

On September 30, 2012, Volkswagen AG held 75.03% of MAN SE's voting rights and 73.72% of its share capital. The free float for MAN's common shares amounted to 24.97%.

Switch to the MDax

Deutsche Börse AG decided on the composition of the indices effective September 24, 2012, as part of its annual review. MAN's common shares were transferred from the Dax 30 to the MDax, which comprises 50 stocks, due to the low market capitalization of its free float. According to Deutsche Börse's indexing system, only the free float is considered when calculating market capitalization. In the case of the MAN common shares, this amounted to a good €2.8 billion.

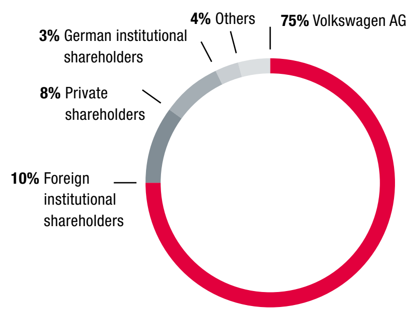
Within the MDax, MAN common shares are among the largest and finished eighth at the end of 2012 in relation to the market capitalization of free float and second by trading volume.

Shareholder base remains broad and international

Holders of MAN SE common and preferred shares are identified in the course of regular shareholder analyses, which makes it possible to communicate effectively with investors. The most recent survey, in August 2012, was able to identify nearly 96% of the holders.

Apart from its largest single shareholder, Volkswagen AG, MAN SE still has a broad-based and international investor base. Around 13% of the share capital is held by institutional investors; an additional 8% is held by private investors. As in previous years, our institutional investors are predominantly based in Germany, the United Kingdom, and the United States.

Shareholder structure *



* Basis: 140,974,350 common shares and 6,065,650 preferred shares; as of August 2012.
Source: IPREO

MAN in the Dow Jones Sustainability World and Europe Indices

The Sustainable Asset Management Group (SAM) admitted MAN to the Dow Jones Sustainability World and Europe indices. MAN is thus the only German company from the industrial engineering sector listed in the indices. In the 2012 assessment, MAN gained ground particularly in the areas of Climate Strategy, Environmental Management, and Product Stewardship. This was helped mainly by the clear formulation of climate goals in the new MAN climate strategy.

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

Dividend

Once again, the MAN Group would like to enable its shareholders to participate in the Company's success by distributing an appropriate share of its profits for 2012, bearing in mind the difficult economic environment. The amount distributed is not fixed: the MAN Group generally aims for 30% to 60% of net income. At this year's Annual General Meeting, the Executive Board and Supervisory Board will propose a dividend of €1.00 for fiscal 2012. Based on the closing price of MAN common shares as of December 31, 2012 (€80.75), this corresponds to a dividend yield of 1.2%.

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

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

In fiscal 2012, 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. Numerous one-on-one meetings took place with analysts and institutional investors, and roadshows were held in the main financial centers of Europe and North America. MAN also gave various corporate presentations at investor conferences. We released information on our quarterly results through conference calls. Transparency, early information for all of our shareholders, and reliability will continue to be the basis of our Investor Relations activities in 2013.

Comprehensive Investor Relations activities

The MAN Capital Market Day held in mid-October 2012 in Nuremberg was the highlight of our in-depth communication with the capital markets. During this event, analysts and investors were briefed about the MAN Group's activities, strategies, and divisions, as well as the market environment. They also had the opportunity to interact directly with our Management Board. The event focused on introducing the comprehensive range of services in MAN Truck & Bus's engines business.

Another highlight in the past fiscal year was the investor and analyst event held at the IAA Commercial Vehicles Show in Hanover in September. In addition to an extensive tour of our stand, participants were provided with comprehensive information in a presentation and a Q&A discussion held by members of our Management Board about the latest developments in the commercial vehicles industry. The main focus was on the future Euro VI emission standard, including the world premiere of the new TG family, which complies with Euro VI.

MAN Factbook

The purpose of our Investor Relations work is to provide all shareholders and the interested public with comprehensive and timely information about the most recent developments. In addition to financial reports, presentations, and publications, the broadcast of our Annual General Meeting, the annual analysts' conference, as well as the conference calls on quarterly reporting are accessible on our website → www.man.eu/ir.

The Investor Relations team redesigned and updated the MAN Factbook in 2012 as a comprehensive information tool. It provides a detailed overview of the Company and includes facts on strategies, products, markets, and innovations in the individual business areas. The book also presents information on MAN share data and key financial figures.

Download the new MAN Factbook at:
→ www.man.eu/factbook

		Common shares	Preferred shares	MAN SE 2013 bond	MAN SE 2015 bond	MAN SE 2016 bond	MAN SE 2017 bond
ISIN code		DE0005937007	DE0005937031	XS0429607640	XS0831383194	XS0429612566	XS0756457833
German securities code number (WKN)		593700	593703	A0ZQPG	A1PG4J	A0ZQPH	A1ML0A
Reuters code	Xetra trading	MANG.DE	MANG_p.DE	0#DE042960764=	0#DE083138319=	0#DE042961256=	0#DE075645783=
	Frankfurt Exchange	MANG.F	MAN_p.F				
Bloomberg code	Xetra trading	MAN GY	MAN3 GY	EH8292938 Corp	EJ3636655 Corp	EH8294256 Corp	EJ0543029 Corp
	Frankfurt Exchange	MAN GR	MAN3 GR				

Analyst recommendations

Some 29 financial analysts regularly publish studies on MAN. At the end of 2012, 27% of the analysts issued a buy recommendation for our shares. A hold recommendation was issued by 54% of the analysts and a sell recommendation was issued by only 19%. Analysts estimated that MAN shares had an average target price of €80 on December 31, 2012.

Basic information about MAN shares

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

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

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

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

More detailed information about MAN's shares and its Investor Relations activities is available at → **www.man.eu/ir** or via e-mail by contacting **investor.relations@man.eu**. You can of course also contact us by phone on **+49 89 36098-334/574**.

Overview of the Fiscal Year

Synergies: MAN Latin America expands its product portfolio with the “Made in Brazil” TGX.

Spectacular christening of the new HSV team coach in Hamburg harbor.

Technological innovations: MAN focuses on efficiency and reducing emissions at the SMM shipbuilding fair in Hamburg.

1st quarter

February 15, 2012

MAN wins “Sports Marketing Award”

MAN beats off 25 competitors with its “The German Bundesliga travels MAN” sponsorship campaign.

March 6, 2012

Executive Board and employee representatives sign International Framework Agreement

The agreement guarantees a single set of standards for all MAN employees at all sites worldwide.

March 8, 2012

MAN receives order for the maintenance of cruise liners from Norwegian Cruise Line

MAN will service the engines on nine cruise ships and supply spare parts for the next four years.

March 19, 2012

Munich Airport puts its money on efficient MAN buses

By 2014, MAN will deliver 46 public service buses for transporting airline passengers at Munich Airport. The servicing agreements for these buses are also signed with MAN.

2nd quarter

April 16, 2012

MAN Latin America expands extra heavy truck offering in Latin America

The launch of the TGX series will see MAN-branded trucks produced in Brazil and sold in South and Central America for the first time. MAN D08 engines will now also be produced locally.

April 17, 2012

Reinforcements for the world’s biggest fleet of natural-gas-powered buses in Ankara

MAN receives order for 250 articulated buses with a CNG drive.

April 23, 2012

MAN commits to clear climate target

MAN intends to reduce its own CO_2 emissions at MAN sites by 25% worldwide by 2020 (baseline: 2008).

May 11, 2012

MAN secures top spot in image ranking

MAN scores consistently well in the reputation study conducted by the Reputation Institute, reaching third place among the 30 German DAX companies – the strongest improvement compared with other index members.

June 2, 2012

MAN expands Executive Board

The Supervisory Board appoints Ulf Berkenhagen and Jochen Schumm to be new members of the Executive Board as of September 1, 2012, and July 1, 2012, respectively. Dr. Georg Pachta-Reyhofen will take on additional duties as a member of the Volkswagen Group Management in a function that will see him coordinate the industrial business with engines throughout the Group. The Supervisory Board appoints Anders Nielsen as Chief Executive Officer of MAN Truck & Bus AG effective September 1.

June 6, 2012

Volkswagen Group increases share of voting rights in MAN SE to 75.03%

Drawing in the crowds: the MAN stand at the IAA Commercial Vehicles Show in Hanover.

Futuristic and customer-oriented: the Concept S truck study.

Computer animation of a new container ship with an environmentally friendly MAN dual-fuel engine.

June 20, 2012

MAN Diesel & Turbo to build turnkey power plant in Kenya

First power plant in Africa with MAN's Diesel Combined Cycle product package.

3rd quarter

July 4, 2012

MAN Latin America wins five awards for sustainable innovations

Award-winners in Brazil include a hybrid truck, research into the use of bioenergy, and a truck that can be flexibly driven by diesel or ethanol.

September 5, 2012

MAN Diesel & Turbo showcases innovations for cutting emissions in ships

MAN presents technological innovations for improving the efficiency and reducing the emissions of marine propulsion systems at SMM, the world's most important shipbuilding fair.

September 13, 2012

MAN in the Dow Jones Sustainability World and Europe Indices

MAN is the only German company in the industrial engineering sector represented in the indices.

September 14, 2012

Efficient MAN commercial vehicles at the IAA

The MAN stand draws in the crowds at the leading trade fair for the commercial vehicles sector. MAN showcases new vehicles with the Euro VI emission standard and no increased consumption, the continued development of the Concept S study, and an emission-free electric truck for cities, among other things.

September 18, 2012

Lion to the fore – MAN trucks and buses with a new product logo

The lion retains pride of place: above the MAN initials, which are free-standing on the radiator grille.

4th quarter

October 8, 2012

Technical Control Board report: commercial vehicles by MAN most reliable

All MAN truck series beat the competition hands down to achieve leading positions.

October 9, 2012

Power plant orders for MAN Diesel & Turbo

17 MAN engines in Brazil and 49 MAN engines in Angola will provide more electricity in the future.

October 18, 2012

MAN tests long trucks

MAN is participating in field trials all over Germany.

December 14, 2012

MAN supplies engines for the most environmentally friendly container ships in the world

Key Figures 2012

€15.9 billion
Order intake down 7%

€15.8 billion
A moderate 4% drop in revenue following the prior-year record

€964 million
Operating profit just under one billion

6.1%
Return on sales slightly below target range

€ – 1,317 million
Free cash flow impacted by lower operating cash flow and nonrecurring items

€1.00
Proposed dividend per share reflects decline in earnings

02/ Group Management Report

The MAN Group's Business Activities and Strategy

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

The MAN Group

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

MAN companies hold leading market positions and rank in the top three in their respective markets. The Group operates through four divisions – MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and Renk – with a workforce of around 54,300 employees in over 150 countries. The MAN Group is headed by MAN SE, which is the Group's Corporate Center. In 2012, the MAN Group generated revenue of €15.8 billion and an operating profit of €964 million. As a result, its return on sales decreased from 9.0% in the previous year to 6.1%.

Overview of the business areas

Commercial Vehicles business area

MAN Truck & Bus is one of Europe's leading manufacturers of commercial vehicles and has production facilities in four European countries, South Africa, and India. Its products range from general-purpose trucks with a gross vehicle weight of 7.5 to 44 t and special-purpose vehicles with a gross train weight of up to 250 t, through buses and coaches, to diesel and gas engines for on- and off-road uses. In conjunction with this, MAN Truck & Bus offers customers an extensive range of services from a single source. MAN and NEOPLAN customers worldwide benefit from 1,442 locations offering service and vehicle maintenance. MAN Truck & Bus sold 74,680 trucks, 5,286 buses, and 8,664 engines in the 2012 reporting period. Revenue amounted to €8.8 billion, while its operating profit was €225 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. It 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 56,305 trucks and buses in 2012. Revenue amounted to €2.9 billion, while its operating profit was €229 million.

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

Power Engineering business area

MAN Diesel & Turbo is one of the world's leading developers and manufacturers of large-bore diesel engines, turbo compressors, industrial turbines, and chemical reactor systems. The company commands a strong market position in the development of two-stroke diesel engines for propulsion systems in large ships, in the development and manufacture of four-stroke diesel engines built into smaller vessels and used as auxiliary engines, and in two- and 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 turnkey energy recovery plants such as combined heat and power plants. The company manufactures four-stroke engines at its sites in Germany, France, and India. Two-stroke engines are built by licensees. As one of the leading manufacturers worldwide, MAN Diesel & Turbo also offers a wide range of turbomachinery for various sectors such as oil and gas, refineries, and chemicals, as well as for producing industrial gases and electricity. A comprehensive after-sales business covers the company's entire product range. MAN Diesel & Turbo generated revenue of €3.8 billion in 2012 and its operating profit was €437 million.

Renk is a listed subsidiary of MAN SE and a global manufacturer of special gear units, propulsion components, and testing systems. MAN holds 76% of the company's capital. Renk is the global market leader in different sizes tracked vehicle transmissions of as well as in slide bearings for electrical machinery. It also has an excellent position in the market for special gear units used for marine and industrial purposes. Its product portfolio is rounded off by an extremely wide variety of different types and performance categories of couplings. In addition, the company manufactures testing systems that are used in development, production, and quality assurance primarily in the automotive, rail, and aviation industries. Renk's revenue amounted to €0.5 billion in 2012 and its operating profit was €66 million.

The MAN Group's strategy and strengths

Focus on transportation and energy

In recent years, MAN has successfully implemented its strategic focus on the transportation and energy market segments. Megatrends such as globalization and the associated increase in global trade, population growth, urbanization, and climate change show that these are forward-looking, high-growth sectors. MAN offers its customers tailored solutions, in particular to reduce emissions and fuel consumption, in its Commercial Vehicles and Power Engineering business areas.

Its global presence and broad portfolio of advanced products and services are an integral part of MAN's corporate strategy. These give MAN the stability to largely absorb fluctuations in individual markets and to be prepared for the increasingly global nature of competition. Customers and their needs are at the heart of all of the company's business activities. The continual expansion of the after-sales business and the Group's efficiency and technology leadership are key success factors. This strategic orientation paves the way for sustainable value creation – the MAN Group's primary objective.

Profitable international growth

Global trade volumes will continue to grow in the coming years, which will translate into rising demand for transportation and energy. It is important to meet this demand locally. At the same time, changing conditions require a broad-based international product portfolio so as to counter fluctuations in individual markets and changes in the environment. Continuing its internationalization activities therefore remains a major component of MAN's corporate strategy.

Europe is still MAN Truck & Bus's core market. The company is continuing to vigorously expand its strong market position here, while keeping an eye on profitability. The Company is also identifying and specifically leveraging potential outside of Europe, with a focus on the BRIC countries and in particular the premium segment there. Efficient transportation solutions, reliable and robust vehicles, and customer satisfaction form the foundation of the strategy.

Russia is a key sales market for MAN. MAN is extending its market position there with a new plant in St. Petersburg. In India, MAN Truck & Bus took over the previous joint venture with FORCE Motors Limited, Akurdi/India (FORCE) in 2012. The acquisition transferred sole responsibility for the production and sale of the MAN CLA in and outside of India to MAN Truck & Bus.

2012 saw the launch of the MAN TGX in Brazil under the MAN brand, which was specially enhanced to meet the needs of customers in Latin America. MAN Latin America has already led the market for trucks over 5 t there for ten years with the Volkswagen brand, offering products tailored to emerging economies in the budget market. This leadership claim is being extended to Latin America.

Global population growth is driving higher demand for energy and consumer products. In many regions of the world, demand for decentralized power plants is increasing due to the lack of nationwide power grids. At the same time, rising prosperity is leading to increased consumption of gas- and oil-based products such as plastics and fertilizers. MAN Diesel & Turbo offers a broad product portfolio in the areas of energy generation and industrial plants, and is strengthening its global organization in order to meet this demand. The goal is to be able to act on a local level in line with specific market requirements and to optimize production and development networks around the world. In 2012, MAN Diesel & Turbo expanded its Aurangabad location in India, creating manufacturing capacity for 25 small-bore diesel engines for the first time. The Changzhou production facilities in China were also continually expanded. The first steam turbine built there was delivered in 2012.

Expanding its international presence and activities remains a key issue for Renk as well. In 2013, Renk will open an after-sales outlet in Shanghai so that it can optimally cater to the growing demand for service in China. In addition to the European wind energy market, the construction of offshore wind farms in South Korea and Japan offers attractive opportunities. In light of the excellent order situation for marine gear units in the United States, Renk expects to see a tangible expansion in service activities in the medium and the long term.

Customer orientation

The MAN Group's business activities revolve around products and services designed to meet the needs of our customers and markets, and which combine quality, reliability, and cost-effectiveness.

Services for commercial vehicles are becoming increasingly important. MAN Truck & Bus is actively accommodating this customer need as a manufacturer in the premium segment. New to its portfolio is MAN Solutions, an integrated service and mobility program, which integrates all types of services, including financing, repair and maintenance, driver training, the MAN TeleMatics system, roadside assistance, and the new MAN ServiceCard. This offers customers a comprehensive concept for reducing vehicle operating costs, as well as improving operational safety and vehicle availability. The MAN TeleMatics system is an integral part of this, providing the data required to optimize fleet management and logistics.

The new NEOPLAN Jetliner, which was launched at the 2012 IAA Commercial Vehicles Show, can be used as both a public service bus and a coach. This doubles its earnings potential for customers.

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

MAN Diesel & Turbo conducts annual customer surveys so as to optimize its products and services to meet customer requirements. Driving forward regionalization so as to be close to customers and to be able to build up solid, sustainable customer relationships is also extremely important. The MAN PrimeServ brand's 116 locations ensure service on the ground, 24 hours a day, 365 days a year. Customers are trained in the products at 12 PrimeServ academies. Further expansion of the service locations is scheduled.

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

Continuous expansion of after-sales area

The strategic focus on the after-sales business is proving its worth in times of increased competition and changing market conditions. A long-term, reliable partnership with customers ensures satisfaction in a business model built on sustainability. Expanding the after-sales business is thus a major component of MAN's strategy.

Extensive investment in after sales, such as in increasing the availability of spare parts, the regular auditing of new agreements and standards, and the introduction of new workshop planning tools is lowering vehicle downtime for MAN Truck & Bus's customers. In addition, market-driven prices for spare parts, the expansion of the exchange parts offering, the introduction of the MAN ServiceCard, and long-term maintenance and repair agreements are increasing the cost-effectiveness of original MAN parts and cutting repair costs. MAN Truck & Bus will offer its customers services for trucks, bodies, and semi-trailers from a single source in the future.

A goal at MAN Latin America is to maintain its leading customer support position. The company boasts a strong dealer network in Brazil with 155 exclusive sales and service partners. It is the first to offer after-sales services on the customer's own premises through a special maintenance agreement.

At MAN Diesel & Turbo, the MAN PrimeServ brand offers customers the service expertise of an original manufacturer with a global presence whose extensive network means that it is represented in all key markets and major ports. This minimizes downtime. The full range of services does much more than simply supplying spare parts, though. Personnel training sessions and long-term maintenance and operator agreements are offered, as are extensive services such as upgrades to increase efficiency and reduce resource consumption for diesel engines, compressors, and turbines. For example, MAN Diesel & Turbo's service offering meets the special requirements of the oil and gas business. The extension of the service agreement with the Brazilian energy group, Petroleo Brasileiro (Petrobras), for an additional five years is an important illustration of this. This service agreement comprises corrective and preventative maintenance and operational support for 20 MAN gas turbine trains on four offshore platforms to the northeast of Rio de Janeiro.

Tailored advice and customized products are one of Renk's core competencies. This applies in particular to the after-sales business. Maximum reliability and low frequency maintenance are key development goals from product design onwards. The accessibility of components for which wear cannot be avoided also has to be taken into account. Maintenance concepts are created together with the customer to ensure that operations run as smoothly as possible. The service team offers flexible assistance in the event of an unexpected malfunction.

Technology leadership

MAN responds to the global challenges of protecting the environment and reducing fuel consumption and emissions by offering innovative solutions. MAN's goals of efficiency and technology leadership are designed to secure its position as a leading international manufacturer of commercial vehicles, diesel engines, turbomachinery, and special gear units in the future as well.

MAN systematically optimizes all key details of engines, gearboxes, and axles, as well as vehicle aerodynamics, and offers customer-oriented transportation solutions in the form of efficient commercial vehicles. The focus is on a further reduction in fuel consumption and emissions. At the same time, the development of alternative drive technologies and fuels is being driven forward, for example, hybrid drives for long-haul and urban truck transportation.

Due to the stricter IMO Tier III emissions regulations that will come into force in 2016, as well as the increasing global availability of natural gas, MAN Diesel & Turbo's development work focuses on developing new products and enhancing existing products, such as gas engines and turbines. New technologies for clean and efficient marine transportation were presented at the 2012 SMM (Shipbuilding, Machinery, and Marine Technology) shipbuilding fair. An example of this are its G-type two-stroke engines, which have ultra-long strokes, providing optimal support for slow steaming (i.e., saving fuel by reducing a ship's speed). In the same way as for marine transportation, emission limits for stationary power plants are also being tightened around the world. This led to the development of the new 20V35/44G gas engine for this segment, which was unveiled in 2012. At 10.6 MW, the single-charged engine has the highest output in its segment. The engine has an extremely high level of efficiency thanks to numerous innovative technological components.

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

See "Research and Development" for further information.

Sustainable value creation

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

Acquisitions and divestments

Acquisitions

On March 28, 2012, MAN Truck & Bus acquired all but one of the remaining shares of the former joint venture MAN FORCE TRUCKS Private Limited, Akurdi/India (MAN FORCE TRUCKS), from its Indian partner FORCE. The cost of these additional shares amounted to €150 million, while net cash acquired amounted to €2 million. This company, which was consolidated as of March 31, 2012, is being managed solely by MAN Truck & Bus under the name of MAN Trucks India Private Limited, Akurdi/India (MAN Trucks India).

Divestments

As reported, MAN and the International Petroleum Investment Company, Abu Dhabi/U.A.E. (IPIC), reached a settlement in November 2011 on the buyback of 70% of the shares of Ferrostaal GmbH, Essen (Ferrostaal, formerly Ferrostaal AG) for €350 million (IPIC settlement). Detailed information on the transfer of these shares to IPIC in March 2009 and on the legal disputes with IPIC and Ferrostaal is contained in the **note (6)** on "Acquisitions and divestments" in the Notes to the Consolidated Financial Statements.

The IPIC settlement took effect on March 7, 2012, at which point the agreement between MAN and MPC Industries GmbH, Hamburg (MPC), to sell all shares of Ferrostaal to MPC and a coinvestor (MPC purchase) also came into force. Ferrostaal has been part of MPC since that date. The litigation with IPIC and Ferrostaal has ended.

See the "Notes to the Consolidated Financial Statements" for further information.

Business Developments and Results of Operations in 2012

European sovereign debt crisis and global economic downturn see order intake, revenue, and operating profit at the MAN Group decline

Economic environment

As a whole, fiscal 2012 was marked by a high level of uncertainty stemming from the financial markets and the European sovereign debt crisis. The global economy slowed noticeably over the course of 2012. After a rapid increase at the beginning of the year, economic growth weakened considerably over the course of the year. According to its winter report, the *Institut für Weltwirtschaft* (IfW – Institute for the World Economy) at the University of Kiel is anticipating global growth of only 3.2% for 2012, down on its forecast of 3.8% in the previous year.

The decline in global economic growth rates was once again attributable to the debt crisis in Europe, the necessary consolidation of government budgets, and the resulting uncertainty among consumers and investors. In the advanced economies, macroeconomic output increased only slightly and the already poor business climate deteriorated significantly over the course of the year. Growth in the emerging economies slowed considerably, with exports losing momentum on the back of weaker foreign demand from the advanced economies. Conditions in the financial markets also deteriorated, leading to significant capital outflows from the emerging economies.

Gross domestic product (GDP) in the euro zone contracted by 0.5% in 2012. Economic activity in the area was adversely affected by the high level of uncertainty about how the sovereign debt crisis would develop, as well as the ongoing implementation of consolidation measures and structural reforms. Private consumption was curbed by rising unemployment and higher taxes and levies, which depressed disposable income. The negative business environment and tougher lending conditions impacted investment in particular. However, there were considerable differences between the economies of individual countries. While the IfW is expecting Germany to increase its real gross domestic product by 0.7% in 2012 (as against 3.0% in the previous year), GDP in Southern Europe is expected to fall. In the euro zone excluding Germany, the IfW expects GDP to decline by 0.9% after growth of 0.9% in the previous year. Outside of the euro zone, Poland and Sweden continued to enjoy stable economic health, while in the United Kingdom, growth turned negative, at an expected –0.2%.

The United States saw only modest economic growth in the past fiscal year. Structural weaknesses such as high levels of household debt continued to dampen the positive effects of the expansionary monetary policy. The IfW anticipates a 2.2% increase in gross domestic product in 2011 as against 1.7% in the previous year.

Brazil, a key market for MAN, is still experiencing a period of economic weakness. After providing considerable support to investment and private consumption over the past few years, lending is now stalling. In the second half of the year, private consumption picked up and the export sector was boosted by the depreciation of the Brazilian real. In its 2012 winter report, the IfW nevertheless cut its forecast for GDP growth in Brazil to only 1.0%, down from 2.7% in the previous year. Most other Latin American countries saw robust economic growth over the course of the year, despite weak demand from the industrialized countries.

Asia was still the largest growth driver in the world in 2012, although the pace of expansion slowed here as well. At 7.8%, the Chinese economy grew at a significantly slower pace than in the prior-year period (9.2%). Investment in particular rose, while a sharp decline in exports to the European Union saw foreign trade contract. The Indian economy slowed as a result of virtually flat private consumption and a lower account surplus. Nevertheless, Indian GDP rose by 3.8% in 2012 as against 7.0% in the previous year. The IfW expects the remaining East Asian emerging economies to record growth of 5.8% in 2012.

Overall assessment by the Executive Board: MAN in a difficult market environment; profit down significantly

The MAN Group's market environment deteriorated throughout fiscal 2012. Weaker economic growth throughout the world and the ongoing sovereign debt crisis in Europe led to significant uncertainty. This influenced the investment behavior of MAN's customers. In this difficult market environment, MAN was unable to repeat its very successful prior-year performance and had to adjust its targets for fiscal 2012 over the course of the year. The MAN Group's order intake and revenue decreased by 7% and 4% respectively in the year under review. Increased competition and higher costs led to a disproportionately sharp drop in operating profit to €964 million (previous year: €1.5 billion). At 6.1%, the return on sales was well below the prior-year figure (9.0%) and hence outside the target bandwidth of 2 percentage points above/below the long-term target of 8.5%. Management is not content with these results and has taken appropriate measures.

Order situation

Both order intake and revenue fell short of the MAN Group's high prior-year level in the reporting period. The MAN Group's performance was negatively affected by both the ongoing European sovereign debt crisis and weaker global economic growth. The European commercial vehicles market contracted by 9% in 2012. In Brazil, the introduction of the Euro V emission standard, the deterioration in the economic situation, and tougher financing conditions for customers led to a significant decline in order intake and revenue. Muted economic growth and tougher financing conditions for customers also significantly affected order volumes in the Power Engineering business area.

Decrease in order intake

At €15.9 billion, the MAN Group's order intake in fiscal 2012 was down 7% on the prior-year level (€17.1 billion). The Commercial Vehicles business area recorded an order intake of €12.0 billion, 8% less than in the previous year (€13.0 billion). Order intake in the Power Engineering business area fell just short of the prior-year figure at €4.0 billion (previous year: €4.1 billion).

The MAN Group received major orders in the amount of €1.1 billion in fiscal 2012 (previous year: €0.7 billion).

The decline in order intake was much more pronounced in Germany than abroad. International orders decreased by 6% as against the high prior-year level to €12.6 billion. Domestic orders were much harder hit, declining 11% to €3.3 billion. At 80%, the proportion of international orders was on a level with the previous year (79%).

Orders in Europe were down 9% year-on-year, and were driven by Germany (€3.3 billion), Russia (€0.8 billion), the United Kingdom (€0.8 billion), and France (€0.6 billion). While orders in Germany and France declined by 11% and 21% respectively, they were roughly on a level with the previous year in Russia and the United Kingdom. Europe remains the MAN Group's most important region, accounting for 57% of its total order intake (previous year: 58%), followed by the Americas at 23%, and Asia at 14%.

At €3.7 billion, order intake in the Americas was down 9% on the previous year (€4.1 billion). Brazil accounted for 76% of this amount, or €2.8 billion (previous year: 81% or €3.3 billion). Orders in Asia grew by 3% to €2.2 billion. A third of this was attributable to MAN Truck & Bus, which lifted order intake in Asia by 57% year-on-year.

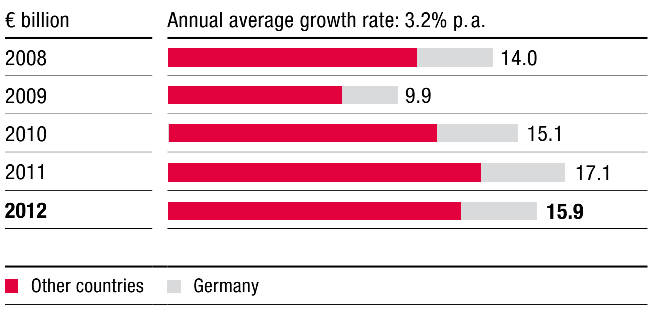
Order intake by business area

€ million	2012	%	2011	%
Commercial Vehicles	12,020	76	13,093	76
Power Engineering	4,035	25	4,148	24
Others/Consolidation	– 166	– 1	– 96	–
MAN Group	**15,889**	**100**	**17,145**	**100**

Order intake by region

€ million	2012	%	2011	%
Federal Republic of Germany	3,252	20	3,646	21
Other EU countries	3,987	25	4,374	26
Other European countries	1,846	12	1,920	11
Asia	2,218	14	2,164	13
Americas	3,734	24	4,119	24
Africa	698	4	754	4
Australia and Oceania	154	1	168	1
MAN Group	**15,889**	**100**	**17,145**	**100**

Five-year order intake trend

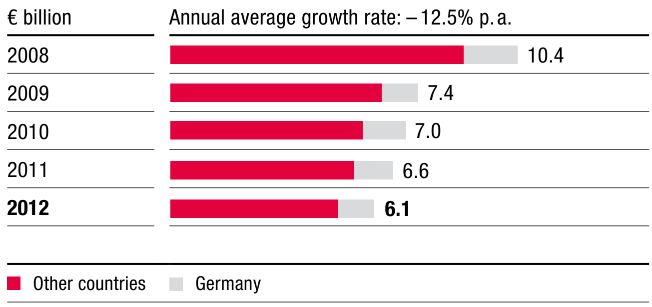


Like-for-like data for all years, excluding discontinued operations.

Decline in order backlog

The MAN Group's year-end order backlog in fiscal 2012 amounted to €6.0 billion, approximately €0.5 billion less than in the previous year. The order backlog in the Commercial Vehicles business area declined by 7% to €2.1 billion at the end of the year. At €4.0 billion, the Power Engineering business area recorded a 9% decrease in its order backlog as against the previous year. The business area's order backlog was lower than its annual revenue in fiscal 2012 and therefore spans just under one year.

Five-year order backlog trend



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

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

The MAN Group generated revenue of €15.8 billion in fiscal 2012, down on the record prior-year level (€16.5 billion).

Annual revenue in the Commercial Vehicles business area amounted to €11.7 billion, 7% less than in the previous year (€12.6 billion). The decrease is primarily attributable to MAN Latin America, as vehicle sales were significantly lower in Brazil. This was due in part to the introduction of the Euro V emission standard. The deterioration in the economic situation and what were at times more difficult financing conditions for customers also had a negative impact. MAN Truck & Bus's revenue was down 2% on the prior-year figure. Revenue growth in other regions, in particular the Middle East, partially offset the decline in the European commercial vehicles market.

The Power Engineering business area generated revenue of €4.3 billion in 2012, exceeding the prior-year level of €4.0 billion. MAN Diesel & Turbo saw revenue rise to €3.8 billion (previous year: €3.6 billion). The year-on-year increase is attributable to the Turbomachinery and Power Plants strategic business units. Renk lifted its revenue to €0.5 billion (previous year: €0.4 billion).

The MAN Group's domestic revenue declined by 10% year-on-year to €3.2 billion. Approximately 83% of domestic revenue was again accounted for by MAN Truck & Bus, which generated 30% of its revenue in Germany. The Power Engineering business area is much more internationally oriented and generated 87% of its revenue outside Germany.

Compared with the previous year, international revenue in the entire MAN Group decreased by 3% in 2012 to €12.6 billion. The proportion of total revenue generated outside Germany was therefore up slightly on the previous year, at 80% (79%).

Revenue in the European markets declined by 4% in 2012 to €9.1 billion, while the proportion of total revenue generated in Europe remained unchanged at 57%. The share attributable to the Americas amounted to 22% or €3.5 billion. €2.8 billion or 80% of this was attributable to MAN Latin America, which generated 87% of its revenue in the Brazilian market (previous year: 91%). In Asia, the MAN Group's revenue rose slightly to approximately €2.3 billion. Of this figure, China accounted for €0.6 billion and South Korea for €0.5 billion. The Power Engineering business area is very strongly represented in both markets. Asia generated 15% of the MAN Group's total revenue (previous year: 13%).

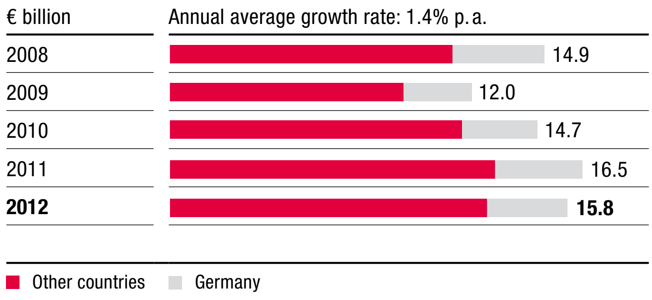
Revenue by business area

€ million	2012	%	2011	%
Commercial Vehicles	11,692	74	12,563	76
Power Engineering	4,256	27	3,999	24
Others/Consolidation	–176	–1	–90	–
MAN Group	**15,772**	**100**	**16,472**	**100**

Revenue by region

€ million	2012	%	2011	%
Federal Republic of Germany	3,170	20	3,515	21
Other EU countries	4,153	27	4,164	25
Other European countries	1,744	11	1,744	11
Asia	2,335	15	2,166	13
Americas	3,510	22	4,115	25
Africa	696	4	625	4
Australia and Oceania	164	1	143	1
MAN Group	**15,772**	**100**	**16,472**	**100**

Five-year revenue trend



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

Operating profit

The MAN Group recorded an operating profit of €964 million in fiscal 2012, down 35% on the high prior-year figure (€1,483 million). This decrease is primarily attributable to the Commercial Vehicles business area, which saw operating profit decline to €454 million (previous year: €965 million).

MAN Truck & Bus recorded an operating profit of €225 million (previous year: €565 million) and a return on sales of 2.6% (previous year: 6.3%). This significant decline year-on-year is largely due to the weak European commercial vehicles market and the resulting pressure on margins, as well as higher costs. Operating profit was also weighed down by a lower average margin caused by changes to the product and country mix. Financial Services generated an operating profit of €4 million (previous year: €1 million). MAN Latin America's operating profit declined to €229 million in the year under review, compared with €400 million in the prior-year period. This is mainly due to the drop in revenue and increased competition amidst difficult market conditions.

At €503 million, the Power Engineering business area made a stabilizing contribution to operating profit, almost matching the prior-year figure of €513 million. MAN Diesel & Turbo posted a slight decline in operating profit, down by €23 million to €437 million. In contrast, Renk's contribution to earnings improved by 25% to €66 million.

In addition to MAN SE and its Shared Services companies, the figure for Others/Consolidation includes the net income/losses of equity investments held directly by MAN SE, as well as the consolidation adjustments between the MAN Group's divisions. The operating profit attributable to Others/Consolidation was €7 million in fiscal 2012, on a level with the previous year (€5 million).

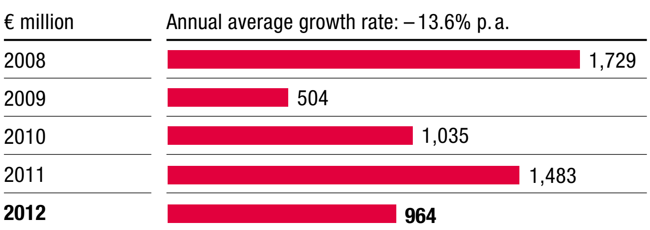
The MAN Group generated a return on sales of 6.1% in fiscal 2012, following 9.0% in the previous year. The MAN Group's profitability in the year under review was therefore outside the target range of the long-term target of 8.5% +/– two percentage points.

Operating profit by business area

€ million	2012	2011
Commercial Vehicles	454	965
Power Engineering	503	513
Others/Consolidation	7	5
MAN Group	**964**	**1,483**

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

Five-year operating profit trend



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

Income statement

€ million	2012	%	2011	%
Revenue	15,772	100.0	16,472	100.0
Cost of goods sold and services rendered	– 12,499	– 79.2	– 12,791	– 77.7
Gross margin	3,273	20.8	3,681	22.3
Other operating income [3]	540	3.4	511	3.1
Selling expenses [1]	– 1,091	– 6.9	– 1,075	– 6.5
General and administrative expenses [1]	– 949	– 6.0	– 853	– 5.2
Other operating expenses [3]	– 877	– 5.6	– 907	– 5.5
Income from investments [1,2]	68	0.4	126	0.8
Operating profit	964	6.1	1,483	9.0

[1] Amount after reclassification of € – 110 million of selling expenses/general and administrative expenses and income/loss from investments (previous year: € – 109 million of selling expenses/general and administrative expenses and income/loss from investments) to earnings effects from purchase price allocations.
[2] Amount after reclassification of €231 million of loss from investments (previous year: €157 million of loss from investments) to gains/losses from nonrecurring items.
[3] 2011: Amount after reclassification of €39 million to gains/losses from nonrecurring items.

Revenue declined by 4% year-on-year in 2012, but the cost of goods sold and services rendered did not decrease to the same extent. As a result, the gross margin was down €408 million on the prior-year figure; profitability declined from 22.3% in the previous year to 20.8%. The decrease reflects the pressure on the MAN Group's margins in fiscal 2012. Higher personnel expenses in particular saw general and administrative expenses rise by 11% to €949 million. Selling expenses were roughly on a level with the previous year.

At €540 million, other operating income was up slightly on the prior-year figure (€511 million). Other operating expenses were slightly below the prior-year level at €877 million (€907 million).

Income from investments declined significantly, mainly due to lower income from the equity-method investment in Sinotruk.

Reconciliation to net income

€ million	2012	2011
Operating profit	**964**	**1,483**
Earnings effects from purchase price allocations	– 110	– 109
Gains/losses from nonrecurring items	– 231	– 118
Net interest expense	– 312	– 134
Earnings before tax (EBT)	**311**	**1,122**
Income taxes	– 122	– 434
Loss from discontinued operations, net of tax	–	– 441
Net income	**189**	**247**
Earnings per share from continuing operations in €	1.20	4.62
Dividend per share in €*	1.00	2.30

* 2012: proposed dividend.

The MAN Group's earnings before tax amounted to €311 million in 2012, well below the prior-year figure (€1,122 million).

Effects from purchase price allocations totaled € – 110 million in the year under review. Of this figure, € – 91 million relates to MAN Latin America, € – 12 million to the joint venture with Rheinmetall MAN Military Vehicles GmbH, Munich (RMMV), and € – 7 million to the investment in Sinotruk. To enhance long-term comparability, the effects from purchase price allocations are not included in operating profit.

Losses from nonrecurring items, which are also not included in operating profit, totaled €231 million in fiscal 2012 (previous year: €118 million). They were due to impairment losses on the investment in Sinotruk (€190 million) and on RMMV (€41 million).

In addition to interest on bank balances and bank liabilities, net interest expense of €312 million includes net interest on pensions and interest payable on tax liabilities. The €178 million deterioration in net interest expense was mainly due to interest expenses relating to additional tax payments arising from the tax audit for the years 2002 to 2005, as well as other existing provisions.

The MAN Group's tax expense decreased by €312 million to €122 million. The tax rate rose to 39.2% (previous year: 38.6%), primarily as a result of the non-tax-deductible impairment losses on investments.

At €189 million, the MAN Group's net income was €58 million below the prior-year figure of €247 million. Earnings per share from continuing operations declined from €4.62 to €1.20. Adjusted for losses from nonrecurring items and excluding purchase price allocations, earnings per share amounted to €3.31 (previous year: €5.78).

Against this background, the Executive Board and Supervisory Board of MAN SE will propose a dividend of €1.00 per share carrying dividend rights to the Annual General Meeting (previous year: €2.30).

Financial control system and value management

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

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

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

The members of MAN SE's Executive Board receive a performance-related annual bonus. Target achievement is benchmarked by reference to ROE and the delta to the cost of capital. For Executive Board members, an average figure over two (variable remuneration) and three years (long-term remuneration component) is used to determine whether the targets based on the delta to the cost of capital factor have been reached. In future, the bonus calculated using the ROE factor will be paid in cash, rather than as a stock bonus. For further information, see the "Remuneration report for fiscal year 2012."

Target returns

The MAN Group aims for an ROS of 8.5% over an operating cycle and an ROCE that exceeds the weighted cost of capital of 10%. The target return on sales is 8.5% in the Commercial Vehicles business area and 9.0% in the Power Engineering business area. A range of +/–2 percentage points has been defined for all specified ROS figures.

Operating profit

The earnings measure for calculating ROS and thus for assessing and managing the performance of a division is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). When calculating operating profit, adjustments are made for earnings effects from purchase price allocations and, in individual cases, nonrecurring items. Nonrecurring items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. In 2012, MAN recorded losses from nonrecurring items totaling €231 million, which are reflected in EBIT, but not in operating profit. In the previous year, the Group reported losses from nonrecurring items amounting to €118 million.

ROS

%	2012	2011
Commercial Vehicles	3.9	7.7
Power Engineering	11.8	12.8
MAN Group	**6.1**	**9.0**

The MAN Group's return on sales declined to 6.1% in 2012 (previous year: 9.0%). The difficult market environment led to a decline in revenue and impacted profitability. MAN Truck & Bus recorded an ROS of 2.6% (previous year: 6.3%), while the figure for MAN Latin America was 8.0% (previous year: 11.2%). MAN Diesel & Turbo generated a return on sales of 11.6% (previous year: 12.7%). Renk lifted its ROS to 13.8% (previous year: 13.6%).

ROCE

€ million	2012	2011
Equity	**5,619**	**5,590**
Pensions and other post-employment benefits	591	378
Financial liabilities	5,299	3,170
	11,509	**9,138**
Business volume not funded by equity of MAN Finance	– 3,243	– 2,539
Marketable securities and cash and cash equivalents	– 1,367	– 958
Capital employed by the MAN Group at December 31	**6,899**	**5,641**
Annual average capital employed by the MAN Group	**6,937**	**6,071**
Operating profit	**964**	**1,483**
ROCE (%)	**13.9**	**24.4**

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

The MAN Group's capital employed is derived from the capital side. It comprises the Group's total equity, pensions and other post-employment benefits, and financial liabilities, less marketable securities, cash and cash equivalents, and the financing business (leasing) not covered by the equity of MAN Finance. MAN Finance comprises MAN Finance International GmbH, Munich, and the national companies assigned to it.

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

The MAN Group's ROCE declined from 24.4% in the previous year to 13.9%.

WACC

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

MAN uses WACC together with other control parameters as a basis for setting ROCE requirements. The cost of capital for fiscal 2012 remained unchanged at 10.0%. The "delta to the cost of capital" measure is calculated as the difference between ROCE and WACC and was 3.9% in 2012 (previous year: 14.4%).

ROE

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

€ million	2012	2011
MAN Group equity on December 31	5,619	5,590
Annual average MAN Group equity	5,635	6,037
Earnings before tax (EBT)*	311	681
ROE (%)	**5.5**	**11.3**

* Earnings before tax additionally including earnings effects of discontinued operations.

The MAN Group's ROE declined from 11.3% to 5.5% in fiscal 2012.

Financial Position

Free cash flow impacted by high nonrecurring charges

Principles and objectives of financial management

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

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

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

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

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

Cash flow

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

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

Cash earnings in the MAN Group declined to €980 million (previous year: €1,094 million). The significant decrease in earnings before tax was partially offset by lower current income taxes of €–124 million (previous year: €–439 million) in particular, as well as higher noncash losses from nonrecurring items in the year under review (see "Reconciliation to net income").

The MAN Group's net capital employed increased by €1,064 million (previous year: €576 million). The single greatest impact on this figure was the additional tax payment of €472 million arising from the tax audit for the years 2002 to 2005. Other influencing factors were the €365 million decline in trade payables due to lower production levels (previous year: increase of €374 million) and the €202 million decrease in provisions (previous year: increase of €253 million). This was partially offset by the decrease in inventories and receivables by a total of €173 million (previous year: increase of €1,234 million).

The net cash generated by operating activities of the Industrial Business amounted to €200 million (previous year: €964 million), and the MAN Group as a whole recorded net cash used in operating activities of €84 million (previous year: net cash provided of €518 million).

Net cash used in investing activities reflects the divestment of Ferrostaal (€345 million) and payments in the amount of €164 million to acquire subsidiaries (previous year: €52 million). In particular, the latter includes the acquisition of the remaining shares of the former joint venture MAN FORCE TRUCKS for a net amount of €148 million. In addition, the MAN Group invested €754 million (previous year: €601 million) in property, plant, and equipment, and intangible assets for the two business areas – significantly more than in the previous year. Overall, net cash used in investing activities led to a cash outflow of €1,233 million, €596 million higher than in the previous year.

	MAN Group		Industrial Business		Financial Services	
€ million	2012	2011	2012	2011	2012	2011
Net liquidity/net financial debt at beginning of period	**–2,212**	**–1,778**	**42**	**80**	**–2,254**	**–1,858**
Cash earnings	980	1,094	978	1,090	2	4
Change in net capital employed in continuing operations	–1,064	–576	–778	–126	–286	–450
Net cash provided by/used in operating activities	**–84**	**518**	**200**	**964**	**–284**	**–446**
Net cash flows from investing activities of continuing operations	–888	–637	–845	–631	–43	–6
Net cash flows from investing activities of discontinued operations	–345	–	–345	–	–	–
Net cash used in investing activities	**–1,233**	**–637**	**–1,190**	**–631**	**–43**	**–6**
Free cash flow	**–1,317**	**–119**	**–990**	**333**	**–327**	**–452**
Cash flow from net liquidity/net financial debt financing activities	**–348**	**–297**	**–362**	**–347**	**14**	**50**
Net change in net liquidity/net financial debt	**–1,665**	**–416**	**–1,352**	**–14**	**–313**	**–402**
Other changes in net liquidity/net financial debt	–51	–18	312	–24	–363	6
Net liquidity/net financial debt at end of period	**–3,928**	**–2,212**	**–998**	**42**	**–2,930**	**–2,254**

The free cash flow from the MAN Group's operating and investing activities amounted to €–1,317 million (previous year: €–119 million). Of this amount, €–990 million (previous year: €333 million) was attributable to the Industrial Business. Free cash flow in the Financial Services business amounted to €–327 million (previous year: €–452 million).

Cash flow from net liquidity/net financial debt financing activities mainly includes the dividend payment of €342 million (previous year: €297 million).

Free cash flow by business area

€ million	2012	2011
Commercial Vehicles	–512	–339
Power Engineering	168	270
Others/Consolidation	–973	–50
MAN Group	**–1,317**	**–119**

Free cash flow in the Commercial Vehicles business area totaled €–512 million. €205 million of this was attributable to the operating commercial vehicles business at MAN Truck & Bus, while the expansion in financing negatively impacted cash flow by €327 million. MAN Latin America generated free cash flow of €21 million (previous year: €–46 million). Free cash flow in the Power Engineering business area amounted to €168 million (€270 million). The decrease compared with the prior year is mainly attributable to increased capital expenditure. The additional tax payment and the divestment of Ferrostaal are reported in free cash flow for Others/Consolidation.

The MAN Group's net financial debt increased by €1,716 million to €3,928 million (€2,212 million). The Industrial Business recorded net financial debt of €998 million (previous year: net liquidity of €42 million). For Financial Services, net debt rose to €2,930 million (€2,254 million). The increase is attributable to growth in financing volumes, as well as the reclassification of EURO-Leasing GmbH, Sittensen (EURO-Leasing), from MAN Truck & Bus to Financial Services.

The MAN Group's net financial debt was composed of cash and cash equivalents of €1,366 million (previous year: €957 million), marketable securities of €1 million (€1 million), and short-term loans to unconsolidated investments of €4 million, less financial liabilities of €5,299 million (€3,170 million). Please refer to "MAN Group funding" and the "Notes to the Consolidated Financial Statements" for further information on financial liabilities.

MAN Group funding

In addition to bilateral lines with financial institutions, a variable-rate syndicated credit line commitment by a syndicate of 23 banks in the amount of €1.5 billion is available for debt funding until December 2015. As was the case with the preceding facility, the syndicated credit line has never been drawn down and 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 €3,320 million has currently been utilized through bond issues. MAN SE has issued both publicly offered bonds with a fixed interest rate and, for the first time in 2012, privately placed notes with a variable interest rate, all of which are denominated in euros. The privately placed notes have a total volume of €570 million and mature between September 2013 and November 2014. Details of the MAN Group's main outstanding publicly offered bonds are provided below.

The MAN Group's publicly offered bonds:

Principal amount (€ million)	Term from	To	Interest rate p.a.
500	May 20, 2009	May 20, 2016	7.250%
1,000	May 20, 2009	May 20, 2013	5.375%
750	March 13, 2012	March 13, 2017	2.125%
500	September 21, 2012	September 21, 2015	1.000%

In addition, the Group has issued two promissory note loans totaling €26.25 million that expire in 2019 (amortizing) and bear a fixed interest rate of 6.76%. The fixed-interest component of a promissory note loan (€49 million) was repaid in 2012 according to schedule.

The MAN Group also uses asset-backed financing arrangements, in particular to finance its financial services business.

After Standard & Poor's (S&P) linked the MAN Group's rating to that of Volkswagen AG in December 2011, MAN decided to end its cooperation with the rating agency in December 2012, primarily for commercial reasons. Standard & Poor's most recently confirmed MAN's A– long-term rating in September 2012, but lifted its outlook from "stable" to "positive" in line with Volkswagen AG's rating. The rating relationship with Moody's will continue unchanged. The A3 long-term rating with a stable outlook awarded by Moody's was confirmed in September 2012.

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

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

Under the agreed syndicated credit line amounting to €1.5 billion, each syndicate member can demand immediate repayment of its portion if one or more natural or legal persons either individually or collectively obtain control of MAN SE or acquire the majority of voting rights in MAN SE. The acquisition by Volkswagen AG of a majority stake in MAN SE on November 9, 2011, was excluded from this condition.

The promissory note loans issued in the amount of €26.25 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 (€2.75 billion) and the privately placed notes (€570 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.

Asset and capital structure

€ million	MAN Group 2012	MAN Group 2011	Industrial Business 2012	Industrial Business 2011	Financial Services 2012	Financial Services 2011
Property, plant, and equipment, and intangible assets	4,385	3,974	4,347	3,966	38	8
Investments	2,223	2,089	2,221	2,087	2	2
Assets leased out	2,501	2,303	1,183	1,366	1,318	937
Income taxes	1,393	1,195	1,226	1,161	167	34
Inventories	3,373	3,513	3,311	3,443	62	70
Trade receivables	2,141	2,331	2,011	2,258	130	73
Financial services receivables	1,646	1,485	–	–	1,646	1,485
Other noncurrent and current assets	889	822	791	768	98	54
Cash and cash equivalents	1,367	958	1,331	938	36	20
Total assets	**19,918**	**18,670**	**16,421**	**15,987**	**3,497**	**2,683**
Total equity	5,619	5,590	5,366	5,446	253	144
Pensions and other post-employment benefits	591	378	588	377	3	1
Financial liabilities	5,299	3,170	4,148	2,059	1,151	1,111
Intragroup financing	–	–	–1,815	–1,163	1,815	1,163
Provisions	1,850	2,194	1,846	2,190	4	4
Prepayments received	908	823	907	820	1	3
Income taxes	1,105	1,347	1,012	1,294	93	53
Trade payables	2,006	2,324	1,905	2,186	101	138
Other noncurrent and current liabilities	2,540	2,844	2,464	2,778	76	66
Total equity and liabilities	**19,918**	**18,670**	**16,421**	**15,987**	**3,497**	**2,683**

Industrial Business

Property, plant, and equipment, and intangible assets rose to €4,347 million as of December 31, 2012 (previous year: €3,966 million). The increase is primarily due to higher capital expenditures. In addition to making necessary replacement and maintenance investments, the measures taken focused on improving productivity and quality, as well as increasing efficiency in production. MAN also invested in the development of new products, as well as in expanding its presence around the world. €208 million is attributable to goodwill from the increase in the interest in the former joint venture MAN FORCE TRUCKS.

The net increase in investments over the course of the year (€134 million) also reflects the higher fair value of the investment in Scania AB, Södertälje, Sweden (Scania), and the lower carrying amount of equity-method investments. The decrease in carrying amounts was due to the impairment losses recognized on the investments in Sinotruk and RMMV, as well as the change in the presentation of the shares of the former joint venture MAN FORCE TRUCKS in India following its step acquisition.

Assets leased out amounted to €1,183 million as of December 31, 2012 (previous year: €1,366 million). The higher volume of sales with buyback obligations at MAN Truck & Bus was unable to offset the effects of reclassifying EURO-Leasing from MAN Truck & Bus to Financial Services.

Inventories amounted to €3,311 million as of December 31, 2012 (previous year: €3,443 million). The year-on-year change, in particular at MAN Latin America, is attributable to the reduction in remaining Euro III inventories. Trade receivables also declined by €247 million over the course of the year. This was mainly due to the reduction in business volumes in the Commercial Vehicles business area.

Trade payables declined by €281 million due to lower production levels (previous year: increase of €304 million) and amounted to €1,905 million as of December 31, 2012. By contrast, prepayments received rose by €87 million (previous year: €61 million) despite the lower order intake at MAN Diesel & Turbo.

Pension obligations rose in particular due to actuarial losses of €588 million (previous year: €377 million) as of December 31, 2012. The actuarial losses primarily resulted from the use of a lower discount rate. The €2,089 million increase in financial liabilities over the course of the year was due to the issuance of new bonds.

Tax liabilities amounted to €1,012 million as of December 31, 2012 (previous year: €1,294 million). The change as against the previous year reflects the additional tax payment arising from the tax audit for the years 2002 to 2005. Other noncurrent and current liabilities decreased to €2,464 million as of December 31, 2012, compared with €2,778 million in the previous year. The decline was significantly influenced by the settlement of obligations entered into at the end of November 2011 in connection with the sale of Ferrostaal, as well as the concurrent settlement of the litigation with IPIC.

Equity in the Industrial Business amounted to €5,366 million as of December 31, 2012 (previous year: €5,446 million). The market performance of the investment in Scania, which had an extremely positive effect, was offset by the dividend payment for fiscal 2011 and the rise in actuarial losses attributable to pensions. Almost unchanged equity and higher intangible assets, property, plant, and equipment, and investments led to a drop in the ratio of equity to noncurrent assets by eight percentage points (from 90% to 82%). The equity ratio of the Industrial Business decreased slightly to 32.7% (previous year: 34.1%). The MAN Group's overall equity-to-assets ratio was 85% (92%) and its equity ratio was 28.2% (29.9%).

Financial Services

Total assets for the Financial Services business increased by a total of €814 million due to higher financing volumes and the reclassification of EURO-Leasing from MAN Truck & Bus to Financial Services. €1,151 million (previous year: €1,111 million) was refinanced externally, and €1,815 million (previous year: €1,163 million) was financed internally within the Group.

Unrecognized assets

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

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

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

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

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

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

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

Composition of share capital, classes of shares

MAN SE's share capital is unchanged at €376,422,400. It is composed of 147,040,000 no-par value bearer shares with a notional value of €2.56 each. In accordance with Article 4 (1) of the Articles of Association, the no-par value shares are divided into 140,974,350 common shares and 6,065,650 non-voting 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.

The common shares are voting shares, while preferred shares do not generally carry voting rights. Under section 140 (2) of the *Aktiengesetz* (AktG – German Stock Corporation Act), this does not apply if the preferred dividend is not paid in a given year, or is not paid in full, and the shortfall is not made good in the following year in addition to the full preferred dividend for that year. In such cases, holders of preferred shares have voting rights until the shortfalls are made good, and the preferred shares must be included in the calculation of any capital majority required by the law or the Articles of Association. 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, except for shares received by members of the Executive Board, certain managing directors, and other beneficiaries at MAN companies under the MAN Stock Program (MSP), to which lockups (vesting periods) apply. Details are contained in the Remuneration Report.

Significant shareholdings in MAN SE

Volkswagen Aktiengesellschaft notified us on June 6, 2012, in accordance with section 21 (1) sentence 1 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 75% on June 6, 2012, and amounted to 75.03% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us on June 6, 11, and 12, 2012, in accordance with section 21 (1) of the WpHG, that Volkswagen Aktiengesellschaft's 75.03% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. Furthermore, on October 26, 2012, we received notifications in accordance with section 21 (1) of the WpHG that the share of voting rights held by BlackRock, Inc. (and companies affiliated with it) fell below the threshold of 3% on July 8, 2011. We have not been notified of, nor are we aware of, further existing direct or indirect interests in the capital of MAN SE that exceed 10% of the voting rights or the relevant thresholds of the WpHG, or of any changes in the above-mentioned interests.

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

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

Section 59 (1) of the SE-VO in conjunction with sections 179 ff. 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.

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

Authorized Capital 2010

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Share repurchase

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

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

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

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

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

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

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

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

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

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

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

Research and Development

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

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

Commercial Vehicles

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

Reducing consumption

As one of the world's leading manufacturers of trucks and buses, MAN is making a significant contribution to reducing fuel consumption and thus continuously improving transportation efficiency. MAN offers customers an extensive program for reducing the total cost of ownership (TCO). At over 25%, fuel costs account for the largest TCO item.

Alongside measures to optimize drivetrains and aerodynamics, driver assistance systems make commercial vehicles more efficient and safer. This was confirmed by a four-year research project, euroFOT (European Field Operational Test), the first large-scale field operational test on driver assistance systems. For example, MAN trucks consumed nearly 2% less diesel on average during the test period using adaptive cruise control (ACC). MAN has won a number of prizes in its main research areas of driving dynamics, simulation, driver assistance, and active accident prevention measures for trucks and buses.

One particular innovation is MAN's Concept S, a truck study that enables fuel consumption and CO_2 emissions by diesel trucks to be cut drastically by up to 25% while maintaining loading capacity. The key to the concept is improving the aerodynamics of the entire truck by coordinating the design of the tractor and trailer, as well as implementing high-tech measures that lower fuel consumption further, such as using electrical propulsion for auxiliary units. A Concept S model combining a tractor and a trailer was presented at the 2012 IAA Commercial Vehicles Show for the first time. However, implementation would require amending the EU's registration rules for total truck lengths.

Since the beginning of October 2012, MAN has been participating in a Germany-wide field study of long trucks designed to investigate the traffic-related, economic and ecological effects of longer vehicle combinations in road freight transportation.

Reducing emissions

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

MAN presented its Euro VI technology for trucks and coaches at the 2012 IAA Commercial Vehicles Show under the motto "Here comes Euro VI – but not at the price of efficiency." Proven technologies were combined in an intelligent manner and optimally integrated to meet the new emission standard. All Euro VI diesel vehicles use an efficient concept comprising needs-driven exhaust gas recirculation, diesel particulate filters, and exhaust gas aftertreatment using the SCRT (selective catalytic reduction technology) system. MAN celebrated the world premiere of the new TG truck family with Euro VI technology – virtually pollutant-free vehicles that are just as fuel-efficient as their particularly economical Euro V-compliant predecessors. In the case of city buses, MAN was in fact able to reduce fuel consumption even further, presenting Euro VI-compliant technology for buses running on natural gas and biogas as well for the first time.

Alternative drives: hybridization and e-mobility

Alternative drives are also becoming increasingly important in the commercial vehicles sector. MAN is convinced that hybrid technology will be a mainstay in the future. In view of the usage conditions – annual mileage, typical route profiles, and opportunities for fuel savings – it is apparent that the hybridization of city buses in particular, and of long-haul and urban truck transportation offers considerable potential for efficiency. The Center of Competence for Hybrid Technology created in mid-2011 at MAN Truck & Bus bundles expertise in the different product segments from research through to series development. MAN's e-mobility strategy is being developed in close cooperation with its product strategy. The Center of Competence for Hybrid Technology takes part in research projects and grant-assisted projects, drives forward cooperation with universities, and is responsible for the predevelopment of future hybrid and e-mobility drivetrain structures.

The MAN Lion's City Hybrid city bus, which has been in series production since 2010, reduces fuel consumption and CO_2 emissions by up to 30% during daily bus service operations, while customer tests of TGL hybrid vehicles have confirmed forecast consumption levels of up to 15% less diesel in the urban delivery sector. At the end of 2012, the Metropolis hybrid research vehicle became the first garbage collection truck to be deployed in a two-year practical trial in the Antwerp-Brussels region. In addition to significant fuel savings, the issue of noise is playing an increasingly important role in public transportation and in city traffic – and hybrid vehicles can help here. For example, the MAN Lion's City Hybrid departs from bus stops nearly soundlessly, starting in purely electric mode. Although the use of hybrid vehicles is normally considered to be particularly appropriate in stop-and-go city traffic, hybrid vehicles can also offer substantial added value outside of urban traffic. In the long-haul segment, fuel savings may "only" be 5% to 8%, but the high annual driving distances of up to 150,000 km mean that these potential reductions in fuel consumption and CO_2 emissions have a significant impact on the overall carbon footprint. In order to leverage this potential, MAN is continuing to develop these vehicles.

The Association of Brazilian Automotive Engineers presented their AEA Environment Award to MAN Latin America for its pioneering work in developing the first Brazilian hybrid truck – the VW Constellation 17.280 6x2 Híbrido. The hybrid truck also won two Renewable Energy Infrastructure Awards. Developed in Brazil, the vehicle uses hydraulic diesel-hybrid drive technology. It offers increased energy efficiency, is more affordable than comparable hybrid offerings on the Brazilian market, and is optimally designed for conditions in emerging economies.

Alternative fuels

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

MAN is the leader in natural gas buses. To date, it has delivered more than 5,000 natural gas buses and bus chassis with CNG (compressed natural gas) engines, which are available in five levels ranging from 220 horsepower to 310 horsepower. In Europe, MAN's natural gas buses have had an average market share of over 44% during the past eight years. For example, the Company will deliver 250 MAN Lion's City G buses with CNG drives to EGO Ankara, a Turkish transportation company, in the period up to 2013. The MAN vehicles will be the first articulated natural gas-powered buses to be deployed in Turkey. At present, EGO Ankara already has 1,090 MAN Lion's Classic CNG buses – the largest gas-powered fleet in the world – which it uses to help to control air pollution in the city.

MAN received the Top Ethanol Award for a vehicle from the TGS series that can be powered flexibly by both diesel and ethanol.

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 gas and 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 freight transportation industry, for example.

Greater efficiency and lower emissions are also key technological drivers for the products manufactured by the Power Engineering business area. MAN Diesel & Turbo presented innovative solutions for marine propulsion units at the SMM (Shipbuilding, Machinery, and Marine Technology) in Hamburg, the world's most important shipbuilding fair, in September 2012. The dual-fuel large-bore 35/44DF model diesel engine was the highlight. This is a dual-fuel engine that can run on both liquid and gas fuels. In its gas mode, the 35/44DF four-stroke engine already meets the International Maritime Organization's Tier III emission standard, which will come into force in 2016 for international maritime traffic. When it does, nitrogen oxide emissions in certain coastal areas will have to be cut by around 80% as against the base year, 2000. MAN Diesel & Turbo is also offering dual-fuel technology for two-stroke engines under the name of ME-GI. The agreement for the first two liquid gas-powered container ships in the world was signed at the end of 2012.

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

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

The new generation of MAX1 axial compressors, which are primarily used to extract high-purity fuels and other hydrocarbons from natural gas and coal, feature improved efficiency, as well as a high level of robustness and cost-effectiveness. MAN Diesel & Turbo secured its first order for four machines in 2012. Other areas of focus included CO_2 storage and transport, as well as magnetic bearings.

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

In view of the stricter requirements with respect to emissions and environmental compatibility, MAN PrimeServ, MAN Diesel & Turbo's service brand, has continuously updated its retrofit and upgrade offerings. Such enhancements increase the efficiency of diesel engines, compressors, and turbines, and reduce resource consumption.

Renk has successfully defended its global technology leadership in tracked vehicle transmissions, marine applications, and standard slide bearings and hence its excellent market position against the global competition for many years. Its highly specialized engineers and its customer-centric philosophy that focuses on developing sustainable solutions in partnership are the backbone of its success.

5,153 people were employed in research and development in 2012 compared with 4,443 in the previous year.

MAN invests a significant proportion of its revenue each year in R&D to secure its competitive advantage over the long term. In 2012, capital expenditure in this area was €830 million, or 5.3% of revenue. €634 million, or 76% of Group-wide R&D expenditures, was internally funded. Over the past five years, the MAN Group's R&D expenditures have risen by an average of 13.9% per year.

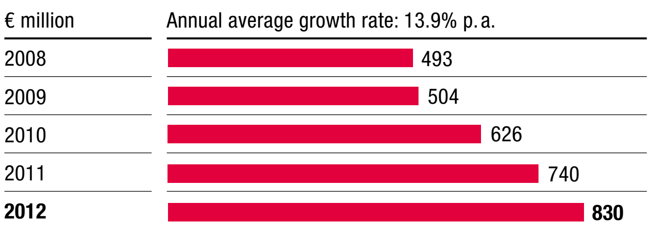
Funds for order-specific R&D activities and for publicly subsidized projects amounted to €196 million. Around 51% of internal funds were invested in basic research and the development of new products.

€ million	2012	2011
R&D expenditures	**830**	**740**
R&D expenditures by the manufacturing areas (% of revenue)	5.3	4.5
Internally funded R&D	634	565
R&D employees (annual average)	5,153	4,443

R&D expenditures by business area

€ million	2012	2011
Commercial Vehicles	437	403
Power Engineering	399	345
Consolidation	–6	–8
MAN Group	**830**	**740**

Five-year R&D expenditures trend



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

Capital Expenditures

Capital expenditures increased again to safeguard the future and long-term growth

Capital expenditures by the MAN Group increased to €929 million in fiscal 2012, compared with €671 million in the previous year. Capital expenditures in both property, plant, and equipment and investees rose sharply.

The MAN Group's capital expenditures in the Commercial Vehicles business area totaled €740 million in fiscal 2012, compared with €567 million in the previous year. In addition to making necessary replacement and maintenance investments, MAN Truck & Bus mainly invested in developing new products such as engines that comply with the Euro VI emission standard. It also invested in enhancing productivity and quality. The largest electrophoretic deposition (EPD) plant in Europe was opened in Ankara, the sequencing center at the Nuremberg engine plant was expanded, and the modernization of the NEOPLAN plant in Plauen was driven forward. In addition, development capabilities were strengthened by extending the buildings at the Munich location, allowing previously decentralized business areas to work together more closely on new test beds and in the design center. MAN Truck & Bus strengthened its global presence by expanding and renewing its sales and service network. The expansion of the logistics center in Salzgitter continued to improve global spare parts logistics. This opens the way for growth potential in after sales. Construction of the new production facility in St. Petersburg continued. MAN Truck & Bus also acquired the remaining shares of the MAN FORCE TRUCKS joint venture in the first quarter of 2012 and is now managing the company by itself. These activities underline the importance of the BRIC markets for MAN's growth in the future. Capital expenditures by MAN Latin America mainly related to the changeover to the Euro V emission standard, as well as the technical integration of products and components with MAN Truck & Bus.

Investments in the Power Engineering business area rose sharply to €195 million in 2012 (previous year: €117 million). This corresponds to an increase of 67%. MAN Diesel & Turbo made necessary replacement and maintenance investments and invested in enhancing manufacturing efficiency. Further investments focused on plants for handling large components as well as for test beds. The effectiveness of development was increased using cutting-edge single-cylinder test engines and an open area test site for turbomachinery. In addition, investments were made to ensure even greater occupational and plant safety. MAN Diesel & Turbo boosted its global presence with new service outlets and acquired a services company in Brazil. A company in Switzerland that focuses on state-of-the-art magnetic bearings was also acquired. Renk modernized and expanded its production plants in Augsburg and Rheine and acquired a specialized company domiciled in Berlin to strengthen its slide bearings business.

Capital expenditures

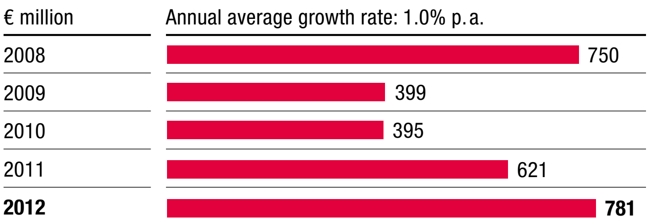
€ million	2012	2011
Property, plant, and equipment, and investment property	447	355
Intangible assets	307	246
Investments	175	70
Total	**929**	**671**
of which: acquisition of additional interest in MAN FORCE TRUCKS	148	–
of which: acquisition of additional interest in EURO-Leasing	–	50
of which: other capital expenditures	781	621
of which: Germany	520	438
of which: other countries	261	183
Depreciation, amortization, and impairment*	384	353
Capital expenditure ratio in %	203	176

* Excluding earnings effects from purchase price allocations (2012: €91 million, 2011: €99 million) and excluding write-downs of investments of €190 million (Sinotruk) and €41 million (RMMV).

Capital expenditures by business area

€ million	2012	2011
Commercial Vehicles	740	567
Power Engineering	195	117
Others/Consolidation	– 6	– 13
MAN Group	**929**	**671**

Five-year capital expenditure trend*



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

Procurement

Central procurement reorganized as Executive Board function

Cost of materials by business area

€ million	2012	2011
Commercial Vehicles	7,309	7,674
Power Engineering	1,951	1,722
Others/Consolidation	– 152	– 82
MAN Group	**9,108**	**9,314**

Cost of materials by business area

in % of revenue	2012	2011
Commercial Vehicles	63	61
Power Engineering	46	43
Others/Consolidation	–	–
MAN Group	**58**	**57**

At around €9.1 billion (previous year: €9.3 billion), the MAN Group's procurement volume amounted to approximately 58% of revenue in 2012. This reflects the significance of procurement for production costs and ultimately for the Group's earnings.

Since September 1, 2012, procurement at the MAN Group has been organized as a separate Executive Board function. Its goals are to leverage the bundling effects to be gained from a central purchasing function and to procure non-production-related materials, in particular centrally at Group level, while nevertheless taking the different requirements of the MAN Group's various business areas into account.

Where legally permissible, cooperation is not limited to within the MAN Group, but also extends to the Volkswagen Group and its brands. Work groups have been set up in the procurement areas of the two Groups and focus issues have been defined to enable joint optimization of material costs in the future and to leverage potential synergies in MAN's and Volkswagen's purchasing management.

Procurement aims to select the right suppliers for long-term cooperation worldwide. Alongside cost-effectiveness, it focuses on quality, innovative ability, and, most importantly, reliability.

Sustainability is also a key principle of procurement, and applies to the selection of both suppliers and business partners. In addition to its obligations to its own employees, MAN expects suppliers to act responsibly and to comply with the basic principles set out in the MAN Code of Conduct. These cover corporate responsibility, transparent business relationships, fair market conduct, and the protection of data, business secrets, and business assets.

Employees

Targeted activities to recruit, develop, and foster outstanding young talents, employees, and managers

Employees at December 31 *

	2012	2011
Germany	30,513	30,187
Other countries	23,770	22,355
Total	**54,283**	**52,542**
Other countries in %	44	43

Employees by business area at December 31 *

	2012	2011
Commercial Vehicles	36,816	36,154
Power Engineering	17,108	16,052
Other	359	336
MAN Group	**54,283**	**52,542**

* Including subcontracted employees.

Employee structure

	2012	2011
Total	**54,283**	**52,542**
of which: female	7,780	6,846
of which: male	46,503	45,696
of which: subcontracted employees	1,802	2,364
of which: part-time employees	1,000	787
of which: fixed-term employees	1,741	2,581

Age structure 2012 *

Total	< 30	31 – 40	41 – 50	51 – 60	> 61
52,481	10,982	15,507	14,684	10,024	1,284

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

Headcount

As of December 31, 2012, the MAN Group employed 54,283 people including subcontracted employees. This represents an increase of 1,741 employees, or 3%, as against the end of 2011. The main factors for this were various initial consolidation activities and the acquisition of all shares of the joint venture in India, which accounted for approximately 1,250 employees in total. Sales, service, and development functions were built up in the Power Engineering business area. The number of employees also rose as a result of newly acquired companies.

The proportion of employees in Germany versus those abroad changed only slightly. Our non-German companies employed a total of 23,770 people. This is an increase of 1,415 year-on-year. The number of employees working in Germany remained virtually constant.

The Group's permanent staff rose from 50,178 in the previous year to 52,481 on December 31, 2012. At 1,741, the number of employees with fixed-term contracts was down 33% on the previous year (2,581). The number of subcontracted employees fell significantly by 562 to 1,802.

Vocational trainees

High-quality vocational training ensures that MAN has outstanding young talents. Nearly 800 young people started their careers at MAN in Germany, Austria, and Switzerland in the fall of 2012. The secondary-school graduates start at MAN in over 30 vocational training careers and 19 combined vocational training and degree programs. The most popular technical tracks are for industrial mechanics, mechatronics technicians, and milling machine operators. The number of new vocational trainees increased by 6.5% year-on-year. A total of around 2,000 vocational trainees were employed at MAN's German plants and sales branches in 2012; on a global scale, there were 3,276 young talents (previous year: 2,921).

MAN Diesel & Turbo took over 88 of the total of 138 vocational trainees and students in combined vocational training and degree programs at manroland AG, the insolvent printing press manufacturer. As of March 1, 2012, they continued their training in eleven industrial technology careers at MAN Diesel & Turbo in Augsburg. The remaining 50 vocational trainees will continue their training at manroland web systems GmbH, Augsburg, a successor enterprise to the printing press manufacturer.

Continuous professional development for all employees

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

At MAN Truck & Bus's MAN Academy, employees receive qualifications in line with the corporate strategy as well as their needs. Thanks to standardized programs for employees in sales and technology across the world, the international organization can also meet uniform standards. MAN Latin America's focus for continuous professional development activities included a special program for employees in the sales area.

In addition to the internal opportunities for continuous professional development, MAN Diesel & Turbo's PrimeServ Academy has a special offering for employees in the service function. The focus is on internal advanced training for its own service engineers and courses for marine and power plant engineers.

At MAN's locations around the world, employees can gain international experience or transfer between the subgroups as part of a job rotation scheme. There are many attractive challenges within subgroups as well, for example the development of new products or of new areas of business.

Developing managerial talent at the MAN Executive Academy

Development programs at the MAN Executive Academy focus on strategic challenges specific to MAN and provide the ideal basis for our employees to further develop their specialist and leadership skills.

The individual development goals are agreed and implemented at annual employee appraisals. The one-on-one dialog between supervisors and employees is an integral component of MAN's corporate and leadership culture.

In order to continue to retain MAN's best managers, an international project group optimized the promotion processes. The focus was on transparency, appreciation, and recognizing employees' performance in the Company at a technical level.

Diversity and equal opportunities

MAN is a global advocate for increasing the number of women in managerial positions, in vocational traineeships, and among graduate staff and master-level workers. This depends on obtaining transparency about the current situation regarding the advancement of women, the extent to which goals have been achieved, and measures that have been planned and implemented. As of December 31, 2012, 8.2% of MAN's managers were female, compared with 7.3% in 2011. MAN already offers measures to train and develop female specialists and managers. Female engineering students are guided through their career development as part of mentoring programs.

In addition to flexible working models, childcare is also an important factor in reconciling work and family life. MAN offers kindergarten facilities at its Munich and Augsburg sites to employees with young children. The childcare offerings target toddlers up to three years of age and young children aged three to six.

Top employer

MAN successfully positioned itself in the long term as a top employer in the international arena in 2012, for example by enhancing communication and making it more efficient on the "Career" page of the MAN Group's website. Implementation at an international level was particularly successful at the production sites in Turkey and Poland, where cultural and linguistic needs were targeted for adaption as part of the top employer strategy. Employees from each location were involved under the "Personalities Wanted" advertising concept.

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

MAN is continuing its multifaceted cooperation with the Munich Technical University in order to develop young talents for the long term. MAN is supporting 60 students in the mechanical engineering, electrical engineering and information technology, and economics departments. In the reporting period, the Company also sent representatives to numerous university career fairs in Germany and abroad to present its attractive areas of activity and to fill job vacancies.

The MAN Graduate Program gives high-achieving graduates a detailed insight into the Company's different areas of activity so as to optimally prepare them for the future challenges of working at MAN.

Preventive healthcare and occupational safety

Preventive healthcare and occupational safety are a top priority at MAN. The Company has created several initiatives at a Group level for preventing occupational illnesses. Examples include physiotherapy for assembly line workers, preventive occupational medicine examinations, skin protection days, cardiovascular risk consultations, and activities such as jogging meetups, strength training to prevent back pain, and seminars on nutrition and stopping smoking. If an employee becomes ill during working hours, MAN provides clinical and emergency treatment. Naturally, reintegration assistance after accidents is part of occupational safety at MAN.

A project for further expanding holistic, Group-wide health management kicked off in 2012. MAN Truck & Bus's Salzgitter location was awarded the Corporate Health Award in 2012 for its occupational health management. The innovative and holistic approach to a culture of health awareness and to maintaining employee health was assessed particularly positively, as was the optimal ergonomic alignment of all workplaces as part of risk and stress management.

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.

Corporate Responsibility

MAN significantly improves its corporate responsibility performance and is admitted to the Dow Jones Sustainability Indices (DJSI World and DJSI Europe)

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

MAN's corporate responsibility (CR) strategy, which is an integral part of MAN's corporate strategy, is designed to respond to these megatrends. Both aim for sustainable value creation. The MAN Group's CR strategy is being implemented in four fields of action: integration, the environment, the economy, and people. The concrete measures in these fields are linked to binding goals to be achieved by 2015.

The MAN Group's CR organization

Managing CR is a task for top management at MAN, which is why MAN SE's Management Board serves as the corporate responsibility steering committee. The Chief Human Resources Officer is ultimately responsible for CR. The CR Manager is responsible for enhancing and coordinating the CR strategy. He/She is the central contact person for all CR topics in the Company and is supported by the CR Excellence Team, which comprises experts from central functions and from the divisions.

Success in MAN's fields of action

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

MAN's 2011 CR Report, which was published on April 20, 2012, on the occasion of the Annual General Meeting, provided the stakeholders with information on the progress made in implementing the CR strategy, as well as nonfinancial performance indicators. The Company prepared this report in accordance with the internationally recognized Global Reporting Initiative (GRI) guidelines. MAN improved its application level from B+ to A+, the highest category. The 2011 CR Report was audited in full by PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft (PwC) in accordance with International Standard on Assurance Engagements (ISAE) 3000.

In 2012, MAN conducted an international, web-based survey of stakeholders for the third year in a row. Of the approximately 640 stakeholders selected to participate, 40% completed the survey. As in previous years, respondents believed that the greatest challenges facing the Company are conserving resources (74%) and climate change (67%). In addition, MAN participated in Rio+20, the Conference on Sustainable Development held by the United Nations (UN) in Rio de Janeiro, Brazil, joining in the discussion on sustainable passenger and freight transportation and presenting eco-friendly technologies in the fields of transportation and energy. As an official partner of the conference, which was attended by around 50,000 people, MAN provided 17 climate-friendly shuttle buses for the event.

MAN Truck & Bus initiated the "Manage responsibly" executive training initiative to integrate CR into human resources and management development. Managers are expected to implement MAN's CR and climate strategy in their own areas of responsibility by thinking and acting across hierarchical and departmental boundaries. To date, some 70 managers from management levels one through three have been trained in nine half-day training sessions. This training module has also been integrated into MAN Truck & Bus's graduate trainee program under the motto "We are responsible," not only to sensitize junior managers to corporate responsibility, but also to develop concrete implementation measures.

Environment: Climate change is one of the biggest global challenges facing politicians, business, and society. MAN has 32 production locations in 15 countries and takes its responsibility seriously: it developed a Group-wide climate strategy as early as 2011 with the aim of achieving a 25% reduction in CO_2 emissions at its production locations by 2020 (base year: 2008). However, the main way in which MAN can reduce global CO_2 emissions is via its product portfolio. This is why the Company is working actively both in the European Automobile Manufacturer's Association (ACEA) and the Verband der Automobilindustrie (VDA – German Association of the Automotive Industry) and directly with the political stakeholders to develop a system for measuring and certifying CO_2 emissions by heavy commercial vehicles. The Company supports a generally accessible approach to quantifying CO_2 values in order to increase transparency and, in turn, competition in the market.

MAN has developed core initiatives for both its sites and its products in order to achieve its climate goals: developing a "Consistently Efficient" product portfolio, fostering dialog with customers, identifying opportunities to cut CO_2 emissions throughout the product lifecycle, as well as using performance indicators to manage its climate strategy.

To determine potential ways to reduce CO_2 throughout the product lifecycle, MAN calculated the carbon footprint for nearly all product groups in the fiscal year. The calculation method used is based on the Greenhouse Gas Protocol's standards for product lifecycle analysis. The calculations confirmed our assumption: more than 90% of CO_2 emissions for all MAN products arise in the usage phase.

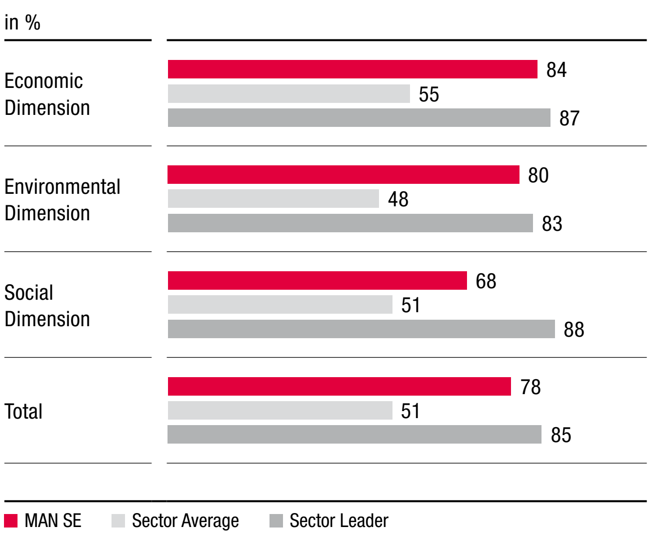
MAN will report on the progress made in implementing its climate strategy, and in particular on its target achievement, in its 2012 CR Report, which will be released at the beginning of May 2013.

The Company again focused on designing its product portfolio to be even more efficient and, as a result, more environmentally friendly in fiscal year 2012. See "Research and Development" for further information.

Economy: Corporate sustainability performance is regularly reviewed by various rating agencies. These agencies' independent assessments guide investors and analysts in their investment decisions. The MAN Group significantly improved its performance in 2012 in a number of sustainability ratings. One key rating in this area is provided by the Dow Jones Sustainability Indices (DJSI). In September 2012, MAN was included in both the DJSI World and the DJSI Europe indices, in which it received 78 out of 100 points. MAN is thus the only German company in the industrial engineering sector listed in the indices. In the 2012 assessment, MAN recorded particularly large improvements in the areas of climate strategy, environmental policy, and product stewardship. This was mainly due to the clear formulation of climate goals in the new MAN climate strategy.

The chart below shows the results achieved by MAN in 2012 compared with the industry average and with the sector leader.

Detailed valuation results for the Dow Jones Sustainability Indices (DJSI) for 2012



MAN's rating was raised by oekom research from C+ to B– in 2012, putting it in seventh place out of 38 companies in the industrial engineering sector. As a result, MAN has retained its "prime" investment status and is recommended as a sustainable investment from an ecological and social perspective.

MAN was listed in the Carbon Disclosure Leadership Index (CDLI), which rates the transparency of corporate information that is relevant to climate protection, for the third time in a row, reaching 84 out of 100 points (2011: 73 out of 100 points; 2010: 65 out of 100 points).

People: MAN has positioned itself as an attractive employer at an international level and has a comprehensive talent management program. High-quality vocational training ensures that the Company has outstanding young staff. At MAN, the focus is on equal opportunities and diversity at the workplace and in the workforce. The Company has also entered into co-operations with various universities around the world. These activities strengthen MAN as an employer brand.

MAN's goal is to significantly increase the percentage of women in both managerial and entry-level positions. This depends on obtaining transparency on the current situation regarding the advancement of women, the extent to which goals have been achieved, and the measures that have been planned and implemented. MAN's guidelines for filling management positions require diversity to be taken into account and, in particular, that women be considered in an appropriate manner.

MAN integrates people with disabilities: In 2012, some 5.2% of the MAN employees working in Germany were severely disabled. This satisfies the Company's legal requirement in Germany to employ a quota of 5%. Since 2011, MAN Latin America's "New Horizon" program has offered young people with disabilities the opportunity to work in the company on an equal footing, to take part in continuous professional development measures, and to receive scholarships for university studies if they show outstanding performance. In fiscal year 2012, 22 young women and young men participated in the "New Horizon" program.

Workplace safety and maintaining employee health are well-embedded goals of the CR strategy. In this context, five MAN Diesel & Turbo locations – Hamburg, Oberhausen, Deggendorf, Berlin, and Zurich (Switzerland) – and MAN Latin America's plant in Resende (Brazil) were certified in the reporting period in accordance with the Occupational Health and Safety Assessment Series (OHSAS) 18001 management system. This brings the number of certified MAN Group production locations to nine.

The MAN Group works actively to promote public welfare at its locations and involves its employees in this. The Company offers a volunteering program in Nuremberg, Munich, and Salzgitter together with its long-standing partner, the SOS Children's Villages organization. Employees can volunteer their time for various charitable projects in the organization's facilities. In consultation with their supervisors, employees can take half a day of their working time once a year to take part. In 2012, 47 MAN employees donated around 330 hours of their time.

Remuneration Report for Fiscal Year 2012

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.

The long-term remuneration component, which previously took the form of the MAN Stock Program, was redesigned in fiscal year 2012 and resolved by the Supervisory Board. A further change related to how Performance Component Two is paid out. In the future, the total of these components will be paid as a cash bonus rather than as a stock bonus.

Remuneration structure and components

The remuneration of Executive Board members comprises fixed salary payments and noncash benefits, pension and other benefit contributions, and performance-related components. The variable performance-related components comprise components linked to business performance and long-term incentive components.

A) Fixed remuneration

The fixed remuneration is paid as a monthly salary. In addition, Executive Board members receive noncash benefits consisting primarily of the provision of a company car and the payment of insurance premiums. Drivers for business trips are also available to Executive Board members.

The fixed remuneration is reviewed on a regular basis and modified where necessary, taking into account general salary trends and the area of responsibility of the individual Executive Board member.

B) Variable remuneration

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

Performance Component One

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

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

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

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

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

Performance Component Two

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

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

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

Figures for fiscal year 2012

Targets and target achievement for bonuses in 2012 were as follows:

Performance component	100% of target	200% of target (CAP)	Actual value 2012	Target achievement	Bonus
1* (ROCE – WACC)	0%	5%	3.9%	136%	1.02 fixed annual salary
2 Return on equity	12%	20%	5.5%	18.75%	0.14 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 2011: 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 2011 and 2012, which are now available, reveals that there is no need for adjustments to this component.

C) Long-term remuneration component

This component was previously offered in the form of the MAN Stock Program. The long-term remuneration component was redefined in fiscal 2012. This component is now based on the delta to the cost of capital (see Performance Component One).

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

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

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

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

D) Occupational pension system

Executive Board members' benefit entitlements comprise retirement, disability, and survivors' benefits. Entitlements to such benefits are accumulated under a defined contribution system, or "capital account plan," with the value of benefits dependent upon the performance of certain fund indices.

Every year, MAN SE contributes an amount equal to 20% of eligible remuneration, i.e., the sum of the contractually agreed fixed remuneration and variable remuneration. Executive Board members may elect to make contributions themselves out of their gross salary.

Contributions and interest are held in individual capital accounts. The performance of the capital account is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters. The risk of the investments is gradually reduced as the beneficiaries get older (lifecycle concept).

At retirement, the beneficiary may elect to receive the balance of the capital account, or at a minimum the total amount of the contributions, as a lump sum payment, in installments, or as an annuity. In the event of disability or death, the beneficiary is paid the accumulated account balance, or a minimum of €2 million.

Executive Board members' remuneration in 2012

The remuneration awarded to active members of the Executive Board for their services in fiscal 2012 totaled €7,139 thousand plus €1,529 thousand for pensions (previous year: €7,322 thousand plus €895 thousand for pensions). Please see **note (36)** in the "Notes to the Consolidated Financial Statements" for details of the Executive Board members' individual remuneration, broken down into fixed and performance-related components as well as into long-term incentive components.

Additionally, a total of €1,480 thousand (previous year: €2,930 thousand) in severance payments was made in fiscal 2012 to former members of the Executive Board. Appropriate provisions were recognized for these payments at the time of departure. These payments are also described in detail in the abovementioned note in the "Notes to the Consolidated Financial Statements."

Special contract provisions

Under a provision that has been in effect since 2010, Executive Board members receive their fixed remuneration, bonus, insurance contributions, and contributions to the pension system until the end of their normal term of office, but for no more than two years, in the event of the early termination of their contract without good cause and at the instigation of the Company. Income from activities elsewhere is offset and the basis for calculating the amount of the contributions to the pension system reduced accordingly. MAN uses an Executive Board member's bonus for the past fiscal year and expected bonus for the current fiscal year as a basis for calculating the bonus paid as a severance payment following departure.

If an Executive Board member's contract is terminated at his or her instigation (members may terminate their contracts without having to cite reasons, by giving 18 months' notice), payments are only made until the end of the notice period. There are no special change-of-control provisions in place.

The following special arrangements were agreed in connection with the appointment of Mr. Berkenhagen and Mr. Schumm as members of the Company's Executive Board:

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

Supervisory Board remuneration

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

The annual remuneration comprises the following components:

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

Additional remuneration is paid to the chairperson and deputy chairperson of the Supervisory Board as well as to the chairpersons 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.

Approval for the remuneration of the first Supervisory Board of MAN SE was sought as a precautionary measure at the 2011 Annual General Meeting when the Supervisory Board's first term of office as defined by the Articles of Association ended.

Supervisory Board members' remuneration in 2012

The total remuneration payable to the members of the Supervisory Board for 2012 amounts to €952 thousand (previous year: €2,220 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €52 thousand (previous year: €73 thousand) for serving on supervisory boards at Group companies in fiscal 2012. Please see **note (37)** in the "Notes to the Consolidated Financial Statements" for a breakdown of the individual remuneration of the Supervisory Board members in 2012.

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, 2012, do not receive any remuneration.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The Divisions in Detail

MAN Truck & Bus

- **Order intake and revenue decline slightly**
- **Operating profit down significantly year-on-year**

MAN Truck & Bus's order intake and revenue closed fiscal 2012 down slightly year-on-year. The operating profit was significantly lower than the prior-year figure.

At €9.2 billion, order intake in fiscal 2012 was 4% below the prior-year level (€9.5 billion). At €8.8 billion, revenue was down by 2% on the previous year (€9.0 billion). Lower margins and increased costs led to a significant decline in operating profit to €225 million (€565 million). This reduced the return on sales to 2.6% (6.3%).

MAN Truck & Bus

€ million	2012	2011
Order intake	9,150	9,514
of which: Trucks[1]	7,737	8,024
of which: Buses[1]	1,413	1,490
Order intake (units)	80,034	84,449
of which: Trucks	74,483	78,635
of which: Buses	5,551	5,814
Revenue	8,822	8,984
of which: Trucks[1]	7,516	7,535
of which: Buses[1]	1,306	1,449
Vehicle sales (units)	79,966	83,418
of which: Trucks	74,680	77,643
of which: Buses	5,286	5,775
Production (units)	78,133	85,107
of which: Trucks	73,121	78,727
of which: Buses	5,012	6,380
Headcount[2]	34,879	34,239
Operating profit[3]	225	565
of which: Trucks[1]	249	526
of which: Buses[1]	– 28	38
of which: Financial Services	4	1
ROS (%)	2.6	6.3

[1] Prior-year figures adjusted due to a change in allocation between Trucks/Buses.
[2] Including subcontracted employees as of December 31.
[3] Including €1 million from consolidation adjustments between Financial Services and Trucks/Buses in 2012.

Economic environment

2012 was negatively impacted by the economic slowdown. This difficult market environment led to a reduction in the European market volume in the segment for trucks over 6 t to 274,000 units (previous year: 301,000 units). In this segment, MAN Truck & Bus reached a market volume of 17.0% (previous year: 17.9%).

The European bus market also saw a volume decrease, declining to 26,000 units (29,000 units). Here, MAN Truck & Bus recorded a market share of 12.6% (13.6%).

Business developments

The Trucks business recorded an order intake of €7.7 billion (previous year: €8.0 billion). Measured in units, the number of orders fell by 5% from 78,635 to 74,483 units. This development was mainly attributable to the year-on-year decrease in order intake in Europe, and in particular in Germany, France, Turkey, and Russia. In the Trucks business, order intake declined for light, medium, and heavy trucks alike. In the case of heavy trucks, demand for the TGX fell in particular. Order intake in the Buses business in 2012 amounted to €1.4 billion (€1.5 billion). This 5% decrease was primarily attributable to lower order intake in Spain, Germany, and the Netherlands. In the Buses business, volumes decreased in particular for coaches as well as for chassis.

MAN Truck & Bus generated revenue of €8.8 billion in the reporting period, down slightly on the previous year (€9.0 billion); however, revenue in the Trucks business (€7.5 billion) was on a level with the previous year. Unit sales of trucks decreased slightly year-on-year by 4% to 74,680 vehicles (previous year: 77,643). This decrease was attributable to the significantly higher decline in unit sales of light and medium trucks than for heavy trucks. In the case of heavy trucks, unit sales fell for the TGX in particular. Positive developments in regions outside of Europe, primarily in the Middle East, in particular in Saudi Arabia, partially offset the decline in the European commercial vehicles market in the reporting period. By contrast, revenue in the Buses business decreased by 10% to €1.3 billion (previous year: €1.4 billion). Revenue declined in particular for coaches and chassis. Germany, Turkey, and Spain were the main countries to see a decline in unit sales of buses.

Operating profit

At €225 million, operating profit fell significantly short of the prior-year figure (€565 million). As a result, the return on sales declined to 2.6% (previous year: 6.3%).

The Trucks business recorded an operating profit of €249 million (previous year: €526 million). Return on sales declined sharply from 7.0% in the previous year to 3.3%. This decrease was mainly attributable to the weakness of the European commercial vehicles market and the resulting pressure on margins. Declining unit sales in Europe were offset in part by increased sales in other regions. However, this led to changes in the country and product mix with lower average margins. The Buses business recorded an operating loss of €28 million (previous year: operating profit of €38 million). This was primarily attributable to a decline in the margins, lower unit sales, and the resulting deterioration in capacity utilization. In addition, MAN Truck & Bus's expansion of its sales and service, research and development, and quality functions, among others, led to an increase in costs. Operating profit for Financial Services amounted to €4 million (previous year: €1 million).

Production

Production volumes in the Trucks business were scaled back by 7% as against the previous year to 73,121 units (78,727 units) due to the increasingly difficult market environment and weakening demand. In addition, the Trucks business was impacted by nonrecurring items attributable to the inclusion of the Vienna production facilities in Rheinmetall MAN Military Vehicles GmbH in Munich as of December 31, 2011, and to the initial consolidation of MAN Trucks India. In the Buses business, production was scaled back by 1,368 units (–21%) due to the decline in demand.

Employees

As of December 31, 2012, MAN Truck & Bus had a workforce of 34,879 (previous year: 34,239). This figure includes in particular an increase of around 1,250 employees due to initial consolidation effects, of whom approximately 1,100 are employed at MAN Trucks India. The consolidation of additional companies in the Asia-Pacific region and in Kazakhstan led to a total increase in the workforce of around 150 employees. Conversely, the number of employees declined by about 610 – of whom 357 were subcontracted employees – in fiscal 2012, mainly in production. This measure was another response to the decline in demand. 20,474 staff were employed in Germany (previous year: 20,492) and 14,405 outside Germany (previous year: 13,747). The company had 2,442 vocational trainees as of December 31, 2012 (previous year: 2,174). The proportion of vocational trainees in 2012 was 6.6% (6.1%).

Research and development

Research and development expenditures rose to €384 million in the period under review (previous year: €309 million). This corresponds to 4.4% (3.4%) of revenue. An average of 2,506 staff (previous year: 2,088) were employed by the company's research and development departments worldwide during the year.

MAN Truck & Bus successfully presented its new TG series at the 2012 IAA Commercial Vehicles Show. The light, medium, and heavy truck series all fully comply with the Euro VI emission standard and are thus virtually pollutant-free. At the show, MAN Truck & Bus also unveiled the MAN Concept S truck study with an aerodynamically optimized AeroLiner trailer produced by its partner of many years, Krone. This innovative semitrailer combination saves up to 25% of fuel without sacrificing load capacity. MAN Lion's Coach EfficientLine made its world premiere. In addition, the MAN Lion's City Hybrid city bus was awarded the "Green Bus Award" for environmental friendliness.

The Metropolis research vehicle – a hybrid truck that can be used for emission-free, ultra-low-noise heavy urban transportation – is another pioneering model. If powered using electricity from renewable sources, the MAN Metropolis can operate without emitting any CO_2 at all. The research vehicle has been deployed as a garbage collection vehicle since the end of 2012 in a two-year practical test.

Capital expenditures

Capital expenditures again rose significantly compared with the previous year, amounting to €640 million (€454 million) and continued to focus on driving forward the development of new products such as engines that comply with the strict criteria laid down in the new Euro VI emission standard. Other investment focuses were on enhancing the existing product portfolio, continuously improving production quality and efficiency, and expanding and strengthening the global sales and service network.

One-third of capital expenditures (€217 million) was attributable to capitalized development costs in the areas of new products for trucks (€177 million), buses (€34 million), and external engines (€6 million). €232 million was invested in property, plant, and equipment and €150 million in the acquisition of the remaining shares of the former joint venture MAN FORCE TRUCKS.

An extension to the buildings at the Munich location allowed a number of previously decentralized R&D operations to move together. This improved efficiency in the development area. The modernization of axle production in Munich facilitated additional quality enhancements in truck production. The Nuremberg engine plant invested in expanding its environmentally friendly test bed capacities to include electricity recovery and in the expansion of the sequencing center. The modernization program for the NEOPLAN plant in Plauen, begun in 2011, was continued in 2012. The largest EPD plant in Europe was opened at the bus production facility in Ankara. In this new plant, up to 9,000 bus bodies a year can undergo electrophoretic deposition, which provides extensive corrosion protection.

The construction of a new production plant for commercial vehicles in St. Petersburg, which started in fiscal 2011, continued in the reporting period. In the medium term, the plant is expected to produce up to 6,000 trucks a year for the local market. This paves the way for MAN Truck & Bus to participate in the long-term market growth expected for Russia and the other countries in the CIS.

The global expansion and renewal of the sales and service network and measures to improve global spare parts logistics continued to be major investment focuses in 2012. MAN Truck & Bus expanded the state-of-the-art logistics center opened in 2011 in Salzgitter to include a second stage of the complex.

Effective March 28, 2012, MAN Truck & Bus acquired the remaining shares of the former joint venture MAN FORCE TRUCKS from its Indian partner FORCE as part of the contractual arrangement entered into at the end of 2011. The renamed MAN Trucks India produces CLA series trucks for the Indian market as well as for selected markets in Africa and Asia.

Outlook

Over the course of 2012, the outlook for the commercial vehicles market continually deteriorated due to the weak economy. Consequently, demand is not expected to recover in 2013. A negative trend is expected in the European truck market in 2013, despite purchases possibly being brought forward due to the introduction in 2014 of the Euro VI emission standard. Europe remains MAN Truck & Bus's core market. At the same time, the international growth strategy, which is focused on the BRIC countries, is being continued.

Further growth is expected for the Russian economy in 2013. The truck market continues to offer growth potential following the strong declines seen during the crisis years. However, the pace of growth in 2013 will be slower than in 2012. In China, economic growth is slowing. In fiscal year 2013, the truck market is expected to stabilize at 2012 levels following the negative market performance in the reporting period. In India, the truck market failed to match prior-year levels due to weaker economic growth in 2012. MAN Truck & Bus is expecting a renewed positive market trend in 2013. A similar development is expected for most of the other markets in the Asia-Pacific region. This also applies to the Middle East and Africa regions given the expectations of stable economic growth and continued infrastructure expansion.

For 2013, MAN Truck & Bus expects the global market for buses to be above the 2012 level, despite the slight decline in demand in Europe.

The Management of MAN Truck & Bus expects revenue in 2013 to be down slightly on the previous year. If the economic situation does not deteriorate any further, MAN Truck & Bus is expecting the operating profit and thus the return on sales to improve slightly in 2013. MAN Truck & Bus will systematically work to sustainably increase its earnings quality in an increasingly difficult market environment with even fiercer competition. Comprehensive measures have already been taken to cut costs, increase efficiency, and introduce more flexibility into production.

MAN Latin America

- **Revenue and operating profit impacted by market decline**
- **Ten-year market leadership confirmed for trucks**

MAN Latin America generated revenue of €2.9 billion in 2012 (previous year: €3.6 billion), a figure that was primarily impacted by the introduction of the Euro V emission standard in Brazil. The company recorded a return on sales of 8.0% (11.2%) over the reporting period despite the less favorable market situation, thanks to cost management and adjustments to production.

MAN Latin America

€ million	2012	2011
Order intake	2,870	3,579
Order intake (units)	56,305	72,102
Revenue	2,870	3,579
Vehicle sales (units)	56,305	72,102
Production (units)	47,844	83,201
Headcount*	1,937	1,915
Operating profit	229	400
ROS (%)	8.0	11.2

* Including subcontracted employees as of December 31.

Economic environment

The economy in Brazil in the past fiscal year was characterized by a decline in growth to a low level. The Brazilian government introduced a variety of fiscal stimuli from the beginning of 2012 to ensure stable development in all key market segments, and in particular in the automotive and infrastructure sectors. The incentives included tax cuts, cheap finance for capital goods spending, as well as a large number of government investments. For example, the government announced purchases of 8,000 trucks plus another 8,570 school buses. MAN Latin America has already received orders for 5,600 of these vehicles.

The introduction of the Euro V emission standard also dampened demand in the Brazilian commercial vehicles market. In addition, the availability of, and terms for, customer financing deteriorated at times. Against this clouded backdrop, new registrations in Brazil declined to a total of 136,623 trucks over 5 t (–20%) and 28,809 buses (–17%) in 2012. The export markets for trucks and buses remained largely stable, with a total export volume of 37,991 vehicles (–6%).

Business developments

In this difficult market environment, MAN Latin America sold 39,317 trucks (previous year: 52,002) in Brazil. As a result, the company maintained its position as the local market leader for trucks over 5 t for the tenth successive year with a 30.3% share of new registrations (29.7%). It sold 8,008 bus chassis (previous year: 10,573) in the Brazilian market. With a market share of 27.9% (32.2%), the company confirmed its number two position in the local bus market.

MAN Latin America sold 8,980 (previous year: 9,527) trucks and bus chassis in the Latin American export markets, which were largely stable. The company also secured a leading position in the truck export business with a 26.1% share of the trucks exported from Brazil. The share of bus chassis exported increased by 6 percentage points to 19.2%.

A total of 56,305 commercial vehicles were sold during the year under review. This represents a 22% decrease compared with 2011, a record-setting year. Production was scaled back sharply to a total of 36,739 trucks and 11,105 buses.

Operating profit

Operating profit amounted to €229 million (previous year: €400 million) despite the less favorable situation. Although MAN Latin America continued to benefit from strong demand for the remaining Euro III stock in Brazil in the first quarter, dealers have only been permitted to sell Euro V vehicles since the second quarter. Customer uncertainty about the new technology, which is associated with higher procurement costs, led to a significant decline in demand. This led to increased competition, while market volume was down overall. Against this backdrop, it was impossible to pass through the price increases due to technical factors to the extent necessary. The return on sales amounted to 8.0% (previous year: 11.2%) in full year 2012.

Employees

At the end of 2012, MAN Latin America had a total workforce of 1,937. In addition, some 3,800 employees were on the payroll of the company's partners or service providers as part of the "Consórcio Modular" production system.

Capital expenditures; research and development

MAN Latin America's "Consórcio Modular" business model, in which the partner companies are also suppliers and investors, allows less capital to be employed and requires less investment. Capital expenditures in 2012 amounted to 3.5% of revenue. They were largely due to the introduction of the new product range that complies with the new Euro V emission standard and to the D08 engines and MAN TGX truck series.

Research and development expenditures in 2012 amounted to €53 million or 1.8% of revenue. An average of 468 staff were employed directly by the company (including subcontracted employees) and 172 employees of partners or service providers worked in R&D.

R&D activities focused on extending the Euro V emission standard to additional models in the product range, the development of customized solutions, and synergy projects with MAN Truck & Bus. The latter include, for example, continued localization of the D08 engine and the MAN TGX truck series, as well as the joint low-floor bus platform.

In the bus segment, a large number of customer-specific technical modifications and improvements to existing series, particularly in the engine and gears segment, were implemented. These tailored developments made a key contribution to confirming MAN Latin America's number two position in this especially competitive market.

Outlook

Starting in mid-September 2012, the Brazilian government introduced additional incentives designed especially for the commercial vehicles sector and comprising subsidized finance and tax cuts. These additional measures, which run until the end of 2013, helped spark a market recovery in the fourth quarter of 2012.

Increased demand for trucks and buses in Brazil is expected in the coming years. A number of factors should have a stimulating effect, including the 2014 FIFA World Cup, the 2016 Olympic Games, and the development of newly discovered raw materials deposits. Growth is also likely to be driven by the urgent need to renew Brazil's aging fleet of transportation vehicles, whose average age is over 16 years. In addition, MAN Latin America is increasing its activities in emerging economies and developing countries in particular with the aim of expanding its exports for the long term.

New business opportunities will emerge both from the localization of the MAN TGX series in the super-heavy truck market segment, where MAN Latin America did not previously have a presence, and from the integration of MAN D08 engines into the existing offering. Both measures will contribute to the further expansion of the after-sales business.

In fiscal year 2013, a moderate but steady recovery in the Brazilian commercial vehicles market is expected despite ongoing uncertainty due to global economic developments. This recovery is being supported by government stimulus measures.

Based on these assumptions, the management of MAN Latin America expects a slight increase in revenue in 2013. Return on sales is expected to be down slightly on the previous year due to continued intense competition and the associated price pressure. These forecasts assume no significant change in exchange rates.

MAN Diesel & Turbo

- **Order intake down 5% year-on-year**
- **Operating profit declines slightly**
- **Return on sales remains high**

MAN Diesel & Turbo's order intake amounted to €3.5 billion, just short of the prior-year figure of €3.7 billion. By contrast, revenue rose to €3.8 billion, 5% above the previous year (€3.6 billion). The increase in fiscal 2012 was attributable to the Turbomachinery and Power Plants strategic business units. At €437 million, operating profit was down on the previous year (€460 million). As a result, the return on sales declined to 11.6% (12.7%). The order backlog declined compared with the previous year from around €3.8 billion to €3.4 billion.

MAN Diesel & Turbo

€ million	2012	2011
Order intake [1]	3,510	3,692
of which: Engines & Marine Systems	1,296	1,605
of which: Power Plants	668	640
of which: Turbomachinery	1,546	1,447
Revenue [1]	3,780	3,610
of which: Engines & Marine Systems	1,552	1,670
of which: Power Plants	773	647
of which: Turbomachinery	1,455	1,293
Headcount [2]	14,863	14,039
Operating profit	437	460
of which: Engines & Marine Systems	319	359
of which: Power Plants	– 47	– 22
of which: Turbomachinery	165	123
ROS (%)	11.6	12.7

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

Economic environment

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

In the shipbuilding industry, high but declining deliveries continued to increase the overcapacity in the merchant fleet. Freight rates fell as a result and, in conjunction with high operating and fuel costs, led to a decline in orders for new merchant ships. The ongoing difficulties in connection with ship financing intensified this trend.

By contrast, order activity for offshore and special ships remained at a high level. Orders were received for new drilling rigs and production platforms as well as for supply and construction vessels for tapping new oil and gas reserves, since the oil price has risen in recent years, and is likely to remain at a high level. Demand for tankers for transporting liquid natural gas (LNG) also remained at a high level due to the relatively low price of natural gas. Overall, China, South Korea, and Japan continued to be the dominant shipbuilding countries, with a global market share of upwards of 80%, measured in terms of the tonnage ordered. In offshore and special shipbuilding, orders were also received from shipbuilders in other countries such as Brazil, the United States, and Singapore.

The market for decentralized diesel and gas engine power plants declined slightly while remaining at a relatively high level in 2012, against a backdrop of weaker economic output but sustained high energy demand from the world's population. Orders were received in 2012 in particular from Africa and the Middle East. Market activities for diesel and heavy oil power plants declined in line with expectations, while orders for natural gas power plants continued to rise. Although liquid fuel power plants continue to account for a slight majority of orders, the trend toward natural gas power plants was confirmed. Pure gas engines or dual-fuel engines are increasingly being used, in line with the trend towards generating electricity from natural gas. These dual-fuel engines, which are also used on ships, can run on both liquid fuel and natural gas.

Orders for new compressors and turbines declined slightly due to the weaker economy. Although customer interest remained high, economic uncertainty and tougher financing conditions led to a delay in awarding contracts. In general, there is still a considerable need for capital spending at a number of industrial plants deploying turbomachinery from MAN Diesel & Turbo. This is attributable to increasing consumption due in turn to global population growth, the rapidly expanding middle class in the emerging economies, and the resulting high demand for energy and primary materials. As a result, capital expenditures in the oil and gas segment remained at a high level due to higher oil prices. Equally, the focus regions in the turbomachinery business in 2012 were primarily emerging economies and developing countries, and in particular Brazil and China.

Business developments

Measured in units, worldwide demand for new merchant ships declined sharply compared with 2011. While the tanker and ferry business remained at a relatively constant level, demand for bulk cargo carriers and container ships fell sharply. This resulted in an order intake for two-stroke engines at MAN Diesel & Turbo licensees of only around 7 GW (gigawatts) in the year under review compared with 12 GW in the previous year. Worthy of mention is the order placed by an American shipping company for the first container ships with liquid gas-fueled two-stroke engines, each with an output of 25,000 kW. The container ships' low-emission gas engines will make them among the most environmentally friendly of their type.

Order intake for four-stroke medium-speed diesels used as propulsion engines and for powering onboard equipment also declined year-on-year. Orders were received for 999 original and licensed engines with a combined output of 1,832 MW; in the previous year, 1,811 engines with an output of 3,311 MW were ordered. In addition to licensed on-board gensets, orders were also placed for propulsion engines in offshore and other special segments, in line with market demand. In the offshore sector, new orders for a total of 60 engines for 15 supply ships were taken. Equally noteworthy are the orders for twelve dual-fuel engines for the construction of three liquid gas tankers in South Korea. MAN Diesel & Turbo was awarded a contract from Norwegian Cruise Lines, the American cruise ship company, for the maintenance and supply of spare parts for the engines of eleven cruise ships. In addition, MAN Diesel & Turbo received the first order for a next-generation turbo compound system (TCS-PTG) for a marine application. The power turbine saves additional fuel by recovering energy from the exhaust gas.

This allowed MAN Diesel & Turbo to maintain its market-leading position for marine engines. Nevertheless, at €1,296 million, total order intake in the Engines & Marine Systems strategic business unit was down significantly on the previous year (€1,605 million).

Together with its licensee partners, MAN Diesel & Turbo received orders for a total of 292 four-stroke engines for use in power plants, mainly from emerging economies and developing countries. The great potential offered by Africa was confirmed once again by, among other things, a major order for 49 engines in Angola. These power plant solutions can bridge the energy supply gap faced by many places in this region quickly and precisely. At €668 million, order intake in the Power Plants strategic business unit exceeded the prior-year figure of €640 million by 4%.

The Turbomachinery strategic business unit recorded a further increase in order intake both for chemical and fertilizer plants, as well as in the oil and gas industry segment, bucking the general market trend. For example, a further eight very large machine lines were ordered for use in China in plants creating synthetic fibers. MAN Diesel & Turbo received an initial order for four compressors from the new MAX1 series. Depending on its size, each compressor can generate 2,500 to over 7,000 tons of oxygen per day. The after-sales business also made a very good contribution to order intake. Petroleo Brasileiro (Petrobras) extended its service agreement with MAN Diesel & Turbo, entered into in 2002, for the corrective and preventive maintenance and operational support of 20 MAN gas turbines and compressors on four Brazilian offshore platforms for an additional five years. At €1,546 million, the Turbomachinery strategic business unit's order intake was up 7% on the previous year (€1,447 million).

Revenue development

The orders that MAN Diesel & Turbo receives are mainly part of major investments with delivery times ranging from just under a year to several years; partial deliveries based on construction progress are typical. Revenue in the new construction business therefore tends to mirror the order intake trend after a corresponding delay.

In 2012, the delivery of two-stroke engines exclusively built by licensees declined, but remained at a comparatively high level. These engines are largely used on merchant ships. Noteworthy deliveries in 2012 included, among others, the completion of the first container ships fitted with particularly low-emission engines with an output of 68,000 kW each for the Orient Overseas Container Line shipping company. These produce fuel savings of around 5% compared with ships with conventional engines. More than 100 engines of this type have already been delivered or are in the order backlog. The tough situation experienced by merchant shipbuilding also impacted the four-stroke engine business. However, this was offset in part by deliveries in other market segments such as offshore and passenger ships. At €1,552 million, revenue generated by the Engines & Marine Systems strategic business unit was unable to match the prior-year figure (€1,670 million) as a result of the tense economic situation in the shipbuilding sector.

In the Power Plants strategic business unit, revenue rose year-on-year in 2012. The order from 2011 for several large dual-fuel engines for a power ship for a Turkish customer was delivered. At €773 million, the Power Plant strategic business unit's revenue was up on the previous year (€647 million).

The Turbomachinery strategic business unit significantly increased revenue compared with 2011. The Chinese market played a key role in this. The delivery of six large machine lines for plants for creating primary materials for the plastics industry reinforced MAN Diesel & Turbo's strong market position in China. A geared compressor was delivered to Canada for use in CO_2 storage. In Europe, MAN Diesel & Turbo products were represented in a number of projects for transporting and storing natural gas. The first new gas turbine with an output of 6 MW was delivered to a German customer, marking the start of a highly efficient family of gas turbines. Revenue in the Turbomachinery strategic business unit amounted to €1,455 million, up 13% on the 2011 figure (€1,293 million).

Operating profit

Despite a slight increase in revenue, MAN Diesel & Turbo was unable to match its prior-year profitability levels in full. At €437 million, operating profit was down 5% in the reporting period compared with the previous year (€460 million). Return on sales decreased from 12.7% in the previous year to 11.6%. Profit in the Engines & Marine Systems strategic business unit declined year-on-year to €319 million (previous year: €359 million). This was due to changes in the product mix, and in particular a drop in the license business, as well as ongoing fierce competition in the new construction business. As in the other two strategic business units, increased after-sales volumes had a positive effect here. The recognition of project-specific provisions for plants under construction impacted results for the Power Plants strategic business unit, resulting in an operating loss of €47 million (previous year: operating loss of €22 million). Profit in the Turbomachinery strategic business unit improved from €123 million in 2011 to €165 million. Higher revenue and positive effects from changes in the product mix contributed to this.

Employees

As of December 31, 2012, MAN Diesel & Turbo employed 14,863 people including subcontracted employees (previous year: 14,039). This year-on-year increase is mainly attributable to the expansion of the sales, service, and development functions, as well as to the consolidation of additional companies.

Capital expenditures

Capital expenditures in the 2012 reporting period saw a significant increase to €164 million year-on-year (€93 million). Investments in diesel engine production focused on equipment for large component processing and injection production, as well as test beds. The main thrust of engine development was the construction of cutting-edge single-cylinder test engines, which are enhancing the effectiveness of development activities significantly. Investments in the general infrastructure related primarily to occupational and plant safety.

MAN Diesel & Turbo invested in machinery and equipment at the turbomachinery production and test sites in Oberhausen and Zurich so as to maintain the efficiency of plant and machinery and to increase production flexibility. Another focus was the investment in an open area test site. This test facility is used both for gas turbines and for screw compressors and compressor trains, and boasts extremely high capacity utilization thanks to its multifunctional design.

New service centers were set up in Germany, Jordan, Canada, and Senegal in order to increase MAN Diesel & Turbo's global presence. Additionally, a service company in Brazil and a company in Switzerland producing highly specialized magnetic bearings were acquired.

Research and development

Emissions reduction is a key technological driver at MAN Diesel & Turbo. As natural gas becomes increasingly important, MAN Diesel & Turbo is focusing its development work on this low-emission alternative. Be it for marine propulsion units, for generating electricity, or as mechanical drives – the company's engine and turbine program is being adapted to current and future developments. In the year under review, MAN Diesel & Turbo invented a prototype of its 20V35/44G Otto gas engine, developed for stationary use in power plants. The single-charge engine has the highest output in its segment, at 10.6 MW. Numerous innovative technological components make the engine extremely efficient, allowing it to comply with all currently known emission limits. MAN Diesel & Turbo also presented a new dual-fuel engine with a maximum output of 5.3 MW. This engine's selling point is its flexibility – it can be fueled either by diesel or by natural gas. It is also possible to convert existing diesel engines to gas and diesel on site. In its gas mode, this engine already complies with the International Maritime Organization (IMO) emission limits for marine transportation worldwide, which come into effect starting in 2016. This means that nitrogen oxide emissions in certain coastal waters must be cut by around 80% compared with 2000 from 2016 onwards. In the Turbomachinery strategic business unit, a new gas turbine family was unveiled and launched on the market; a new series of compressors is nearly ready to be launched.

Increasing energy efficiency presents a continuous challenge. For example, from 2013 onwards all newly built ships must comply with the standards laid down in the International Maritime Organization's Energy Efficiency Design Index (EEDI). MAN Diesel & Turbo has the technological capabilities to comply with the EEDI standard. One example of this is the G-type two-stroke engine program, which saves fuel thanks to its ultra-long strokes.

A prominent innovation in the industrial compressors business segment is the new generation of MAX1 axial compressors for very large air separation equipment. They are primarily used in GTL (gas-to-liquid) and CTC (coal-to-chemicals) applications, i.e., the extraction of high-purity fuels and other hydrocarbons from natural gas and coal, and feature improved efficiency, as well as a high level of robustness and cost-effectiveness. MAN Diesel & Turbo secured its first order for four machines in 2012. It expanded its expertise in the area of CO_2 storage and transport, and optimized the design of its geared compressors. Another key area was magnetic bearings, which are found in enclosed machines with integrated high-frequency engines. These machines are used in the transportation and storage of natural gas, and are also destined for the subsea market of the future.

In the power plants business, the focus is on increasing efficiency and reducing emissions. By combining MAN Diesel & Turbo products such as engines and turbines, it can achieve a level of plant efficiency that is well above current values using technologies such as combined heat and power and combined cycle processes. Engines for combined heat and power applications are optimized so that waste heat flows can be used in industrial processes or for district heating – with the highest possible electrical efficiency and at the highest temperature level.

In addition, a large number of measures for increasing efficiency through retrofitting are being launched. The company's comprehensive service offering, MAN PrimeServ, enables it to upgrade the engines, turbines, and compressors in existing plants by equipping them with new, efficient technologies. Packages for optimizing propeller efficiency and slow steaming round out the portfolio.

Outlook

A low level of economic growth is anticipated for 2013 and 2014 in the markets relevant for MAN Diesel & Turbo.

The declining market trend in the Engines & Marine Systems strategic business unit in 2012 is expected to continue in 2013 and 2014. High levels of overcapacity in the merchant fleet still dominate the market for merchant shipbuilding. Although the supply of ships will continue to decline, the market is not expected to recover in the coming years. This will lead to strong price pressure for shipbuilders and suppliers, and to another decline in shipbuilding worldwide. Solid growth for offshore and special ships will offset this in part. Demand for ships for navy and coast guard applications will hold steady.

The market trend for energy generation follows the macroeconomic trend. After seeing strong growth rates in 2011 in particular, economic performance remained below expectations in 2012. However, the emerging economies and developing countries are expected to see a slight market recovery in 2013 and 2014, since the general demand for energy remains high. The trend towards more decentralized energy supplies, both here and in the developed economies, is also likely to have a positive long-term effect on the business. The shift in power plants fueled by diesel or heavy oil towards natural gas power plants will continue.

The processing industry should continue to see further positive, albeit slower growth in 2013 and 2014 in the emerging economies. Population growth will see a sustained high demand for primary materials. Price pressure will increase as a result of greater competition. The market trend in the oil and gas industry is encouraging. Capital expenditures in developing new deep-water oil reserves and in the extraction and sea transportation of natural gas are currently at a high level. Due to its comparatively low price, natural gas will lead to new developments in, among other things, energy infrastructure, transportation, petrochemicals, and production in the United States in particular. However, the trend towards using natural gas as an alternative to oil will have a positive effect on all key regions. MAN Diesel & Turbo is therefore anticipating further growth in the oil and gas industry in 2013 and 2014.

Countries outside of Europe will remain an important growth driver in 2013 and 2014. MAN Diesel & Turbo will therefore continue to systematically implement its internationalization strategy. A cornerstone of this strategy is the BRIC countries. MAN Diesel & Turbo's growth will be further boosted by the expansion of its locations in Aurangabad, India, and Changzhou, China.

Further expanding the after-sales business also offers significant growth potential for MAN Diesel & Turbo. Going forward, stricter requirements with respect to emissions, environmental compatibility, and efficient operation, together with the large number of engines and plants in operation, provide the basis for profitable, long-term growth.

The management of MAN Diesel & Turbo expects an increase in order intake in fiscal 2013. Revenue in 2013 is expected to be below the prior-year level due to the weaker order intake in fiscal 2012. The return on sales will be negatively impacted by the ongoing decrease in the license business in the marine sector, fierce ongoing competition, and the billing of major plant engineering orders at below-average profitability. The MAN Diesel & Turbo business area is therefore expected to record a single-digit return on sales in 2013.

Renk

- **Order intake up 15%**
- **Revenue climbs 22% year-on-year**
- **Operating profit significantly improved**

Renk

€ million	2012	2011
Order intake	525	456
Revenue	476	389
Headcount *	2,245	2,013
Operating profit	66	53
ROS (%)	13.8	13.6

* Including subcontracted employees as of December 31.

Economic environment

In 2012, the effects of the European debt crisis and muted economic growth in various regions of the world led to a mixed performance by the German engineering sector as well, depending on the customer industries involved. This was also reflected in the order intake figures for Renk's individual business areas to the extent that these are directly dependent on economic trends. This is particularly the case for slide bearings and gear units for the cement industry and for energy generation and distribution plants.

Business developments

Renk's broad range of specialist applications in the gear units and bearings businesses serves quite different markets. The Group lifted its order intake from €456 million in the previous year to €525 million in 2012. The Vehicle Transmissions and Special Gear Units businesses made a particular contribution here, with both recording double-digit growth. Orders for slide bearings remained on a level with the previous year, while the Standard Gear Units business experienced a sharp decline. Revenue figures for Renk were also up significantly in the period under review. At €476 million in 2012, they recorded an increase of more than 22% compared with the previous year. The Standard Gear Units business achieved the highest growth rate, followed by Special Gear Units and Slide Bearings.

The most important new order in the Vehicle Transmissions business was a major transmissions order from South Korea. In addition, a series of orders were received for customized applications and integrated logistics services. By contrast, demand for test beds for wind turbine systems in particular remained significantly below expectations.

Despite the weakening economy, the Slide Bearings business booked roughly the same amount of orders as in the previous year. Growth in emerging economies and developing countries offset the declines in industrialized regions. This confirms our strategy of establishing a presence in future growth markets in the form of dedicated local service locations. In addition, ADMOS Gleitlager Produktions- und Vertriebsgesellschaft mbH, Berlin (ADMOS), was acquired in the period under review.

Order intake in the Special Gear Units business was extremely positive. New orders for sophisticated transmissions solutions for maritime applications, in particular for high-performance propulsion concepts, led to growth in the business increasing by nearly one-third year-on-year. Complex gear unit solutions, enabling the combined use of different propulsion sources as needed, were deployed in coast guard, navy, and megayacht applications. By contrast, the business for stationary industrial large-scale gear units was impacted by weak demand from plant manufacturers in the cement and plastics industries.

The Standard Gear Units business was faced with divergent trends. On the one hand, its commercial vessel gear units benefited from the boom in LNG tankers; on the other, order intake for 5 MW wind power gear units declined significantly due to the delays in offshore wind park construction.

The positive trend in the businesses was also reflected in the order backlog. At the end of 2012, orders amounting to €634 million had been booked, 8% more than at the beginning of the year.

Operating profit

The revenue trend was also reflected in operating profit. After €53 million in the previous year, Renk generated an operating profit of €66 million in fiscal year 2012 and increased the return on sales to 13.8%, after 13.6% in the previous year.

Employees

The Renk Group employed 2,245 people including subcontracted employees on December 31, 2012 (previous year: 2,013). In addition to the increase resulting from the acquisition of ADMOS, the good order situation required a further increase in the workforce, primarily at Renk's three German sites.

Capital expenditures

At €31 million, capital expenditures in 2012 significantly exceeded the prior-year figure (€24 million). This also includes the acquisition in full of ADMOS. Capital expenditures in property, plant, and equipment were focused on the Augsburg site. In addition to the construction of an office building for the Vehicle Transmissions business, they were primarily used to modernize and expand the production equipment for the Vehicle Transmissions and Special Gear Units businesses. Investment activities at the Rheine site centered on expanding and improving manufacturing structures. In Hanover, the expansion of the office building was begun in line with increased customer requests for qualified consulting services.

Research and development

In addition to the continued development of existing series, Renk's vehicle transmissions program started the design and development of an entirely new generation of transmission electronics to ensure that new product ranges are equipped for the future as well.

Development activities in the Slide Bearings business are focused on specific ways to increase output and on verifying these through testing. The lessons learned are included in the optimization of our proprietary configuration tool for slide bearings applications.

Development work on the high-end vessel gear units in the Special Gear Units business is responding to customer requests for new drive concepts. The focus was on implementing CODELAG technology, which combines gas turbines and electric engines as the main drives.

The Standard Gear Units business presented its newly developed T^2RECS gear unit for merchant ships to a larger industry audience for the first time at the 2012 SMM international shipping fair in Hamburg.

Outlook

Renk's individual areas of business will continue to turn in a mixed performance in 2013. Depending on individual major projects in the area of vehicle transmissions and vessel gear units, order intake is again expected to be around €500 million in 2013.

Renk's management expects revenue in 2013 to be on a level with the previous year. Increasingly difficult conditions will lead to a slight decline in operating profit. However, management anticipates that the Renk Group will once again generate a double-digit return on sales in 2013.

Others/Consolidation

€ million	2012	2011
Headcount *	359	336
of which: MAN Shared Services	85	70
of which: MAN SE	274	266
Operating profit	7	5
of which: MAN SE and MAN Shared Services	– 73	– 99
of which: investment in Scania (dividend)	60	59
of which: investment in Sinotruk Ltd. (equity method)	6	45
of which: consolidation	14	0

* Including subcontracted employees as of December 31.

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

At €7 million, operating profit was on a level with the previous year. The year-on-year decline in the share of net income attributable to Sinotruk, which is accounted for using the equity method, was primarily offset by the lower operating loss recorded by MAN SE and MAN Shared Services.

Financial statements of MAN SE

The annual financial statements of MAN SE prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code) are presented in the following in condensed form. The complete annual financial statements are available from MAN SE or on the Internet at → www.man.eu.

Results of operations

€ million	2012	2011
Net investment income	546	702
Other earnings before taxes	– 337	– 150
Earnings before tax (EBT)	**209**	**552**
Income taxes	33	– 180
Net income for the fiscal year	**242**	**372**
Retained profits brought forward	36	2
Transfer to (–)/withdrawal from (+) revenue reserves	– 110	–
Net retained profits	**168**	**374**

Other earnings include general and administrative expenses, net interest income, writedowns of financial assets, and other income and expenses. MAN SE's earnings before tax fell by €343 million in the reporting period to €209 million. This was mainly due to lower income from investments and the writedowns of financial assets, which resulted from the difficult market environment, as well as from the higher interest expenses. Income taxes of €33 million are composed of an expense of €1 million for the reporting period (previous year: €17 million) and income of €34 million in prior-period taxes (previous year: expense of €163 million).

After transferring €110 million to revenue reserves and retained profits brought forward of €36 million, the net retained profits amounted to €168 million. At the Annual General Meeting, MAN SE's Executive and Supervisory Boards will propose utilizing the net retained profits of €168 million (previous year: €374 million) to distribute a dividend of €1.00 per share carrying dividend rights (previous year: €2.30) and to carry forward the remainder to new account.

Net assets and financial position

€ million	2012	2011
Fixed assets	5,813	5,652
Current assets	2,884	2,575
Total assets	**8,697**	**8,227**
Equity	2,293	2,389
Financial liabilities	5,980	4,931
Other liabilities and provisions	424	907
Total equity and liabilities	**8,697**	**8,227**

Fixed assets relate primarily to shares in affiliated companies.

Current assets mainly include receivables from financial transactions and cash and cash equivalents. These stem from the Group's central financing by MAN SE, as do the financial liabilities.

Additional information

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

The principles governing the remuneration system for members of the Executive and Supervisory Boards are explained in the remuneration report, which forms part of the Management Report in accordance with section 315 of the HGB. The remuneration of the members of the Executive and Supervisory Boards is reported individually in the sections entitled "Remuneration of the Executive Board" and "Remuneration of the Supervisory Board" in the "Notes to the Consolidated Financial Statements." As of December 31, 2012, MAN SE employed 274 people including subcontracted employees (previous year: 266).

Dependent Company Report

The Executive Board of MAN SE prepared the dependent company report on relationships with affiliated companies required in accordance with section 312 of the *Aktiengesetz* (AktG – German Stock Corporation Act) and issued the following concluding declaration:

"We declare that, based on the circumstances known to us at the time the transactions were executed or measures were undertaken or omitted, MAN SE received appropriate consideration for every transaction and measure listed in the report on relationships with affiliated companies, and has not been disadvantaged by the implementation or omission of any measure."

Risk Report

Risk management activities are an integral part of corporate management and business processes. In 2013, they will focus on economic and 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. 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 quarterly 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, and data protection. 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.

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 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. 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. In addition to risks, opportunities are also continuously identified.

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.

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 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 to the Corporate Audit function, the external auditors 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 a considerable 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.

Although the underlying global growth trend is expected to be positive, in the current environment of continuing uncertainty there are downside risks to global economic performance. In the short term, economic uncertainties in Europe and the slowdown in growth in the emerging economies may affect the markets relevant for the MAN Group in the form of a decline in demand or cancellations of existing orders, for example. Flexible production concepts and cost flexibility through temporary work, flextime accounts, short-time working, and the option of structural adjustments enable MAN to counter economic risks. 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 also have an adverse effect on projected growth.

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.

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

Products

As a leading supplier of advanced technology, it is the MAN Group's mission to develop and launch technologically superior and highly cost-effective products that are of outstanding quality. Abandoning this mission would pose an unjustifiable risk to our market position. The rollout of new products involves both conceptual and market risks, which MAN manages through a careful strategic planning process based on an analysis of trends in the market and business environment. The resulting product plans are used to manage our extensive research and development activities. Annual research and development expenditures amount to 4 to 5% of Group revenue. The launch of efficient gas engines and turbines at MAN Diesel & Turbo and the TGX EfficientLine vehicles at MAN Truck & Bus, which are systematically designed to maximize fuel savings, clearly show that these risks can be overcome.

Products that have already been launched pose risks 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.

Investigations into potential irregularities in the course of the handover of large-bore diesel engines are still ongoing. The timing of the completion of the investigations, as well as their findings, cannot currently be gauged with any certainty. Expenses arising above and beyond recognized provisions, and financial risks from official proceedings or claims under civil law cannot be ruled out. Further information can be found in **note (29)** in the "Notes to the Consolidated Financial Statements."

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, as well as risks arising from breaches of patents, or the unauthorized disclosure of Company-specific expertise.

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

Processes

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

Particular risks arise during major projects, including contracting deficiencies, miscosting, post-contracting changes in economic and technical parameters, and poor performance on the part of subcontractors or consortium partners. The MAN Group minimizes these risks through comprehensive project and contract controlling. In the growing power plants market, for example, MAN Diesel & Turbo uses a systematic and comprehensive risk management system right from the bidding phase. Costings and risk assessments are constantly examined and adjusted throughout the project implementation phase. Regular project reviews are used to determine and monitor the necessary measures. Major projects in the MAN Group are subject to a two-step approval process. Following a project-specific risk analysis and assessment, they require the approval of the divisional executive board. Subsequently, major projects are assessed by MAN SE's Controlling and Finance functions and submitted to MAN SE's Executive Board for approval. Any approved and ongoing contracts that deviate significantly from plan are entered in a special reporting system for critical contracts and regularly submitted to MAN SE's Executive Board.

The MAN Group'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, or technical faults, 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 in accordance with the internationally recognized ISO 27001 standard, the MAN Group has improved the transparency and reliability of the IT processes and IT infrastructure significantly.

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.

Investigations by the European Commission and the South Korean antitrust authorities into suspected possible antitrust violations in the commercial vehicles business at MAN Truck & Bus are still ongoing. The timing of the completion of the investigations, as well as their findings, cannot currently be gauged with any certainty. Financial risks arising from the official proceedings cannot be ruled out. However, the European Commission dropped its investigations into suspected possible antitrust violations in the engines business at MAN Truck & Bus and MAN Diesel & Turbo. The UK antitrust authorities also dropped their investigations into suspected possible antitrust violations in the commercial vehicles business at MAN Truck & Bus and handed over to the European Commission for further processing in the context of the ongoing proceedings mentioned above. Further information about possible antitrust violations can be found in **note (29)** in the "Notes to the Consolidated Financial Statements."

Employees

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

Finances

Because of its business activities and international nature, the MAN Group is considerably exposed to market, liquidity, and credit risk. It manages these risks 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. 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 MAN'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. 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. In addition, changes in the MAN Group's liquidity are monitored using a detailed financial plan.

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

The MAN Group is exposed to a risk of impairment affecting profit or loss if there are indications that equity-method investments or financial investments carried at cost are impaired. There is also a risk of impairment associated with financial investments that are recognized as available-for-sale financial assets.

Further information on market, liquidity, and credit risk management can be found in **note (33)** in the "Notes to the Consolidated Financial Statements." In order to reduce the financial risks inherent in defined benefit pension plans, and as a result of legal regulations abroad, the MAN Group's defined benefit obligations are largely funded through pension plan assets that are ring-fenced from its business assets. For detailed information on pensions, please refer to **note (26)** in the "Notes to the Consolidated Financial Statements."

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

In comparison with the previous year, economic and market risk was considerably more significant than product risk. 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.

Risk management is an ongoing and continuous activity on the part of the Company, and of course something that is undergoing constant enhancement. For MAN, this means continuing to optimize its risk management and internal control system going forward and adapting it to changing conditions. Given the uncertainty surrounding economic developments in some areas, activities in 2013 will continue to focus on economic and market risk management.

Litigation/legal proceedings

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

Compliance

In the reporting period, MAN continuously updated and implemented the compliance program launched in July 2009 to address the issues of combating corruption, antitrust law, and data protection.

Compliance organization

MAN continued to establish its Compliance function. The function is managed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer of MAN SE and additionally to the Audit Committee of the Supervisory Board. The Compliance function currently comprises 45 staff. Twenty-four employees work in the Corporate Compliance Office that is based at MAN SE and is responsible for designing and enhancing MAN's compliance system as well as for Group-wide compliance issues. Twenty-one staff provide compliance advice in the subgroups. Each subgroup therefore has a compliance officer, who is supported by compliance managers in various business units or sales regions. The compliance officers at the subgroups report directly to MAN SE's Chief Compliance Officer, and the compliance managers in turn report directly to the responsible compliance officer. In addition to providing an in-depth advisory function, the compliance staff at the subgroups are responsible for implementing the centrally defined compliance measures in the respective business units or sales regions worldwide.

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

The compliance champions appointed in 2011 (managers who are not full-time compliance employees but who have assumed special responsibility for compliance issues) were informed about current developments relating to MAN's Compliance organization, compliance instruments, and related topics on a regular basis in the period under review. The compliance champions also support the Compliance organization by ensuring the compliance measures are also implemented at Group companies that do not have their own local compliance managers in place, for example.

Four internally appointed data protection coordinators ensure that personal data is protected at our companies in Germany. Additional data protection coordinators were appointed at foreign companies in the period under review to provide local support to those companies in their activities to comply with data protection rules. In total, MAN currently has data protection coordinators at more than 90 foreign companies.

Compliance risk assessment

The second Group-wide compliance risk assessment was completed in the reporting period. The aim of this measure is to identify potential compliance risks affecting the Group's objective business models. The results of the compliance risk assessment are used to determine measures to prevent compliance risks and conduct preventative compliance audits at selected Group companies (see below).

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 gifts, hospitality, and invitations to events
- Policy on engaging business partners
- Policy on donations and sponsorship activities
- Policy on compliance with antitrust regulations
- Policy on handling personal data
- Policy on case management and compliance investigations

Several compliance policies were reviewed and updated in the period under review.

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

Compliance training

The Compliance function continued to hold compliance awareness training around the world in the form of classroom sessions for all employees who may be exposed to compliance risks in their day-to-day work. These training sessions focus on providing basic knowledge on combating corruption and antitrust law. In the period under review, 3,865 employees around the world attended this training. The Compliance function also conducted special training sessions on antitrust law, combating corruption, and data protection for employees who are particularly exposed to risks in these areas. As part of these special training sessions, 3,635 employees received in-depth instruction. Finally, the Compliance function started rolling out an e-learning compliance program at the end of December 2012. This teaches the fundamentals of the MAN Code of Conduct and the basics of combating corruption, antitrust law, and data protection as covered in the Code. For the first time, classroom sessions on combating corruption and antitrust law were also conducted for business partners in the period under review.

Compliance Helpdesk

The Compliance function continues to operate the Compliance Helpdesk, which all employees can contact with compliance-relevant questions. The Compliance Helpdesk answered 931 compliance-related questions from employees by phone or e-mail during the reporting period.

Business Partner Approval Tool

The Business Partner Approval Tool is used to check and approve the integrity of business partners who perform sales support activities, as required by the policy on engaging business partners. As approvals are limited to two years, a renewal process was initiated for the first time in the period under review to extend the approvals granted to individual business partners. In total, over 2,355 checks were conducted using this tool in the period under review.

Continuous Controls Monitoring (CCM)
The expansion of the Continuous Controls Monitoring (CCM) electronic monitoring system continued in the period under review. The CCM system ensures that potential compliance risks and policy violations in purchasing and payment processes are detected at an early stage. CMM is now used at 33 MAN Group companies.

Mergers & acquisitions (M&A)
MAN refined the process implemented in 2011 to prevent itself from being exposed to compliance risks in connection with the acquisition or disposal of equity investments. The process involves the Compliance function providing support for MAN Group M&A projects from the start. MAN also expanded the due diligence survey that target companies are required to complete.

Reporting compliance violations
The Speak up! whistleblower portal again served to detect and prevent material risks to MAN in the reporting period. Speak up! is used to accept and analyze information relating to serious compliance violations, especially in the area of white collar crime (e.g., corruption offenses), antitrust law, and data protection. This offers MAN employees and third parties a facility for providing information about compliance violations confidentially, worldwide, and at any time. MAN does not tolerate compliance violations under any circumstances. Reports of possible violations are investigated in detail, and violations are dealt with and punished according to the penalties permitted under labor law. In addition, findings from the investigation of compliance violations are used to continuously improve the compliance system.

Compliance audits
The Compliance function conducted preventative compliance audits at selected Group companies together with the Internal Audit function for the first time in the period under review. The aim of these audits is, in particular, 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 MAN Group's policy landscape. To this end, uniform guidelines were created on the hierarchy of regulations and on preparing, implementing, announcing, and communicating policies (Group Policy MAN 0.1). The existing policies are currently being reviewed by the functions and amended in line with the new guidelines. The Compliance function is also developing a central "house of policies" database in which all policies are to be recorded. The aim of the house of policies is to create a central platform to manage all Group-wide policies, which MAN employees can use to quickly and easily search and retrieve the policies they need.

Public commitment to compliance
In addition to its existing memberships of Transparency International and the United Nations Global Compact initiative, MAN joined the Partnering Against Corruption Initiative (PACI) and the Deutsches Institut für Compliance (DICO) in the period under review. PACI is a global anticorruption initiative set up by the World Economic Forum and developed by companies for companies. It offers a platform for communicating measures designed to minimize compliance risks. DICO is an association of companies and individuals and aims to promote and develop compliance standards and qualifications. The Compliance function also continues to regularly engage in dialog with industry experts and academic researchers on current compliance issues in order to promote public debate and progress in the field of compliance.

Outlook

Customer investment behavior still impacted by low growth and economic uncertainty; revenue set to decline slightly in 2013; disproportionate drop in operating profit

Muted global growth prospects

From today's perspective, the MAN Group's management anticipates that global economic growth will be very muted in 2013. The weak overall economy will continue to have a dampening effect on MAN's key markets. This will overshadow the underlying long-term growth trends in the transportation and energy markets.

As in 2012, the high level of uncertainty stemming from the European sovereign debt crisis and the United States' future fiscal policy will continue to dominate the global economy in 2013. Further deterioration could have a sustained negative impact on the global economy.

According to its latest winter report, the *Institut für Weltwirtschaft* (IfW – Institute for the World Economy) is forecasting global GDP growth of 3.4% for 2013, as against 3.2% in 2012. The IfW is expecting slightly stronger growth of 3.9% for 2014. The main drivers for this trend are the advanced economies and, in particular, the euro zone.

The IfW expects GDP in the euro zone to again decline slightly in 2013, although the 0.2% decline will be less than in 2012 (0.5%). This forecast assumes that the uncertainty surrounding the future direction of the European sovereign debt crisis will ease. Nevertheless, fiscal policies will remain restrictive in the coming year and will have a dampening effect on the economy. In many countries, investment will grow only slowly as a result of unfavorable financing conditions. Within Europe, the divergent economic trends will continue in 2013. Growth rates in the southern European countries in particular will remain negative. Marginal growth is forecast for Central Europe. The IfW expects growth to decline from 0.7% to 0.3% in Germany.

The EU accession states remain very vulnerable to economic risks in the euro zone because they are integrated with the production chains. The IfW nevertheless expects economic growth in these countries to rise to 1.3% in 2013 (2012: 0.9%). According to the IfW's forecast, economic output in the euro zone as a whole should pick up again slightly in 2014, by 0.9%.

U.S. economic growth will depend heavily on whether a final agreement can be reached on the fiscal cliff and on raising the debt ceiling, and what any agreement looks like. Assuming that a large number of the economic stimulus measures expire and government spending cuts take effect, the IfW is only expecting growth of 1.5% (previous year: 2.2%), which should rise to 2.5% in 2014.

According to the IfW's latest forecast, the emerging economies will be held back by weak demand from the industrialized countries in 2013, among other things. Nevertheless, the IfW expects economic growth to increase in 2013. In some cases, there is a material risk that growth could decline significantly, in case of renewed tensions in the international financial markets.

The economic upturn forecast for Latin America will be boosted by favorable macroeconomic fundamentals. It is expected that the Brazilian government will continue to invest and take measures to strengthen the competitiveness of local companies. The IfW therefore expects Latin America's upwards economic trajectory to continue over the next two years with growth rates of 3.8% and 4.4%. Growth is forecast to increase again in Brazil to 3.0% in 2013 and 4.5% in 2014 (previous year: 1.0%).

In China, growth will pick up slightly as a result of the moderate recovery in the global economy. Economic growth will be boosted by higher private consumption. The IfW anticipates growth rates of 8.0% for 2013 and 7.5% for 2014 (previous year: 7.8%).

Compared with the previous year, India is expected to again see higher growth of 6.5% (previous year: 3.8%). The reforms resolved in fall 2012, which aim to promote domestic and foreign investment, should help the economy to regain speed. Growth of 7.5% is forecast for 2014.

The Russian economy is expected to grow by 3.8% and 3.5% in the next two years. It should be noted in this regard that a drop in oil prices and a further loosening in the peg between oil and gas prices may give rise to material risks for the Russian budget. The IfW anticipates an annual growth rate of around 5.5% in the southeast Asian economies in 2013 and 2014.

Commercial Vehicles: declining market trend in Europe; moderate growth in the emerging economies

The European commercial vehicles market is currently in the grip of ongoing economic weakness and uncertainty. As a result, we currently expect it to contract further in 2013 and remain more or less the same in 2014. One contributing factor will be the introduction of the Euro VI emission standard at the beginning of 2014. Shifts in demand may occur, depending on potential incentives to purchase Euro VI vehicles in Germany. Russia is likely to see slower growth in 2013 compared with the previous year before leveling off in 2014 at around the 2013 figure.

Unit sales in Brazil, MAN's most important market in Latin America, are expected to increase slightly in 2013. The market will record faster growth again in 2014. This forecast is backed by government subsidies and more favorable financing conditions for trucks. The preparations for the upcoming major sporting events and the associated infrastructure developments may also boost the market.

China, the world's largest truck market, is expected to stabilize at 2012 levels in 2013 and 2014. The extent to which the incentive programs planned by the Chinese government will shore up demand for trucks remains to be seen. The Indian market is forecast to develop positively in 2013 and 2014.

Global demand for buses in almost all regions is expected to level off above 2012 levels in 2013 and 2014, although the European market is expected to decline slightly in 2013. It is forecast to recover slightly to 2012 levels in 2014.

Power Engineering: slight upward trend in some segments

After recording an overall decline in the market in 2012, the Power Engineering business area will continue to see slow growth in 2013 and 2014.

The merchant shipbuilding market is not expected to recover in the next few years due to overcapacity, which remains high. In contrast, the market for offshore and special ships is expected to perform well.

The energy generation markets are forecast to recover slightly in 2013 and 2014 in the emerging economies, where general demand for energy remains high. The trend towards more decentralized energy supplies, both here and in the developed economies, is also likely to have a positive long-term effect on the business. The shift in power plants fueled by diesel or heavy oil towards natural gas power plants will continue.

The processing industry should continue to see positive, albeit slower growth in 2013 and 2014 in the emerging economies. Although population growth will result in sustained high demand for primary materials, price pressure will increase as a result of greater competition.

The market trend in the oil and gas industry is encouraging. Due to its comparatively low price, natural gas will lead to new developments in, among others things, energy infrastructure, transportation, petrochemicals, and production. These developments will have a positive effect on all key regions. The oil and gas industry is therefore expected to record further growth in 2013 and 2014.

The offshore wind market will initially fail to meet original expectations. However, the sector should pick up significantly as soon as the technical and financial hurdles have been overcome. In the medium term, MAN is expecting further growth in the 5 MW offshore wind gear unit segment.

Executive Board's revenue and earnings expectations

The MAN Group's management does not anticipate any significant economic recovery in 2013. There is still significant uncertainty surrounding the economic environment, particularly in light of the sovereign debt crisis in Europe. Assuming that the European sovereign debt crisis does not escalate further and the economic stimulus measures in the emerging economies take effect, MAN SE's Executive Board currently expects the following:

In the Commercial Vehicles business area, MAN expects the European commercial vehicles business to decline in 2013, particularly in the first half of the year. In Brazil, sales are expected to return to growth in 2013 following the changeover to the Euro V emission standard in 2012. It is assumed that investment will increase on the back of government incentives and in the course of the economic recovery, and that the upcoming major sporting events will have a positive impact. Revenue in the Commercial Vehicles business area will be down slightly on the prior-year figure. Amidst still strong competition and frequently stagnating markets, the return on sales is expected to be on a level with the previous year at approximately 4%.

The Power Engineering business area is expecting a decrease in revenue in 2013 following its weak order intake in fiscal 2012. The return on sales will decline as against 2012, negatively impacted by the ongoing decrease in the license business in the marine sector, fierce ongoing competition, and the billing of major plant engineering orders at below-average profitability. The Power Engineering business area is therefore expected to record a single-digit return on sales in 2013.

As a result, the MAN Group will see a slight decline in revenue and a disproportionately large drop in operating profit in 2013. The return on sales will be below the 2012 figure.

Performance in 2014 will be highly dependent on the extent to which the economy recovers in 2013 and whether the uncertainties on the financial markets ease. The MAN Group will return to profitable growth in 2014, assuming that global economic growth regains speed in 2013 and in particular that the euro zone – a key market for MAN – stabilizes. In this case, revenue in the Commercial Vehicles business area should rebound, driven in particular by growth in the Latin American commercial vehicles markets. The return on sales is expected to rise moderately. Assuming that order intake recovers in fiscal 2013, the Power Engineering business area will see strong revenue growth, primarily due to growth in the power plant business and further increases in the after-sales business. Based on these assumptions, the return on sales should return to double-digit territory. For the MAN Group, the Executive Board is anticipating robust revenue growth in 2014. The return on sales is expected to approach the range of +/–2 percentage points of the long-term 8.5% target again.

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

Long-term growth strategy

Going forward, the MAN Group will continue to pursue its profitable growth strategy with a focus on transportation and energy. A key part of this strategy is international growth. MAN is systematically expanding its presence around the globe, particularly in the BRIC countries. In addition, the emerging economies in East Asia and South America offer attractive growth potential for MAN. In Africa, the power plants business has the potential to bridge the energy supply gap quickly and precisely. A second focus is on expanding after-sales operations 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.

Measures to improve earnings initiated

MAN has already initiated a range of measures in view of the unsatisfactory earnings situation, 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. Increasing production flexibility is allowing us to adapt to lower unit sales volumes. MAN Truck & Bus has already negotiated short-time working at two of its German locations for the first half of 2013. MAN will keep a close eye on market developments and respond appropriately if necessary, for example by cutting further shifts or production days, and possibly increasing or extending short-time working. We are reviewing planned capital expenditure. Internal workflows are being critically examined and enhanced as part of projects to boost efficiency. Here, too, the aim is to increase quality and customer satisfaction. In addition, MAN has initiated investigations into achieving structural improvements. It also sees potential in the reorganization of the procurement area, in particular by bundling procurement into a central purchasing function.

Cooperation with Volkswagen and Scania

MAN is part of a strong commercial vehicles alliance with Scania and Volkswagen Commercial Vehicles, with the aim of becoming one of the leading players in the global truck and bus markets. This alliance also allows us to leverage a large number of potential synergies. Project groups have already laid a solid foundation for this – first, methodology and data were harmonized so as to create a common procedural basis. They then conducted in-depth benchmark studies to identify differences and spotlight any resulting potential. In a third step, they defined specific cooperative measures, particularly in purchasing, research and development, and production. Individual synergy effects can be achieved relatively quickly, for example in common procurement. This is expected to take longer in research & development and production due to the high levels of complexity and the different, long product lifecycles involved. MAN will exploit all of the advantages offered by this strong commercial vehicles alliance while preserving and continuing to build on its own strengths. It will retain its brand identity and operational responsibility. The MAN Group is also contributing its extensive expertise and strong market position in the power engineering segment to the Volkswagen Group.

Capital expenditures, research and development

The MAN Group will continue to make significant capital expenditures in 2013 in order to safeguard the long-term success of the Group. In addition to necessary expenditure on replacement items, MAN will make targeted investments in modernizing its production facilities and further expanding its service and sales network across all divisions. Management will use portfolio measures if the opportunity arises.

Research and development is of elementary importance to the MAN Group because the Company can only meet customer and legal requirements by developing leading technological solutions. Our R&D activities are rigorously aimed at providing customers with a competitive advantage. As a result, they continue to focus on enhancing MAN's commercial vehicle and large-bore diesel engines in terms of their performance, consumption, and emission standards; on systematically integrating innovations into truck and bus models; and on developing new products. The expansion of the product range in the Power Engineering business area is putting a special emphasis on the use of natural gas as a fuel. In 2013 and 2014, the MAN Group will maintain a high level of R&D activity despite the current downturn in revenue. The goal is to maintain and expand the Group's strong technological position through research and development.

Cash flow

In view of the difficult economic situation, cash management will continue to be a particular focus going forward. Measures to reduce inventories and receivables by improving processes will be defined and monitored on an ongoing basis as part of the Group-wide working capital optimization program. The MAN Group's financing structure aims to achieve an economically useful mix of operating cash flow and external finance. MAN will continue to keep a close eye on the capital markets in 2013 and, where appropriate, take measures to safeguard its financial capacity to act and to take advantage of opportunities that arise. Current financing conditions and in particular the ongoing European debt crisis and the tranche of the MAN corporate bond issued in 2009 that matures in 2013 must also be taken into account. We will also continue to conduct local financing arrangements in emerging market countries and asset-backed financing arrangements to refinance the financial services business.

The MAN Group's net financial debt will remain more or less constant in 2013. The financing volume in the Financial Services business is expected to expand slightly. In the Industrial Business, on the other hand, MAN is aiming to reduce its net financial debt. Planned capital expenditures will be critically reviewed. Even in a phase in which revenue is temporarily declining slightly, MAN will continue to make the investments in products and structures needed to drive long-term growth.

Once again, the MAN Group would like to enable its shareholders to participate in the Company's success by distributing an appropriate share of its profits for 2012, bearing in mind the economic environment. The proposed dividend of €1.00 per share for 2012 is therefore lower than for 2011 (€2.30 per share). The amount distributed is not fixed: the MAN Group generally aims for 30% to 60% of net income.

Employees

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

Uncertainties in the outlook

The forward-looking statements and information described above are based on current expectations and certain assumptions. They therefore involve a series of risks and uncertainties. A large number of factors, many of them beyond the MAN Group's control, affect its business activities and their outcomes. These factors may cause the MAN Group's actual performance and results to differ considerably from those discussed in the forward-looking statements.

Events after the Reporting Period

On January 9, 2013, Volkswagen announced its intention to conclude a control and profit and loss transfer agreement with MAN SE to create an integrated commercial vehicles group.

03/ Consolidated Financial Statements

MAN Consolidated Income Statement

		MAN Group		Industrial Business (unaudited additional information)		Financial Services (unaudited additional information)	
€ million	Note	2012	2011	2012	2011	2012	2011
Revenue	[7]	15,772	16,472	15,772	16,472	–	–
Cost of goods sold and services rendered		–12,499	–12,791	–12,499	–12,791	–	–
Gross margin		**3,273**	**3,681**	**3,273**	**3,681**	**–**	**–**
Other operating income	[8]	540	622	322	445	218	177
Selling expenses		–1,181	–1,173	–1,168	–1,161	–13	–12
General and administrative expenses		–950	–854	–922	–829	–28	–25
Other operating expenses	[9]	–877	–979	–704	–843	–173	–136
Share of net income/loss of equity-method investments	[17]	–14	39	–14	42	0	–3
Impairment losses on equity-method investments		–231	–	–231	–	–	–
Reversals of impairment losses on equity-method investments	[17]	–	25	–	25	–	–
Net income from reclassification as financial investments		–	495	–	495	–	–
Income/loss from financial investments		63	–600	63	–600	–	–
Earnings before interest and taxes (EBIT)		**623**	**1,256**	**619**	**1,255**	**4**	**1**
Interest income	[10]	35	69	35	69	–	–
Interest expense	[10]	–347	–203	–347	–203	0	0
Earnings before tax (EBT)		**311**	**1,122**	**307**	**1,121**	**4**	**1**
Income taxes	[11]	–122	–434	–215	–414	93	–20
Loss from discontinued operations, net of tax	[6]	–	–441	–	–441	–	–
Net income/loss		**189**	**247**	**92**	**266**	**97**	**–19**
Net income attributable to noncontrolling interests		12	9	12	9	0	–
Net income/loss attributable to shareholders of MAN SE		**177**	**238**	**80**	**257**	**97**	**–19**
Diluted/basic earnings per share from continuing operations in €	[12]	**1.20**	**4.62**				
Diluted/basic earnings per share from continuing and discontinued operations in €	[12]	**1.20**	**1.62**				

MAN Consolidated Reconciliation of Comprehensive Income for the Period

€ million	Note	2012	2011
Net income		**189**	**247**
Currency translation differences		– 192	– 137
Change in fair values of marketable securities and financial investments		463	–
Change in fair values of derivates	[32/33]	22	– 39
Actuarial losses attributable to pensions and other post-employment benefits	[26]	– 147	– 154
Overfunding of pension plans in accordance with IAS 19.58		– 1	0
Other comprehensive income for the period from equity-method investments	[17]	2	– 17
Deferred taxes		42	43
Other comprehensive income for the period		**189**	**– 304**
Total comprehensive income for the period		**378**	**– 57**
of which attributable to noncontrolling interests		11	8
of which attributable to shareholders of MAN SE		**367**	**– 65**

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

MAN Consolidated Balance Sheet

Assets

€ million	Note	MAN Group 12/31/2012	MAN Group 12/31/2011	Industrial Business (unaudited additional information) 12/31/2012	Industrial Business (unaudited additional information) 12/31/2011	Financial Services (unaudited additional information) 12/31/2012	Financial Services (unaudited additional information) 12/31/2011
Intangible assets	[15]	2,140	1,883	2,115	1,876	25	7
Property, plant, and equipment	[16]	2,245	2,091	2,232	2,090	13	1
Equity-method investments	[17]	521	838	519	836	2	2
Financial investments	[18]	1,702	1,251	1,702	1,251	0	–
Assets leased out	[19]	2,501	2,303	1,183	1,366	1,318	937
Noncurrent financial services receivables	[20]	1,071	953	–	–	1,071	953
Deferred tax assets	[11]	1,335	1,078	1,168	1,045	167	33
Other noncurrent assets	[23]	237	226	210	198	27	28
Noncurrent assets		**11,752**	**10,623**	**9,129**	**8,662**	**2,623**	**1,961**
Inventories	[21]	3,373	3,513	3,311	3,443	62	70
Trade receivables	[22]	2,141	2,331	2,011	2,258	130	73
Current financial services receivables	[20]	575	532	–	–	575	532
Current income tax receivables		58	117	58	116	0	1
Other current assets	[23]	652	596	581	570	71	26
Marketable securities		1	1	1	1	–	–
Cash and cash equivalents		1,366	957	1,330	937	36	20
Current assets		**8,166**	**8,047**	**7,292**	**7,325**	**874**	**722**
		19,918	**18,670**	**16,421**	**15,987**	**3,497**	**2,683**

Liabilities

€ million	Note	MAN Group 12/31/2012	MAN Group 12/31/2011	Industrial Business (unaudited additional information) 12/31/2012	Industrial Business (unaudited additional information) 12/31/2011	Financial Services (unaudited additional information) 12/31/2012	Financial Services (unaudited additional information) 12/31/2011
Subscribed capital		376	376	–	–	–	–
Capital reserves		795	795	–	–	–	–
Retained earnings		4,263	4,428	–	–	–	–
Accumulated other comprehensive income		116	–71	–	–	–	–
Equity attributable to shareholders of MAN SE		**5,550**	**5,528**	**5,297**	**5,384**	**253**	**144**
Noncontrolling interests		69	62	69	62	0	–
Total equity	[24]	**5,619**	**5,590**	**5,366**	**5,446**	**253**	**144**
Noncurrent financial liabilities	[25]	2,966	1,976	2,834	1,712	132	264
Intragroup financing		–	–	–275	–	275	–
Pensions and other post-employment benefits	[26]	591	378	588	377	3	1
Deferred tax liabilities	[11]	958	724	866	672	92	52
Other noncurrent provisions	[27]	684	709	684	709	0	0
Other noncurrent liabilities	[28]	1,106	951	1,072	951	34	0
Noncurrent liabilities and provisions		**6,305**	**4,738**	**5,769**	**4,421**	**536**	**317**
Current financial liabilities	[25]	2,333	1,194	1,314	347	1,019	847
Intragroup financing		–	–	–1,540	–1,163	1,540	1,163
Trade payables		2,006	2,324	1,905	2,186	101	138
Prepayments received		908	823	907	820	1	3
Current income tax payables		147	623	146	622	1	1
Other current provisions	[27]	1,166	1,485	1,162	1,481	4	4
Other current liabilities	[28]	1,434	1,893	1,392	1,827	42	66
Current liabilities and provisions		**7,994**	**8,342**	**5,286**	**6,120**	**2,708**	**2,222**
		19,918	**18,670**	**16,421**	**15,987**	**3,497**	**2,683**

MAN Consolidated Statement of Cash Flows

	MAN Group		Industrial Business (unaudited additional information)		Financial Services (unaudited additional information)	
€ million	2012	2011	2012	2011	2012	2011
Earnings before tax	311	1,122	307	1,121	4	1
Current income taxes	–124	–439	–120	–438	–4	–1
Depreciation, amortization, and impairment of noncurrent assets (other than assets leased out)*	706	1,129	704	1,128	2	1
Change in pensions and other post-employment benefits	–7	–7	–7	–7	0	0
Share of net income/loss of equity-method investments	14	–39	14	–42	0	3
Dividends received from equity-method investments	10	11	10	11	–	–
Net income from reclassification as financial investments	–	–495	–	–495	–	–
Reversals of impairment losses on equity-method investments	–	–25	–	–25	–	–
Other noncash income and expense	70	–163	70	–163	–	–
Cash earnings	**980**	**1,094**	**978**	**1,090**	**2**	**4**
Change in inventories	129	–692	104	–634	25	–58
Change in prepayments received	92	61	94	62	–2	–1
Change in trade and financial services receivables	44	–542	219	–390	–175	–152
Change in trade payables	–365	374	–314	335	–51	39
Change in assets leased out	–179	–359	–138	–92	–41	–267
Change in customer payments for assets leased out	172	113	172	113	–	–
Change in tax assets and liabilities	–465	101	–466	101	1	0
Change in other provisions	–202	253	–201	253	–1	0
Change in other assets	–124	–88	–90	–67	–34	–21
Change in other liabilities	–160	212	–149	201	–11	11
Elimination of gains/losses from asset disposals	–4	–9	–4	–9	–	–
Other changes in miscellaneous net current assets	–2	0	–5	1	3	–1
Net cash provided by/used in operating activities	**–84**	**518**	**200**	**964**	**–284**	**–446**
Payments to acquire property, plant, and equipment, investment property, and intangible assets	–754	–601	–741	–595	–13	–6
Payments to acquire investees	–11	–18	–11	–18	–	–
Payments to acquire subsidiaries, net of cash acquired	–164	–52	–134	–52	–30	–
Proceeds from asset disposals	41	34	41	34	0	0
Disposal of discontinued operations	–345	–	–345	–	–	–
Net cash provided by/used in investing activities	**–1,233**	**–637**	**–1,190**	**–631**	**–43**	**–6**
Free cash flow from operating and investing activities	**–1,317**	**–119**	**–990**	**333**	**–327**	**–452**
Intragroup dividend distributions	–	–	–14	–50	14	50
Dividend payments	–342	–297	–342	–297	–	–
Change in marketable securities	–	12	–	12	–	–
Capital transactions with noncontrolling interests	–6	–	–6	–	–	–
Issuance of bonds and promissory note loans	1,812	–	1,812	–	–	–
Repayment of bonds and promissory note loans	–53	–	–53	–	–	–
Proceeds from borrowings and other finance	958	–	501	–	457	–
Repayment of borrowings and other finance	–542	–	–194	–	–348	–
Change in other financial liabilities	–74	343	7	82	–81	261
Change in intragroup financing	–	–	–301	–121	301	121
Net cash provided by/used in financing activities	**1,753**	**58**	**1,410**	**–374**	**343**	**432**
Net change in cash and cash equivalents	**436**	**–61**	**420**	**–41**	**16**	**–20**
Cash and cash equivalents at beginning of period	**957**	**1,057**	**937**	**1,017**	**20**	**40**
Change in cash and cash equivalents due to changes in consolidated Group structure	12	–5	12	–5	–	–
Effect of exchange rate changes on cash and cash equivalents	–39	–34	–39	–34	0	0
Cash and cash equivalents at end of period	**1,366**	**957**	**1,330**	**937**	**36**	**20**

* Intangible assets, property, plant, and equipment, and investments.

Net cash flows from operating activities include interest received of €38 million (previous year: €83 million), interest paid of €283 million (previous year: €221 million), income taxes paid of €609 million (previous year: €294 million), and dividends of €70 million (previous year: €70 million) received from investees.

MAN Consolidated Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income	Equity attributable to shareholders of MAN	Noncontrolling interests	Total
Balance at December 31, 2010	**376**	**795**	**4,483**	**280**	**5,934**	**56**	**5,990**
Net income	–	–	238	–	238	9	247
Other comprehensive income	–	–	–	–303	–303	–1	–304
Total comprehensive income	–	–	238	–303	–65	8	–57
Dividend payment	–	–	–294	–	–294	–3	–297
Other changes	–	–	1	–48	–47	1	–46
Balance at December 31, 2011	**376**	**795**	**4,428**	**–71**	**5,528**	**62**	**5,590**
Net income	–	–	177	–	177	12	189
Other comprehensive income	–	–	–	190	190	–1	189
Total comprehensive income	–	–	177	190	367	11	378
Dividend payment	–	–	–338	–	–338	–4	–342
Other changes	–	–	–4	–3	–7	0	–7
Balance at December 31, 2012	**376**	**795**	**4,263**	**116**	**5,550**	**69**	**5,619**

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

MAN Notes to the Consolidated Financial Statements

Basis of preparation

1 General principles

MAN SE (referred to in the following as MAN or MAN SE) is a listed corporation headquartered in Munich, Germany and entered in the commercial register at the Munich Local Court under no. HRB 179426. With its four divisions of MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and Renk, the MAN Group is one of Europe's leading engineering players, generating annual revenue of €15.8 billion (previous year: €16.5 billion) and employing a worldwide workforce of approximately 54,300 employees, including around 1,800 subcontracted employees (previous year: approximately 52,500 employees, including around 2,400 subcontracted employees).

In compliance with section 315a (1) of the *Handelsgesetzbuch* (HGB — German Commercial Code), the accompanying consolidated financial statements of MAN SE for the fiscal year January 1 to December 31, 2012, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union. The Executive Board prepared these consolidated financial statements on January 30, 2013, and resolved to authorize them for submission to the Supervisory Board.

MAN SE is a subsidiary of Volkswagen AG, Wolfsburg, which holds a 73.72% interest in MAN SE's capital. MAN SE is included in Volkswagen AG's consolidated financial statements, which are published in the *Bundesanzeiger* (German Federal Gazette).

To enable a better insight into the MAN Group's net assets, financial position, and results of operations, the consolidated financial statements have been supplemented by a breakdown of figures into the Industrial Business and Financial Services. The Industrial Business comprises all companies of the MAN Group with the exception of MAN Finance International GmbH, Munich, and the national companies assigned to it (MAN Finance). In the MAN Group, MAN Finance primarily operates the sales financing business for MAN Truck & Bus and is presented under the "Financial Services" heading. MAN Truck & Bus transferred the shares of EURO-Leasing GmbH, Sittensen, to MAN Finance as of December 31, 2012.

To simplify presentation, the elimination of intragroup transactions between the Industrial Business and Financial Services is presented within the Industrial Business. The classification into Industrial Business and Financial Services merely represents additional information and is therefore unaudited.

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

2 Consolidation and measurement of investees

a) Investees

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

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

Joint ventures are investees that are jointly controlled by MAN SE and one or more other venturers. Joint control is always established by a contractual arrangement.

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

b) Basis of consolidation

Consolidated subsidiaries

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

Number of companies consolidated

	Germany	Abroad	Total
Consolidated as of Dec. 31, 2011	**32**	**98**	**130**
Initially consolidated in fiscal 2012	3	9	12
Deconsolidated in fiscal 2012	2	4	6
Consolidated as of Dec. 31, 2012	**33**	**103**	**136**

Changes in the MAN Group's basis of consolidation in fiscal 2012 resulted in particular from the acquisition of the remaining shares of the former joint venture MAN FORCE TRUCKS Private Limited, Akurdi/India (MAN FORCE TRUCKS). See **note (6)** for further information.

Other changes in the basis of consolidation resulted from the initial consolidation of newly formed companies and of existing companies that have now started operating. 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 176 ff.**

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

Business combinations

Business combinations are accounted for using the purchase method of accounting. In the course of initial consolidation, the identifiable assets, liabilities, and contingent liabilities of the acquiree are recognized at fair value. Any remaining excess of cost of acquisition over the MAN Group's share of the revalued net assets of the acquiree is allocated to the relevant division of the MAN Group, as the cash-generating unit, and recognized separately as goodwill. The division, including allocated goodwill, is tested for impairment at least once a year and its carrying amount is written down to the recoverable amount if it is found to be impaired. If a subsidiary is disposed of, the attributable goodwill is included in the calculation of the disposal gain or loss. Acquisition-related costs that are not equity transaction costs are not added to the purchase price, but instead recognized as expenses in the period in which they are incurred.

c) Equity-method investments

Equity-method investments include associates and joint ventures. 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 investees 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 exempt from measurement 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 closing date, with any translation differences recognized in profit or loss. Nonmonetary items carried at historical cost in a foreign currency are translated at the rate prevailing at the transaction date.

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

Financial statements are translated using the modified closing rate method, under which balance sheet items (with the exception of equity) are translated at the closing rate, while income statement items are translated at the average exchange rate for the year. The average exchange rate for the year is generally derived from monthly average exchange rates. With the exception of income and expenses recognized directly in equity, equity is translated at historical exchange rates.

In the statements of changes in assets, provisions, and equity, the beginning and ending balances for the fiscal year and changes in the consolidated Group are translated at the relevant closing rates. The other items are translated at average exchange rates for the year. Differences between the translation of balance sheet items in the reporting period compared with the prior period are recognized in other comprehensive income. If a subsidiary is sold, these currency translation differences are recognized in profit or loss.

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

	Closing rate		Average rate	
	12/31/ 2012	12/31/ 2011	2012	2011
US dollar	1.3194	1.2939	1.2921	1.4018
UK pound sterling	0.8161	0.8353	0.8127	0.8723
Danish krone	7.4610	7.4342	7.4440	7.4504
Swiss franc	1.2072	1.2156	1.2047	1.2333
Swedish krona	8.5820	8.9120	8.6977	9.0092
Polish zloty	4.0740	4.4580	4.1837	4.1179
Russian ruble	40.3295	41.7650	40.1678	40.9993
Brazilian real	2.7036	2.4159	2.5189	2.3297
Chinese yuan renminbi	8.2207	8.1588	8.1425	9.0577
Indian rupee	72.5600	68.7130	68.8599	65.1794
Japanese yen	113.6100	100.2000	102.9304	111.6729
South African rand	11.1727	10.4830	10.55126	10.0760

3 Accounting policies

With the exception of certain financial instruments measured at fair value, the consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are based on the financial statements of MAN SE and the consolidated subsidiaries prepared in accordance with the MAN Group's uniform accounting policies.

a) Revenue recognition

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

Construction contracts are recognized using the percentage of completion method; details are contained in the explanations on construction contracts in **note (22)**.

Sale transactions in which a Group company incurs a buyback obligation at a predetermined value are not immediately recognized in full as revenue, but are recognized as revenue ratably over the period until the return of the item sold and are accounted for as operating leases.

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

b) Operation expenses and income

Operating expenses are recognized when the underlying products or services are utilized. Advertising and sales promotion expenses, as well as other sales-related expenses, are recognized when incurred. Cost of goods sold and services rendered comprises the production cost of products sold and the purchase cost of merchandise sold. In addition to direct material and labor costs, production cost also includes production-related indirect costs, including depreciation of production facilities. Warranty provisions are recognized when the products are sold. Research expenditures are recognized as expenses when incurred. Interest and other borrowing costs are recognized as expenses in the period in which they arise, with the exception of borrowing costs that are capitalized as part of the cost of qualifying assets.

Finance and operating lease revenue generated by Financial Services is reported as other operating income. Correspondingly, interest expenses from refinancing assets leased out are reported as other operating expenses.

c) Intangible assets

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

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

Expenditures incurred to develop new products and series are capitalized if completion of the products or series is technically and economically feasible, they are intended for use or sale, the expenditures can be measured reliably, and adequate resources are available to complete the development project. Development expenditures that do not meet these criteria and all research expenditures are recognized immediately as expenses. Capitalized development costs are amortized from the date of market rollout. They are generally amortized over five to seven years on a straight-line basis, or 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. The production cost of internally manufactured items of property, plant, and equipment comprises directly attributable production costs, proportionate production overheads, and borrowing costs attributable to the period of production. If items of property, plant, and equipment consist of significant identifiable components with different useful lives, such components are recognized and depreciated separately.

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

Items of property, plant, and equipment are depreciated by the straight-line method over their estimated useful lives. Depreciation is based on the following uniform Group 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 investment property is disclosed in the notes; see **note (16).** It is normally estimated by means of internal appraisals (using recognized valuation techniques). For reasons of materiality, the disclosures on investment property are combined with the disclosures on property, plant, and equipment.

f) Leases, assets leased out

MAN Group companies are lessees in lease transactions for items of property, plant, and equipment (investment leases). If MAN Group lessees bear substantially all the risks and rewards incidental to ownership of the leased asset, the lease is classified as a finance lease. In such cases, the lessee recognizes the leased item as an asset in the amount of the present value of the minimum lease payments or the lower fair value of the leased asset. The leased asset is depreciated over the estimated useful life or the shorter lease term in subsequent periods. At the same time, the lessee recognizes a corresponding financial liability, which is reduced in the following periods using the effective interest method and adjusted correspondingly. All other leases in which MAN Group companies are lessees are accounted for as operating leases, and the lease payments are recognized as expenses.

MAN Finance companies are lessors in the case of lease transactions involving assets leased out (sales financing). Depending on their substance, such contracts may be finance leases or operating leases. A receivable in the amount of the net investment in the lease is recognized in the case of finance leases, in other words where substantially all the risks and rewards incidental to ownership are transferred to the lessee. Leases under which MAN Finance retains the asset after expiration of the lease, as well as assets sold with a buyback obligation, are accounted for as operating leases in the MAN Group.

The asset leased out is measured at cost and written down to its residual value on a straight-line basis over the term of the lease or until it is bought back. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used cars.

g) Impairment losses

An impairment test is performed if there are indications that the carrying amounts of intangible assets, property, plant, and equipment, equity-method investments, financial investments carried at cost, or assets leased out may be impaired. Indefinite-lived intangible assets, capitalized development costs, and goodwill are tested for impairment at least once a year. In such cases, the asset's recoverable amount is first estimated to determine the amount of any impairment loss that may need to be recognized. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. The discount rate used is a current pre-tax market rate of interest. If no recoverable amount can be measured for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets to which the asset belongs (cash-generating unit). For impairment testing purposes, goodwill is allocated to the smallest cash-generating unit to which the goodwill relates. If an asset's recoverable amount is less than its carrying amount, an impairment loss is recognized immediately in profit or loss and is either reported separately or in other operating expenses.

If the recoverable amount of an impaired asset or cash-generating unit increases in a subsequent period, the impairment loss is reversed up to a maximum of the cost that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment losses are recognized in profit or loss and reported either separately or in other operating income. An impairment loss recognized for goodwill may not be reversed in subsequent periods.

h) Inventories

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

i) Construction contracts

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

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

j) Nonderivative financial instruments

Nonderivative financial instruments include in particular customer receivables, loans, financial investments, marketable securities, and cash and cash equivalents, as well as financial liabilities and trade payables. They are generally recognized at the trade date. Nonderivative financial instruments are initially measured at fair value, which generally corresponds to the transaction price, i.e., the consideration given or received.

Following initial recognition, nonderivative financial instruments are either measured at fair value or at amortized cost, depending on the category to which they are assigned.

Loans and receivables that are not held for trading are generally carried at amortized cost less impairment losses. In the MAN Group, loans and receivables primarily include customer receivables, other receivables, and loans. The future cash flows associated with non- or low-interest-bearing receivables with a remaining term of more than twelve months are discounted using a market rate of interest.

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

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

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

Valuation allowances on receivables are generally recognized in separate allowance accounts.

Financial instruments that are not held to maturity or for speculative purposes and that do not belong to any of the other categories described above are classified as available-for-sale financial assets. Available-for-sale financial assets are measured at fair value. In the MAN Group, this category mainly includes marketable securities and financial investments. The difference between cost and fair value is recognized in other comprehensive income and reported as accumulated other comprehensive income, net of deferred taxes. An impairment loss is recognized on financial assets available-for-sale if there is objective evidence of permanent impairment. For example, an impairment loss is recognized in the income statement if there is a significant or prolonged decline in the fair value of an available-for-sale financial asset below its carrying amount.

The fair value of marketable securities is generally their quoted market price. Financial investments for which no quoted market price is available, and whose fair value cannot be reliably measured, are carried at cost. An impairment test is performed if there are indications of impairment, and any impairment loss is recognized in the income statement.

Held-to-maturity investments are measured at amortized cost. However, this category is generally not used by the MAN Group; the same applies to the fair value option.

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

k) Derivatives

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

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

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

Derivatives that do not form part of an effective hedging relationship in accordance with IAS 39 are classified as assets held for trading and are measured at fair value through profit or loss. If no price is available in an active market, fair value is estimated using appropriate valuation techniques, such as discounted cash flow methods.

If the hedge accounting criteria described in IAS 39 are met, MAN designates and documents the hedging relationship from that date either as a fair value hedge or as a cash flow hedge.

A fair value hedge is a hedge of the MAN Group's exposure to changes in the fair value of recognized assets and liabilities, or unrecognized firm commitments. In a fair value hedge, changes in the fair value of the derivative and the related underlying (hedged item) are recognized in profit or loss. In the case of a perfect hedge, the changes in the fair value of the derivative financial instrument and the underlying recognized in profit or loss offset each other almost entirely.

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

See **note (33)** for information on the MAN Group's hedging strategy and the related volumes at the end of the reporting period.

l) Deferred taxes

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

Deferred tax assets are only recognized to the extent that taxable income will probably be available to use deductible temporary differences.

Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances.

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

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

m) Pensions and other post-employment benefits

Pension obligations from defined benefit plans are determined using the projected unit credit method, under which the future defined benefit obligation is measured on the basis of the proportionate benefit entitlements earned by the end of the reporting period and discounted to its present value. Measurement reflects assumptions about the future development of certain parameters that affect the level of future benefits. Differences between the assumptions made and the trends that actually materialized, or changes in actuarial assumptions, may lead to actuarial gains and losses. Such actuarial gains and losses are recognized in other comprehensive income, net of deferred taxes, and reported in total comprehensive income for the period.

Pension provisions are reduced by the fair value of plan assets used to cover benefit obligations; for information on measurement, see **note (26)**. If plan assets exceed the defined benefit obligation, the excess is only recognized in other assets to the extent that it results in a refund from the plan or the reduction of future contributions.

The current service cost, which represents the entitlements of active employees in accordance with the benefit plan, is reported in the functional expenses in the income statement. The interest expense contained in the net benefit expense and the expected return on plan assets are included in net interest income.

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

n) Other provisions

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

The carrying amounts of provisions are regularly reviewed and adjusted to reflect new knowledge or changes in circumstances. If a new estimate results in a reduction in the amount of the obligation, the provision is reversed in the corresponding amount and the income recognized in the functional expenses in which the expense from recognition of the provision was originally recognized.

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

o) Noncurrent assets held for sale and discontinued operations

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

Noncurrent assets classified as held for sale, either individually or as part of a disposal group, are presented in separate line items 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 to fair value less costs to sell, gains or losses on the disposal, and the post-tax profit or loss of the discontinued operation are presented separately in the income statement as "Loss from discontinued operations, net of tax." Prior-period amounts in the income statement are adjusted accordingly. Discontinued operations are presented separately in the statement of cash flows and disclosed in the notes. In these cases, too, prior-period amounts are adjusted accordingly.

p) Financial statement presentation

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

q) Prior-period information

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

r) Estimates and management's judgment

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

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

The goodwill impairment tests to be performed at least once a year require an estimation of future cash flows and their discounting, among other factors. Such cash flows are based on forecasts contained in financial plans approved by management. Other material assumptions relate to the weighted average cost of capital and to tax rates. Equally, if intangible assets, items of property, plant, and equipment, equity-method investments, financial investments carried at cost, or assets leased out are tested for impairment, the measurement of the recoverable amount of the assets entails estimates by management. Any reversals of impairment losses in subsequent periods also require considerable forecasts and estimates. For further information on significant impairment losses and reversals of impairment losses in fiscal 2012 and 2011, see in particular **note (17)**.

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.

Pensions and other post-employment benefits are measured using actuarial techniques. Such measurements are based primarily on assumptions relating to discount rates, the expected return on plan assets, 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 departure of these assumptions from the actual outcome of such tax uncertainties may affect tax expense and deferred taxes.

Depending on the underlying transaction, the measurement of other provisions and similar obligations may be complex and associated with a considerable degree of estimation uncertainty. Management's assumptions about the timing and amount of settlement are based on historical data, available technical data, estimates of cost trends and potential warranty claims, possible recoverable amounts, and other factors. Other provisions also include provisions for project-related risks for contract-based plant under construction in the Power Engineering business area and for potential expenses from buyback obligations in the Commercial Vehicles business area under which the MAN Group guarantees its customers certain buyback values. Potential liabilities from projects in the Power Engineering business area must to a large extent be estimated. Such estimates may change in line with new information and increasing progress. Depending on the extent to which buyback rights are exercised, and on the development of resale prices, the actual expenses incurred by the Commercial Vehicles business area may differ from the carrying amounts of the recognized provisions. At the same time, litigation and other legal proceedings raise complex legal issues and entail numerous difficulties and uncertainties. A provision is recognized for these if it is probable that an obligation has arisen in connection with these proceedings that is likely to lead to a future outflow of resources and its amount can be estimated reliably. Assessing whether a present obligation exists at the reporting date as a result of a past event, whether a future outflow of resources is probable, and whether the obligation can be estimated reliably requires a substantial degree of judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions may lead to a different assessment at a future date. Additional expenses that could have a material effect on MAN's net assets, financial position, and results of operations therefore cannot be entirely ruled out. For further information, see **notes (6)** and **(29)**.

4 Statement of cash flows

The statement of cash flows classifies cash flows into cash flows from operating, investing, and financing activities. The effects of changes in the consolidated Group structure and of exchange rate changes are eliminated in the corresponding line items. The change in cash and cash equivalents attributable to changes in exchange rates is presented in a separate line item. Cash flow from operating activities is reported using the indirect method.

Noncash operating expenses and income, as well as gains and losses from asset disposals, are eliminated in cash flow from operating activities. The change in assets leased out and in the customer payments received for them is allocated to cash flow from operating activities.

Cash flow from investing activities contains payments to acquire items of property, plant, and equipment, intangible assets, and investees, offset against proceeds from the sale of items of property, plant, and equipment, intangible assets, investees, and discontinued operations. Payments to acquire subsidiaries are reported net of cash acquired.

Cash flow from financing activities is composed of the following cash transactions: dividends paid, cash paid for and provided by securities, borrowings and repayments of financial liabilities, and pension fund endowments.

The cash and cash equivalents reported in the statement of cash flows correspond to the cash and cash equivalents recognized in the balance sheet. Cash and cash equivalents include bank balances and highly liquid financial investments of a temporary nature that are exposed to no more than minor risks of fluctuation in value. In the segments, receivables from intragroup finance transactions are also reported as cash and cash equivalents.

Amounts relating to discontinued operations are reported separately in cash flows from operating, investing, and financing activities.

5 New and revised accounting pronouncements

a) New accounting pronouncements applied

MAN has applied all accounting pronouncements required to be applied starting in fiscal 2012.

As a consequence of the amendment to IFRS 7 in October 2010, the disclosure requirements for transfers of financial assets were supplemented. The supplemented disclosures relate both to transferred financial assets that are derecognized in their entirety and to transferred financial assets that are not derecognized in their entirety. MAN has applied the amendments since January 1, 2012.

b) New or amended IFRSs not applied

In its 2012 consolidated financial statements, MAN did not apply the following accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year.

Standard/ Interpretation[1]		Issued by the IASB	Effective date[2]	Adopted by the EU[1]	Expected effects
IFRS 1	First-time Adoption – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	Dec. 20, 2010	Jan. 1, 2013	Yes	None
IFRS 1	Government Loans	Mar. 13, 2012	Jan. 1, 2013	No	None
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2013	Yes	Enhanced disclosures on offsetting of financial instruments
IFRS 9	Financial Instruments: Classification and Measurement	Nov. 12, 2009/ Oct. 28, 2010	Jan. 1, 2015[3]	No	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 10	Consolidated Financial Statements	May 12, 2011	Jan. 1, 2014	Yes	No material changes
IFRS 11	Joint Arrangements	May 12, 2011	Jan. 1, 2014	Yes	No material effects
IFRS 12	Disclosures of Interests in Other Entities	May 12, 2011	Jan. 1, 2014	Yes	Enhanced disclosures on interests in other entities
	Transition Guidance on IFRS 10, IFRS 11, IFRS 12	June 28, 2012	Jan. 1, 2013	No	No material changes
	Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27)	Oct. 31, 2012	Jan. 1, 2014	No	None
IFRS 13	Fair Value Measurement	May 12, 2011	Jan. 1, 2013	Yes	Modifications to and enhanced disclosures on fair value measurement
IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	June 16, 2011	Jan. 1, 2013	Yes	Change in the presentation of other comprehensive income
IAS 12	Deferred Taxes – Recovery of Underlying Assets	Dec. 20, 2010	Jan. 1, 2013	Yes	No material changes
IAS 19	Employee Benefits	June 16, 2011	Jan. 1, 2013	Yes	Change in accounting for and enhanced disclosures on employee benefits
IAS 27	Separate Financial Statements	May 12, 2011	Jan. 1, 2014	Yes	None
IAS 28	Investments in Associates and Joint Ventures	May 12, 2011	Jan. 1, 2014	Yes	None
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Yes	No material changes
	Improvements to IFRSs 2011[4]	May 17, 2012	Jan. 1, 2013	No	No material changes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Oct. 19, 2011	Jan. 1, 2013	Yes	None

[1] By December 31, 2012.
[2] Effective date from the MAN Group's perspective.
[3] Initial application postponed from 2013 to 2015 by the Mandatory Effective Date project.
[4] Minor amendments to a number of IFRSs (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34).

6 Acquisitions and divestments

a) Acquisitions

On March 28, 2012, MAN Truck & Bus acquired all but one of the remaining shares of the former joint venture MAN FORCE TRUCKS Private Limited, Akurdi/India, from its Indian partner FORCE Motors Limited, Akurdi/India. The cost of these additional shares amounted to €150 million, while net cash acquired amounted to €2 million. This company, which was consolidated as of March 31, 2012, is being managed solely by MAN Truck & Bus under the name of MAN Trucks India Private Limited, Akurdi/India, (MAN Trucks India). MAN Trucks India produces CLA series trucks for the Indian market as well as for selected markets in Africa and Asia. The shares, which were accounted for using the equity method at the acquisition date, were measured at their fair value of €73 million at the acquisition date. Fair value measurement of the equity interest previously held did not have any effect on profit or loss at the acquisition date. These shares were recognized in the amount of €73 million at the acquisition date.

Transaction-related costs of €1 million were expensed.

The preliminary estimate of goodwill from the step acquisition is approximately €208 million.

Based on the preliminary figures, the assets acquired and liabilities assumed at the acquisition date were as follows:

€ million	Carrying amount at date of initial consolidation	Purchase price allocation (preliminary)	Amount in opening balance sheet (provisional)
Total assets	**67**	**31**	**98**
Noncurrent assets	24	31	55
Current assets	43	–	43
Total liabilities	**68**	**15**	**83**
Noncurrent liabilities	1	15	16
Current liabilities	67	–	67
Equity	**–1**	**16**	**15**

The gross value of receivables acquired amounted to €14 million at the acquisition date, while the net carrying amount corresponded to fair value and amounted to €14 million.

The inclusion of MAN Trucks India increased revenue by €41 million and reduced earnings before interest and taxes (EBIT) by €2 million in fiscal 2012. If the company had already been included in the consolidated financial statements as of January 1, 2012, revenue would have been €15,854 million and earnings before interest and taxes (EBIT) would have been €619 million in fiscal 2012.

No other acquisitions were made in fiscal years 2012 and 2011 that are material either individually or collectively.

b) Divestments

MAN and the International Petroleum Investment Company, Abu Dhabi/U.A.E. (IPIC), reached a settlement in November 2011 on the buyback of 70% of the shares of Ferrostaal GmbH, Essen (Ferrostaal, formerly Ferrostaal AG) for €350 million (IPIC settlement). Detailed information on the transfer of these shares to IPIC in March 2009 and on the litigation with IPIC and Ferrostaal is contained in MAN SE's 2011 Annual Report, and in particular in the disclosures on "Acquisitions and divestments" in the Notes to the Consolidated Financial Statements.

The IPIC settlement took effect on March 7, 2012, at which point the agreement between MAN and MPC Industries GmbH, Hamburg (MPC), to sell all shares of Ferrostaal to MPC and a coinvestor (MPC purchase) also came into force. Ferrostaal has been part of MPC since that date. The litigation with IPIC and Ferrostaal has ended.

The entire earnings effect from the IPIC settlement and the MPC purchase amounting to €434 million was already recognized in the "Loss from discontinued operations, net of tax" in the fourth quarter of 2011. This earnings effect is primarily attributable to the impairment loss recognized on the investment in Ferrostaal and to the provision recognized for the obligation incurred in connection with the IPIC settlement. This obligation amounting to €350 million was presented in "Other current liabilities" until the transaction closed in the first quarter of 2012. The consolidated income statements for the periods January 1, 2011, to December 31, 2011, and January 1, 2012, to December 31, 2012, do not contain any other results from this transaction.

Net cash used in investing activities includes €–350 million for the payment in the first quarter of 2012 relating to the IPIC settlement. The MPC purchase also required MAN to pay to Ferrostaal an amount equal to the compensation claims relating to the profit transfer agreements previously in force. MPC paid the same amount to MAN as a fixed purchase price. A liability to Ferrostaal and a receivable from MPC, each amounting to €103 million, were reported in the consolidated financial statements as of March 31, 2012, for these payments, which were made in June 2012. The two payments were reported in net cash used in investing activities as cash outflows and inflows of €103 million, respectively. Payment to MAN of an amount of €5 million was agreed for the additional contingent consideration component, which was dependent on the outcome of certain Ferrostaal projects. This amount was reported in net cash provided by investing activities in the second quarter of 2012. The cash flows of discontinued operations in fiscal years 2012 and 2011 do not contain any other cash flows relating to the Ferrostaal transaction.

At the beginning of January 2010, MAN Truck & Bus announced that it had signed an agreement with Rheinmetall AG, Dusseldorf (Rheinmetall), on the formation of a joint entity for wheeled military vehicles. MAN and Rheinmetall combined their production capacities for wheeled military vehicles as of December 31, 2011, into Rheinmetall MAN Military Vehicles GmbH, Munich (RMMV), which had been formed in 2010, following the combination of the development and sales activities only as a first step. MAN Truck & Bus has a 49% interest in this company. The earnings effect of this transaction amounted to €111 million and was reported as other operating income in fiscal 2011. This earnings effect resulted from the contribution of MAN's activities in combination with the simultaneous acquisition of a 49% interest in the activities contributed by Rheinmetall. The 49% interest in the RMMV associate is accounted for using the equity method and amounted to €132 million as of December 31, 2011. See **note (17)** for further information.

Income statement disclosures

7 Revenue

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

Group revenue € million	2012	2011
Commercial Vehicles*	11,692	12,563
Power Engineering*	4,256	3,999
Others/Reconciliation	– 176	– 90
	15,772	**16,472**

* Gross presentation excluding consolidation effects.

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

The Power Engineering business area generates revenue mainly from the sale of marine diesel and stationary engines, turbomachinery, gear units, and testing systems. It includes revenue from construction contracts amounting to €970 million (previous year: €454 million).

See **note (40)** for a presentation of revenue by segment.

8 Other operating income

€ million	2012	2011
Income from financial services	203	162
Gains from nonrecurring items	–	111
Gains on financial instruments	57	101
Other trade income	44	34
Gains on disposal of property, plant, and equipment, and intangible assets	6	14
Miscellaneous other income	230	200
	540	**622**

Income from financial services represents the income generated by MAN Finance's business.

Gains on financial instruments result primarily from the remeasurement of foreign exchange positions and from currency and interest rate hedges. To enable a better insight into the results of operations, gains and losses from currency translation are presented as net amounts.

9 Other operating expenses

€ million	2012	2011
Research and development	428	390
Expenses from financial services	123	90
Impairment losses on inventories	94	129
Bad debt allowances on receivables	67	41
Losses on financial instruments	39	52
Legal, audit, and consulting costs	29	57
Losses from nonrecurring items	–	72
Miscellaneous other expenses	97	148
	877	**979**

Other operating expenses comprise those expenses that are not allocated to the functional expenses, and in particular to cost of goods sold and services rendered. Research and development (R&D) expenses contain only that portion of R&D expenses that is not allocated to contract-related production costs or capitalized development costs. The amortization attributable to capitalized development costs is also reported in "Other operating expenses."

Losses on financial instruments and expenses from financial services correspond to the related items in "Other operating income."

Losses from nonrecurring items in fiscal 2011 relate firstly to MAN Diesel & Turbo. In connection with the investigation of irregularities in the handover of four-stroke marine diesel engines, provisions amounting to €65 million were recognized in the previous year for possible on-board retrofit solutions and for expenditures for specialists engaged in connection with the investigation. See **note (29)** for further information. In addition, pro rata cost commitments of €7 million were entered into in connection with the establishment of a job creation company at manroland AG, the printing press manufacturer that is now insolvent.

The other expenses primarily include personnel expenses that cannot be specifically allocated to the functions as well as additions to provisions.

10 Net interest expense

€ million	2012	2011
Interest and similar income	35	69
Interest and similar expenses	–384	–245
Interest component of additions to pension provisions	–94	–89
Return on CTA plan assets	82	82
less: interest expenses reclassified as other operating expenses	49	49
	–312	**–134**

The deterioration in net interest expense is due primarily to the €68 million increase in tax interest expenses and to lower income from securities.

Moreover, the assumptions applied to determining the discount rates used to measure other provisions for which the effect of the time value of money is material, as well as non-interest-bearing and low-interest receivables and liabilities with a remaining term of more than twelve months, were reviewed in fiscal 2012. The resulting change led to an earnings effect of €–45 million. This amount is reported in net interest expense. The earnings effects for the subsequent years attributable to the change in assumptions depend on market interest rate trends.

The interest expenses of €49 million reclassified as other operating expenses, which were almost unchanged compared with the previous year, relate to the refinancing of assets leased out by MAN Finance.

11 Income taxes

The reported tax expense is broken down as follows:

€ million	2012	2011
Current income taxes		
Germany	–35	200
Other countries	159	239
Deferred taxes		
Germany	–56	–13
Other countries	54	8
	122	**434**

The tax expense expected for fiscal 2012 is based on the application of the German tax rate applicable for the 2012 assessment period of 31.58% (as in the previous year) to earnings before tax. This tax rate includes municipal trade tax (15.75%), corporate income tax (15.0%), and the solidarity surcharge (5.5% of the corporate income tax liability). As in the previous year, tax rate changes outside Germany did not materially affect the total tax expense in fiscal 2012.

Deferred tax assets in respect of loss carryforwards for corporate income tax and municipal trade tax amounting to €185 million (previous year: €170 million) are currently recognized at German companies. Companies outside Germany have recognized deferred taxes of €60 million (previous year: €31 million) for their local taxes. A deferred tax asset of €371 million (previous year: €243 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, 2012, for existing tax loss carryforwards of €426 million (previous year: €121 million) and temporary differences of €50 million (previous year: €55 million) due to the low probability of such deferred tax assets being recoverable. Tax loss carryforwards of €159 million (previous year: €62 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 2013 and 2028.

No deferred taxes of €7 million (previous year: €7 million) were recognized for temporary differences in connection with shares in subsidiaries.

Reconciliation of expected and actual tax expense

€ million	2012	%	2011	%
Earnings before tax	311	100.0	1,122	100.0
Expected tax expense	98	31.6	354	31.6
Tax-exempt income	–22	–7.1	–32	–2.9
Differences to foreign tax rates	–48	–15.4	–49	–4.4
Equity-method investments	61	19.6	–12	–1.1
Valuation allowances on deferred tax assets and effects of tax credits	24	7.7	17	1.5
Prior-period taxes	–15	–4.8	137	12.2
Nondeductible expenses	27	8.7	9	0.8
Other items	–3	–1.0	10	0.9
Actual tax expense	**122**	**39.2**	**434**	**38.6**

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

	Deferred tax assets		Deferred tax liabilities	
€ million	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Intangible assets	10	13	377	305
Property, plant, and equipment, and assets leased out	237	338	635	460
Noncurrent financial assets	1	3	14	–
Inventories	18	30	76	81
Receivables and other assets	240	64	373	97
Pensions and other post-employment benefits	406	338	250	261
Liabilities and other provisions	1,210	722	320	243
Tax loss carryforwards	284	201	–	–
Valuation allowances on deferred taxes	–51	–17	–	–
Gross value	**2,355**	**1,692**	**2,045**	**1,447**
of which noncurrent	1,267	1,026	1,671	1,069
Offset	–1,146	–759	–1,146	–759
Consolidation	126	145	59	36
Amount recognized	**1,335**	**1,078**	**958**	**724**

12 Earnings per share

€ million (unless otherwise stated)	2012	2011
Net income attributable to shareholders of MAN SE	177	238
of which: loss from discontinued operations, net of tax	–	–441
Net income from continuing operations attributable to shareholders of MAN SE	**177**	**679**
Number of shares outstanding (weighted average, million, basic)	147.0	147.0
Number of shares outstanding (weighted average, million, diluted)	–	147.1
Earnings per share from continuing operations (fiscal 2011 diluted/basic) in €	**1.20**	**4.62**

Earnings per share are calculated by dividing consolidated net income from continuing operations by the average number of shares outstanding in the year. The number of shares outstanding includes both common and preferred shares because both share classes carry the same dividend rights in 2012, as in the previous year.

72,472 MAN SE shares were contingently granted in April 2010 under the stock program for managers, which was launched in 2010. The effects of 30,704 shares were therefore included in the calculation of diluted earnings per share for fiscal 2011. After taking the potential dilutive effect relating to the grant of these shares into consideration, diluted earnings per share corresponded to basic earnings per share in the previous year. No additional shares in connection with this stock program have been taken into account for the calculation of diluted earnings per share for fiscal 2012 because of the planned cash settlement. See **note (34)** for further information.

There were no outstanding options on shares as of December 31, 2012, and December 31, 2011, that dilute earnings per share. Any exercise of MAN SE's contingent capital in future periods will be dilutive.

The loss per share from discontinued operations (diluted/basic) was €3.00 in the previous year.

13 Other income statement disclosures

Cost of materials

€ million	2012	2011
Cost of raw materials, consumables, and supplies, and of purchased merchandise	8,152	8,468
Cost of purchased services	956	846
	9,108	**9,314**

Payments under operating leases

€ million	2012	2011
Minimum lease payments	114	109
Contingent lease payments	31	25
Payments under subleases	2	3
	147	**137**

Personnel expenses

€ million	2012	2011
Wages and salaries	2,702	2,542
Social security contributions, retirement and other employee benefit expenses	564	551
	3,266	**3,093**

Retirement benefit expenses amounted to €227 million (previous year: €213 million), of which €159 million (previous year: €151 million) was attributable to statutory pension insurance contributions. They are included in the relevant functional expenses. The expected return on plan assets and the interest component of additions to pension provisions are reported in net interest income/expense.

Annual average headcount*

	2012	2011
Commercial Vehicles	36,605	34,567
Power Engineering	15,536	14,098
Other	358	321
	52,499	**48,986**

* Excluding subcontracted employees.

Depreciation and amortization expense

€ million	2012	2011
Intangible assets	167	153
Property, plant, and equipment	297	295
	464	**448**

Impairment losses

€ million	2012	2011
Intangible assets	–	–
Property, plant, and equipment	9	4
Financial investments and equity-method investments*	233	677
	242	**681**

* See **notes (17)** and **(18)** for further information.

14 Total remuneration of the auditors

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

€ million	2012	2011
Audits	3.3	3.1
Other assurance and valuation services	0.4	0.1
Tax advisory services	0.2	0.2
Incidental costs	0.2	0.1
Reviews of interim financial statements	0.6	0.2
Other services	1.4	3.4
	6.1	**7.1**

The fees charged for work performed by the auditor, PwC, and its affiliated German companies totaled €3.7 million in fiscal 2012 (previous year: €4.8 million). €1.3 million of this amount relates to audits (previous year: €1.2 million), €0.4 million to other assurance and valuation services (previous year: €0.1 million), €0.1 million to incidental costs (previous year: €0.1 million), €0.6 million to reviews of interim financial statements (previous year: €0.2 million), and €1.3 million to other services (previous year: €3.2 million).

Balance sheet disclosures

15 Intangible assets

€ million	Licenses, software, similar rights, customer relationships, brands, and other assets	Capitalized development costs	Goodwill	Intangible assets
Gross carrying amount at January 1, 2011	1,034	749	868	2,651
Accumulated amortization and impairment losses	– 248	– 394	– 95	– 737
Balance at January 1, 2011	**786**	**355**	**773**	**1,914**
Change in consolidated Group structure/acquisitions	0	– 15	–	– 15
Additions	31	215	–	246
Transfers	0	–	–	0
Disposals	– 1	–	–	– 1
Amortization	– 113	– 40	–	– 153
Impairment losses	–	–	–	–
Currency translation differences	– 52	– 9	– 47	– 108
Balance at December 31, 2011	**651**	**506**	**726**	**1,883**
Gross carrying amount at December 31, 2011	1,006	944	804	2,754
Accumulated amortization and impairment losses	– 355	– 438	– 78	– 871
Balance at January 1, 2012	**651**	**506**	**726**	**1,883**
Change in consolidated Group structure/acquisitions	27	–	–	27
Additions	45	262	211	518
Transfers	3	1	–	4
Disposals	0	–	–	0
Amortization	– 111	– 56	–	– 167
Impairment losses	–	–	–	–
Currency translation differences	– 56	– 13	– 56	– 125
Balance at December 31, 2012	**559**	**700**	**881**	**2,140**
Gross carrying amount at December 31, 2012	1,001	1,194	959	3,154
Accumulated amortization and impairment losses	– 442	– 494	– 78	– 1,014

Purchased licenses, software, similar rights and assets, and capitalized development costs are finite-lived assets. Amortization of licenses, software, similar rights, customer relationships, brands, and other assets amounted to €111 million (previous year: €113 million) and is included in the functional expenses, in particular cost of goods sold and services rendered and selling expenses. Amortization of capitalized development costs amounted to €56 million (previous year: €40 million). See **note (9)** for further information.

Capitalized development costs for in-process development projects that are not subject to amortization amounted to €352 million as of December 31, 2012 (previous year: €403 million).

Analysis of goodwill

€ million	12/31/2012	12/31/2011
MAN Truck & Bus	252	44
MAN Latin America	544	600
MAN Diesel & Turbo	85	82
	881	**726**

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, based on the current three-year planning for the division concerned.

The principal planning assumptions are expected market trends in relation to MAN's development, changes in material production and other costs, changes 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 rates used in fiscal 2012 and 2011 are a maximum of 2%.

Cash flows are forecasted individually on the basis of revenue and cost projections for each division to which goodwill is allocated. The discount rate applied is MAN's pretax WACC of 11.0% (previous year: 10.0%). The assumptions and estimates used to calculate the cost of capital have been adjusted to reflect the risk exposure for MAN Latin America in particular. This risk adjustment, which relates predominantly to the inclusion of country risks, led to a WACC before taxes of 14.0% (previous year: 14.0%) for MAN Latin America.

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 2012 and 2011. Recognized goodwill is also recoverable if the growth forecast or the discount rate varies by –/+ 0.5 percentage points.

16 Property, plant, and equipment

€ million	Land and buildings	Production plant and machinery	Other plant, operating and office equipment	Prepayments and construction in progress	Property, plant, and equipment
Gross carrying amount at January 1, 2011	1,765	2,029	1,038	90	4,922
Accumulated depreciation and impairment losses	– 819	– 1,263	– 776	–	– 2,858
Balance at January 1, 2011	**946**	**766**	**262**	**90**	**2,064**
Change in consolidated Group structure/acquisitions	21	– 6	0	1	16
Additions	39	96	103	117	355
Transfers	13	41	9	– 63	0
Disposals	– 5	– 6	– 13	0	– 24
Depreciation	– 53	– 160	– 79	– 3	– 295
Impairment losses	– 4	–	–	–	– 4
Currency translation differences	– 6	– 10	– 5	0	– 21
Balance at December 31, 2011	**951**	**721**	**277**	**142**	**2,091**
Gross carrying amount at December 31, 2011	1,869	2,092	1,085	145	5,191
Accumulated depreciation and impairment losses	– 918	– 1 371	– 808	– 3	– 3,100
Balance at January 1, 2012	**951**	**721**	**277**	**142**	**2,091**
Change in consolidated Group structure/acquisitions	48	26	3	0	77
Additions	62	132	133	120	447
Transfers	21	56	12	– 96	– 7
Disposals	– 10	– 4	– 14	– 5	– 33
Depreciation	– 48	– 157	– 89	– 3	– 297
Impairment losses	– 9	–	–	–	– 9
Currency translation differences	– 5	– 10	– 7	– 2	– 24
Balance at December 31, 2012	**1,010**	**764**	**315**	**156**	**2,245**
Gross carrying amount at December 31, 2012	1,995	2,203	1,169	162	5,529
Accumulated depreciation and impairment losses	– 985	– 1,439	– 854	– 6	– 3,284

Depreciation of items of property, plant, and equipment amounted to €297 million (previous year: €295 million) and is included in the functional expenses, in particular cost of goods sold and services rendered.

The items of property, plant, and equipment that are classified as finance leases on the basis of the contract terms relate primarily to machinery and equipment as well as land and buildings with a carrying amount totaling €42 million (previous year: €49 million).

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

2012 (€ million)	up to 1 year	1 – 5 years	> 5 years	Total
Lease payments	9	9	0	**18**
Interest components	1	1	0	**2**
Present values	8	8	0	**16**
Minimum lease payments expected to be received from subleases	7	4	–	**11**

2011 (€ million)	up to 1 year	1 – 5 years	> 5 years	Total
Lease payments	23	18	2	**43**
Interest components	2	2	0	**4**
Present values	21	16	2	**39**
Minimum lease payments expected to be received from subleases	13	13	0	**26**

Investment property

The carrying amount of investment property amounted to €20 million as of December 31, 2012 (previous year: €9 million), compared with a fair value of €64 million (previous year: €39 million).

17 Equity-method investments

Associates

The most significant equity-method investment as of December 31, 2012, is the Sinotruk Ltd., Hong Kong/China, associate (Sinotruk). The former joint venture MAN FORCE TRUCKS has been consolidated since March 31, 2012. See **note (6)** for further information.

Sinotruk

The investment in Sinotruk, which is accounted for using the equity method, was tested for impairment in the second quarter of 2012. The cash flow forecasts for this investment had already been marked by a high level of uncertainty following publication of the business and earnings figures for fiscal 2011. This uncertainty, together with the sharp drop in business performance in the first six months of fiscal 2012, was confirmed by an announcement issued by Sinotruk on July 18, 2012. This resulted in a need to reassess the expected cash flows from this investment. The value in use thus calculated was lower than the carrying amount of the investment as of June 30, 2012, but higher than fair value less costs to sell, measured on the basis of the quoted market price. The resulting €190 million impairment loss was reported in “Impairment losses on equity-method investments.” Application of the equity method and the additional recognition of this impairment loss produce a carrying amount of €399 million as of December 31, 2012, for the investment in Sinotruk. The quoted market value of the 25% equity interest in Sinotruk amounted to €400 million as of December 31, 2012 (previous year: €298 million). Summarized financial information for Sinotruk (on a 100% basis and thus not adjusted for the equity interest held by MAN) is presented in the following table:

€ million	2012	2011
Assets[1]	5,994	6,405
Liabilities[1]	3,430	4,212
Revenue[2]	3,435	4,314
Net income[2]	30	197

[1] Fiscal 2012: Amounts shown relate to the reporting period ended June 30, 2012.
Fiscal 2011: Amounts shown relate to the reporting period ended June 30, 2011.
[2] Fiscal 2012: Amounts shown relate to the reporting period from July 1, 2011 to June 30, 2012.
Fiscal 2011: Amounts shown relate to the reporting period from July 1, 2010 to June 30, 2011.

The following table contains summarized financial information on the other associates; the disclosures relate in all cases to the full amounts of the investees, and not just to the Group's share:

€ million	2012	2011
Assets	756	1,332
Liabilities	589	1,212
Revenue*	869	1,642
Net income*	2	–50

* 12 months.

The 49% interest in the RMMV associate is also accounted for using the equity method, which is applied with a three-month delay. For this reason, the disclosures for fiscal 2012 only contain nine months' revenue and net income for the investment in RMMV. The assets and liabilities disclosures relate to the September 30, 2012, reporting date. The weak earnings growth in the difficult market environment triggered an impairment test for this investment in the fourth quarter of 2012. The resulting €41 million impairment loss was reported in "Impairment losses on equity-method investments." Application of the equity method and the additional recognition of this impairment loss produce a carrying amount of €75 million as of December 31, 2012, for the investment in RMMV. See **note (6)** for further information.

18 Financial investments

Since January 1, 2012, the interest in Roland Holding GmbH, Munich (Roland), has been accounted for as a financial investment rather than an equity-method investment. The carrying amount of this investment had already been reduced to zero in previous periods by applying the equity method. The unrecognized losses of Roland amounted to €27 million at the reclassification date. The remeasurement in fiscal 2011 of potential obligations from the sale of 65% of the shares in manroland AG (formerly MAN Roland Druckmaschinen AG, Offenbach) in 2006 increased the loss from discontinued operations by a further €7 million. See **note (9)** for further information.

On January 5, 2011, MAN exercised its right to cash settlement in connection with the call option on 1.5% of the equity and 2.8% of the outstanding voting rights of Scania AB, Södertalje/Sweden (Scania). The transaction led to a cash settlement of €29 million, which MAN received on January 7, 2011. At the same time, MAN lost access to more than 20% of the voting rights of Scania, with the result that, after January 5, 2011, the investment in Scania is no longer accounted for using the equity method in accordance with IAS 28, but as an available-for-sale financial asset in accordance with IAS 39.

The "Net income from reclassification as financial investments" line item in the consolidated income statement includes €495 million in fiscal 2011 relating to the effect of the initial recognition of this investment at fair value.

"Income/loss from financial investments" contains dividend income from the investment in Scania amounting to €60 million (previous year: €59 million). The €677 million impairment loss that was recognized on this investment in the fourth quarter of 2011 is also contained in "Income/loss from financial investments."

19 Assets leased out

€ million	2012	2011
Gross carrying amount at January 1	3,484	2,699
Accumulated depreciation	–1,181	–944
Balance at January 1	**2,303**	**1,755**
Change in consolidated Group structure/ acquisitions	–	204
Additions	821	1,087
Disposals	–215	–197
Depreciation	–427	–536
Currency translation differences and other changes	19	–10
Balance at December 31	**2,501**	**2,303**
Gross carrying amount at December 31	3,676	3,484
Accumulated depreciation	–1,175	–1,181

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. The year-on-year increase is attributable to an increase in sales with buyback obligations at MAN Truck & Bus.

Future revenue from noncancelable operating leases

€ million	12/31/2012	12/31/2011
Due within one year	508	470
Due between one and five years	734	739
Due after more than five years	39	40
	1,281	**1,249**

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

20 Financial services receivables

€ million	12/31/2012	12/31/2011
Noncurrent financial services receivables	1,071	953
Current financial services receivables	575	532

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 our balance sheet. The carrying amount of financial services receivables at the end of the reporting period was €4 million (previous year: €19 million). The corresponding liabilities are contained in financial liabilities; see **note (25).**

Bad debt allowances on financial services receivables changed as follows:

€ million	2012	2011
Balance at January 1	**110**	**99**
Additions	42	31
Utilization	–23	–3
Reversals	–13	–17
Exchange rate effects and other changes	0	0
Balance at December 31	**116**	**110**

Financial services receivables contain the following finance lease receivables:

€ million	12/31/2012	12/31/2011
Noncurrent finance lease receivables	897	776
Current finance lease receivables	407	369

Finance lease receivables relate to commercial vehicle leases. The gross investment in the lease is the aggregate of the minimum lease payments receivable until expiration of the lease plus the unguaranteed residual value of the vehicle at the end of the lease. The present value is obtained by discounting the gross investment in the lease at the interest rate implicit in the lease.

Gross investment in finance leases

€ million	12/31/2012	12/31/2011
Due within one year	559	481
Due between one and five years	966	869
Due after more than five years	21	23
	1,546	**1,373**

The maturities of the present value of minimum lease payments due under finance lease receivables are as follows:

€ million	12/31/2012	12/31/2011
Due within one year	404	362
Due between one and five years	868	740
Due after more than five years	18	19
	1,290	**1,121**

Reconciliation of the gross investment in leases to the present value of minimum lease payments:

€ million	12/31/2012	12/31/2011
Gross investment in finance leases	1,546	1,373
Discount	– 144	– 132
Bad debt allowances	– 98	– 96
Net investment in finance leases	**1,304**	**1,145**
of which unguaranteed residual value	– 14	– 24
Minimum lease payments	**1,290**	**1,121**

Bad debt allowances on finance lease receivables changed as follows:

€ million	2012	2011
Balance at January 1	**96**	**88**
Additions	37	27
Utilization	– 22	– 2
Reversals	– 13	– 17
Exchange rate effects and other changes	0	0
Balance at December 31	**98**	**96**

21 Inventories

€ million	12/31/2012	12/31/2011
Raw materials, consumables, and supplies	445	505
Work in progress and finished products	2,294	2,386
Merchandise	499	479
Prepayments	135	143
	3,373	**3,513**

Consumption of inventories amounting to €8,152 million (previous year: €8,468 million) is recognized as cost of goods sold and services rendered in the reporting period. Inventories of €701 million (previous year: €729 million) were recognized at net realizable value. The impairment loss amounted to €94 million (previous year: €129 million).

22 Trade receivables

€ million	12/31/2012	12/31/2011
Customer receivables	1,886	2,022
PoC receivables	195	198
Receivables from investees	60	111
	2,141	**2,331**

€15 million of the trade receivables (previous year: €31 million) is due between one and five years. The remaining €2,126 million (previous year: €2,300 million) is due in less than one year.

Bad debt allowances on customer receivables, PoC receivables, and receivables from investees changed as follows:

€ million	2012	2011
Balance at January 1	**113**	**114**
Additions	40	25
Utilization	–12	–12
Reversals	–31	–12
Exchange rate effects and other changes	3	–2
Balance at December 31	**113**	**113**

Certain volumes of receivables are sold depending on the market situation and liquidity requirements. Provided that the significant opportunities and risks associated with the receivables remain with the MAN Group, the receivables continue to be reported in our balance sheet. The carrying amount in the trade receivables at the end of the reporting period was €8 million (previous year: €8 million). The corresponding liabilities are contained in financial liabilities; see **note (25)**.

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

€ million	12/31/2012	12/31/2011
Contract costs and proportionate contract profit/loss of construction contracts	1,622	1,351
Exchange rate effects	–2	4
PoC receivables, gross	**1,620**	**1,355**
Prepayments received	–1,425	–1,157
	195	**198**

Other prepayments of €399 million (previous year: €358 million) received on construction contracts for which no contract costs have yet been incurred are recognized as liabilities.

Revenue from construction contracts amounted to €970 million (previous year: €454 million). Orders and part-orders billed to customers are reported in customer receivables.

23 Other assets

€ million	12/31/2012	12/31/2011
Other tax receivables	207	190
VAT receivables	165	128
Deferred income	100	88
Derivatives	27	67
Loans and other third-party receivables	16	35
Other noncurrent receivables from investees	31	32
Financing receivables from investees	5	19
Advances, clearing accounts	10	12
Reserve from pension liability insurance	9	9
Miscellaneous other assets	319	242
	889	**822**

Other assets are reported as follows:

€ million	12/31/2012	12/31/2011
Other noncurrent assets	237	226
Other current assets	652	596

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

Other assets amounting to €253 million (previous year: €242 million) are due after more than one year, including €29 million (previous year: €28 million) due after more than five years. The remaining €636 million (previous year: €580 million) is due in less than one year.

24 Equity

a) Share capital, rights to implement capitalization measures

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

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

The common shares are voting shares, while preferred shares do not generally carry voting rights. Under section 140 (2) of the *Aktiengesetz* (AktG – German Stock Corporation Act), this does not apply if the preferred dividend is not paid in a 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. 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 the 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 and options or conversion obligations established in corresponding application of section 186 (3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations issued at the time of utilization in accordance with this provision shall also count towards this limit; and/or
(iv) to the extent that the common shares are used to settle stock bonus commitments to employees with managerial responsibility (managers) of the Company and/or of Group companies.

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

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

As described in **note (25)**, MAN SE has entered into various material agreements that are subject to a change of control.

b) Significant shareholdings in MAN SE

Volkswagen Aktiengesellschaft notified MAN SE on June 6, 2012, in accordance with section 21 (1) sentence 1 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 75% on June 6, 2012, and amounted to 75.03% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified MAN SE on June 6, 11, and 12, 2012, in accordance with section 21 (1) of the WpHG that Volkswagen Aktiengesellschaft's 75.03% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. Furthermore, on October 26, 2012, MAN SE received notifications in accordance with section 21 (1) of the WpHG that the share of voting rights held by BlackRock, Inc. (and companies affiliated with it) fell below the threshold of 3% on July 8 of the previous year.

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

c) Reserves

MAN SE's capital reserves consist of premiums paid for capital increases and the conversion of preferred shares into common shares. The MAN Group's retained earnings contain the retained earnings of MAN SE amounting to €954 million (previous year: €844 million) and the net retained profits of MAN SE amounting to €168 million (previous year: €374 million). They also contain the retained profits and accumulated losses of subsidiaries and differences arising between carrying amounts in the consolidated financial statements and carrying amounts in the local GAAP financial statements.

The Executive and Supervisory Boards of MAN SE will propose to the Annual General Meeting to use the net retained profits of €168 million (previous year: €374 million) to pay a dividend of €1.00 (previous year: €2.30) per share carrying dividend rights and to carry forward the residual amount to new account. The proposed total dividend payout is therefore €147 million (previous year: €338 million).

d) Other comprehensive income

€ million	12/31/2012	12/31/2011
Currency translation differences	105	297
Fair value measurement of marketable securities and financial investments	463	–
Fair value of derivatives	–7	–28
Actuarial losses attributable to pensions and other post-employment benefits	–596	–450
Overfunding of pension plans in accordance with IAS 19.58*	–1	0
Other comprehensive income for the period from equity-method investments	1	–1
Deferred taxes	151	111
	116	**–71**

* Affects non-German pension plans.

Of the deferred taxes of €151 million (previous year: €111 million), €150 million (previous year: €102 million) is attributable to actuarial losses on pensions and other post-employment benefits, €7 million (previous year: €9 million) is attributable to the measurement of derivatives, and €–6 million (previous year: €0 million) to the fair value measurement of marketable securities and financial investments.

e) Noncontrolling interests

The noncontrolling interests are mainly attributable to Renk Aktiengesellschaft, Augsburg, in which MAN holds a 76% interest.

f) Capital management

The most important goals of MAN SE's capital management are to sustainably increase its enterprise value and to safeguard the Group's liquidity and creditworthiness. This is achieved not only by reducing the cost of capital and improving cash flow from financing activities, but also by optimizing the capital structure and implementing effective risk management.

MAN SE uses the modified measure referred to as "delta to the cost of capital" (ROCE – WACC) to measure and manage its business activities and to optimize capital allocation in the Group. This corresponds to the difference between ROCE and the weighted average cost of capital (WACC).

After Standard & Poor's (S&P) linked the MAN Group's rating to that of Volkswagen AG in December 2011, MAN decided to end its cooperation with the rating agency in December 2012, primarily for commercial reasons. Standard & Poor's most recently confirmed MAN's A– long-term rating in September 2012, but lifted its outlook from "stable" to "positive" in line with Volkswagen AG's rating. The rating relationship with Moody's will continue unchanged. The A3 long-term rating with a stable outlook awarded by Moody's was confirmed in September 2012.

The Group's capital employed for capital management purposes comprises equity, pension obligations, and financial liabilities.

€ million	12/31/2012	12/31/2011
Equity	5,619	5,590
Pensions and other post-employment benefits	591	378
Financial liabilities	5,299	3,170
Capital employed	**11,509**	**9,138**

Equity increased by €29 million or 0.5% year-on-year in fiscal 2012. This was attributable primarily to the net income of €189 million and the increased fair value measurement of the investment in Scania amounting to €457 million (net) recognized in other comprehensive income. This increase was offset for the most part by the dividend payments of €342 million, losses of €192 million on the translation of the financial statements of foreign Group companies, and the €97 million net increase in actuarial losses. Pensions and other post-employment benefits rose by 56% year-on-year in particular because of these actuarial losses, which are attributable primarily to the use of a lower discount rate. Financial liabilities increased by 67% because new bonds were issued; see **note (25).** Overall, this resulted in a €2,371 million or 16% increase in capital employed in fiscal 2012.

MAN SE's Articles of Association do not stipulate any capital requirements.

25 Financial liabilities

€ million	12/31/2012	12/31/2011
Bonds	3,311	1,495
Bank borrowings and other liabilities	1,085	876
Structured finance	903	799
	5,299	**3,170**

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2012	12/31/2011
Noncurrent financial liabilities due after more than one year of which: due after more than five years	 2,966 8	 1,976 21
Current financial liabilities due within one year	 2,333	 1,194

MAN SE placed a €200 million promissory note loan and a €1.5 billion bond in two tranches in 2009 to provide long-term financing for the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., São Paulo/Brazil.

Previously, MAN SE had launched an EMTN program so that it could issue securities flexibly and at short notice if required so as to raise funds on the basis of existing master documentation. The EMTN program is regularly renewed and updated to allow MAN SE to act at any time. Following partial repayments of €30 million in 2009 and €121 million in October 2010, the fixed-interest component of the promissory note loan amounting to €49 million was repaid on schedule in April 2012. In addition, there are two promissory note loans in the total amount of €26.25 million expiring in 2019 (amortizing) which bear an interest rate of 6.76%. The two bond tranches issued in 2009 amounting to €1 billion (expiring 2013) and €500 million (expiring 2016) with coupons of 5.375% and 7.250%, respectively, are also outstanding. Additionally, two bonds issued in 2012 amounting to €750 million (expiring 2017) and €500 million (expiring 2015) with coupons of 2.125% and 1.000%, respectively, are outstanding. MAN SE also issued privately placed notes with a variable interest rate, all of which are denominated in euros, for the first time in 2012. The privately placed notes have a total volume of €570 million and mature between September 2013 and November 2014.

The carrying amount of the bond tranche expiring on May 20, 2013, amounted to €999 million at the reporting date, and its fair value was €1,018 million. The carrying amount of the bond tranche expiring on May 20, 2016, amounted to €498 million, and its fair value was €600 million. The carrying amounts of the bonds issued in 2012 expiring on March 13, 2017, and September 21, 2015, amounted to €746 million and €498 million, respectively, and their fair values were €777 million and €502 million, respectively.

Structured finance includes liabilities of €12 million (previous year: €26 million) relating to sales of receivables. The MAN Group also uses asset-backed financing arrangements, in particular to finance its financial services business. Current financial liabilities include asset-backed financing arrangements in the amount of €892 million (previous year: €658 million) that assure the financing of the amortizing portfolio until the end of the term.

Bank borrowings, whose interest terms are oriented on the relevant market conditions, serve to finance international MAN Group companies, among other things.

As was the case with the preceding facility, the variable-rate €1.5 billion syndicated credit line committed by a syndicate of 23 banks until December 2015 was never drawn down to date and is thus available as a liquidity reserve.

Liabilities are not generally collateralized in the MAN Group.

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

Under the agreed syndicated credit line amounting to €1.5 billion, each syndicate member can demand immediate repayment of its portion if one or more natural or legal persons either individually or collectively obtain control of MAN SE or acquire the majority of voting rights in MAN SE. The acquisition by Volkswagen AG of a majority stake in MAN SE on November 9, 2011, was excluded from this condition.

The promissory note loans issued in the amount of €26.25 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 (€2.75 billion) and the privately placed notes (€570 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.

26 Pensions and other post-employment benefits

Provisions for pensions and other post-employment benefits are broken down as follows:

Composition of funded status and pension provisions

€ million	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Unfunded defined benefit obligation	105	14	14	22	46
Funded defined benefit obligation	2,260	2,009	1,859	1,716	1,695
Total defined benefit obligation	**2,365**	**2,023**	**1,873**	**1,738**	**1,741**
Fair value of plan assets	–1,775	–1,645	–1,647	–1,579	–1,652
Funded status at December 31	**590**	**378**	**226**	**159**	**89**
Effect of asset ceiling in accordance with IAS 19.58	0	0	0	1	19
Unrecognized plan assets	1	0	–	–	–
Reclassified as liabilities associated with assets held for sale	–	–	–	–	–34
Pension provisions at December 31	**591**	**378**	**226**	**160**	**74**
of which: Germany	402	296	173	107	39
of which: Other countries	189	82	53	53	35

a) Pension plans

The MAN Group offers its German employees occupational pension benefits after they have retired. Occupational pensions provide additional retirement benefits as well as risk protection in the event of invalidity or death while the beneficiary is actively employed.

Under the MAN Group's current pension plans, the MAN Profit-Sharing and Pension Plan, and the separate pension plan for senior managers, directors, and Executive Board members, all active 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. 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.

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. Depending on the situation in specific countries, foreign employees receive pension benefits in the form of defined benefit or defined contribution pension plans. 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. In France, Austria, and Poland, there are defined benefit pension plans with a low level of obligations that are funded by provisions. In addition, statutory termination benefits are payable in certain countries such as Austria, Italy and Turkey.

There are defined contribution pension plans in the United States, the United Kingdom, and certain other countries.

b) Funding

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. There is a prohibition on investing in securities issued by, and real estate used by, MAN SE or one of its Group companies. Material pension assets outside Germany are managed in pension funds belonging to the Group or by multiple-employer pension institutions.

As a general rule, the pension assets are endowed at the minimum amount required by national regulations. In Germany, there is no general obligation to make ongoing payments to the pension assets. However, the goal is to ensure endowments equal to the ongoing employer and employee contributions. Expected employer payments for defined benefit plans for 2013 are €51 million for German pension plans and €25 million for pension plans outside Germany.

Plan asset portfolio structure

	Germany		Other countries		Total	
€ million	12/31/ 2012	12/31/ 2011	12/31/ 2012	12/31/ 2011	12/31/ 2012	12/31/ 2011
Bonds	590	602	252	218	842	820
Equities	254	184	135	134	389	318
Real estate	21	18	37	34	58	52
Other assets	414	389	72	66	486	455
Total plan assets	**1,279**	**1,193**	**496**	**452**	**1,775**	**1,645**

c) Funded status

Change in present value of defined benefit obligation

€ million	Germany 2012	Germany 2011	Other countries 2012	Other countries 2011	Total 2012	Total 2011
Present value of DBO at January 1	1,490	1,391	533	482	2,023	1,873
Change in consolidated Group structure	–	4	–	– 1	–	3
Current service cost	43	37	13	13	56	50
Interest cost	67	67	27	22	94	89
Past service cost	–	–	–	– 2	–	– 2
Actuarial losses (+)/ gains (–)	160	63	53	23	213	86
Pension payments	– 82	– 76	–25	– 29	– 107	– 105
Contributions by beneficiaries	5	4	9	8	14	12
Currency translation differences, other	– 1	0	73	17	72	17
Present value of DBO at December 31	**1,682**	**1,490**	**683**	**533**	**2,365**	**2,023**

Change in plan assets

€ million	Germany 2012	Germany 2011	Other countries 2012	Other countries 2011	Total 2012	Total 2011
Plan assets at January 1	1,193	1,218	452	429	1,645	1,647
Change in consolidated Group structure	–	– 1	–	–	–	– 1
Expected return on plan assets	60	61	22	21	82	82
Actuarial gains (+)/ losses (–)	49	– 57	16	– 5	65	– 62
Contributions by employers	35	30	16	17	51	47
Contributions by beneficiaries	–	4	9	8	9	12
Pension payments	– 58	– 62	– 22	– 29	– 80	– 91
Currency translation differences, other	0	0	3	11	3	11
Plan assets at December 31	**1,279**	**1,193**	**496**	**452**	**1,775**	**1,645**

The investment of plan assets to cover future pension obligations resulted in income of €147 million (previous year: €20 million), of which €109 million (previous year: €4 million) was attributable to Germany and €38 million (previous year: €16 million) to other countries.

Measurement of the present value of the defined benefit obligation and of plan assets is based on the following parameters:

in %	Germany 12/31/2012	Germany 12/31/2011	Other countries* 12/31/2012	Other countries* 12/31/2011
Discount rate	3.2	4.6	3.61	4.25
Pension trend	1.8	2.0	2.97	3.13
Pay trend	2.7	2.75	2.63	2.78
Expected return on plan assets	5.0	5.0	4.45	5.18

* Weighted average rates.

The discount rates reflect the yields at the reporting date on highly rated corporate bonds with matching maturities and denominated in the relevant currencies. 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 to MAN-specific empirical values. The long-term expected return on plan assets is calculated on the basis of the return assumptions in Germany and other countries corresponding to the portfolio structure.

d) Pension expense

The pension expense is composed of the following items:

€ million	2012	2011
Current service cost	56	50
Past service cost	–	–2
Interest cost	94	89
Expected return on plan assets	–82	–82
	68	**55**

e) Gains and losses recognized in other comprehensive income

€ million	2012	2011
Actuarial gains (–)/losses (+) at January 1	**434**	**285**
Change in consolidated Group structure	–	1
Change in fiscal year	148	148
Currency translation differences, other	28	0
Actuarial gains (–)/losses (+) at December 31	**610**	**434**

f) Experience adjustments

The experience adjustments, meaning differences between changes in assets and obligations expected on the basis of actuarial assumptions calculated and actual changes in those assets and obligations, are as follows:

Differences between expected and actual developments

	2012	2011	2010	2009	2008
as % of present value of DBO	–1.90	–1.29	0.64	0.46	0.11
as % of plan assets	3.66	–3.77	0.06	3.29	–8.72

27 Other provisions

€ million	As of 12/31/2011	Change in consolidated Group structure, currency translation	Utilization	Additions	Reversals	Interest unwinding	As of 12/31/2012
Warranties	856	–11	–297	296	–63	51	832
Outstanding costs	209	1	–85	104	–22	2	209
Other business-related obligations	559	–6	–206	103	–78	1	373
Obligations to employees	200	–1	–108	66	–2	2	157
Miscellaneous other provisions	370	–12	–128	122	–73	0	279
	2,194	**–29**	**–824**	**691**	**–238**	**56**	**1,850**

Other provisions are reported in the following balance sheet items:

€ million	12/31/2012 Noncurrent	12/31/2012 Current	12/31/2011 Noncurrent	12/31/2011 Current
Warranties	365	467	364	492
Outstanding costs	52	157	49	160
Other business-related obligations	26	347	5	554
Obligations to employees	143	14	187	13
Miscellaneous other provisions	98	181	104	266
	684	**1,166**	**709**	**1,485**

Provisions for warranty obligations are recognized for statutory and contractual guarantee obligations and for ex gratia settlements with customers. The timing of settlement of provisions for warranties depends on the occurrence of the warranty claim and may extend to the entire warranty and ex gratia settlement period. Provisions for outstanding costs are recognized for services still to be provided for customer contracts and contract elements already billed, and for obligations under maintenance and service contracts. Miscellaneous other provisions for business risks relate to provisions for expected losses from executory contracts as well as other obligations.

Other business-related obligations in fiscal 2011 contained provisions of €65 million that were recognized in connection with the investigation of potential irregularities in the hand-over of four-stroke marine diesel engines at MAN Diesel & Turbo. See **note (29)** for further information.

The additions to provisions for warranty risks and the additions to other business-related obligations also reflect the risk provisions recognized in the Power Engineering business area.

Obligations to employees relate to anniversary payments, termination benefits, and partial retirement obligations.

28 Other liabilities

€ million	12/31/2012	12/31/2011
Deferred purchase price payments for assets leased out	1,633	1,443
Employee-related liabilities	402	440
Miscellaneous other tax payables	181	234
Derivatives	66	98
Deferred income	26	42
Miscellaneous other liabilities	232	587
	2,540	**2,844**

Deferred purchase price payments for assets leased out originate from sales of commercial vehicles accounted for as operating leases because of a buyback obligation. The buyback obligation amounts to €752 million (previous year: €839 million) and is reported as a financial liability. See **notes (32)** and **(33)**.

Employee-related liabilities relate to wages, salaries, and social security contributions outstanding at the end of the reporting period, accrued vacation pay, and annual bonuses.

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

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2012	12/31/2011
Other noncurrent liabilities	1,106	951
Other current liabilities	1,434	1,893

Of the other noncurrent liabilities, €70 million (previous year: €63 million) is due in more than five years.

Other disclosures

29 Litigation/legal proceedings

Based on indications of irregularities in the course of the handover of four-stroke marine diesel engines by MAN Diesel & Turbo SE, MAN SE's Executive Board launched an investigation by MAN SE's Compliance function and external advisers in fiscal 2011. The investigation showed that it was possible to externally manipulate the technically calculated fuel consumption figures of 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 and is still ongoing. MAN is continuing to work together with the Public Prosecution Office to clarify the matter. See **notes (9)** and **(27)** for further information on provisions.

The investigations by the European Commission and the South Korean antitrust authorities into suspected possible antitrust violations in the commercial vehicles business launched in 2011 are still ongoing. MAN is continuing to cooperate in full with the antitrust authorities. In 2012, the European Commission dropped its investigations, also launched in 2011, into suspected possible antitrust violations in the engines business at MAN Truck & Bus and MAN Diesel & Turbo. The UK antitrust authorities (Office of Fair Trading) also dropped their investigations, launched in 2010, into suspected possible antitrust violations in the commercial vehicles business at MAN Truck & Bus and handed over to the European Commission for further processing in the context of the ongoing investigation mentioned above.

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

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

30 Contingent liabilities

€ million	12/31/2012	12/31/2011
Contingent liabilities under guarantees	131	184
Contingent liabilities under buyback guarantees	128	170

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 €121 million (previous year: €135 million). MAN's guarantees for Ferrostaal are largely covered by indemnities, depending on the origination date of the guarantee. See **note (6)** for further information.

Customer liabilities to financing companies that finance the purchase of the Group's products by third parties are covered by standard industry buyback guarantees. These relate to commercial vehicles and amount to €128 million (previous year: €170 million).

The contingent liabilities disclosed are generally measured in the maximum amount of any claim that may be asserted against MAN. Any recourse claims are not offset.

There are project-related risks for contract-based plant under construction at MAN Diesel & Turbo. Recognition of these risks will change in line with new information and increasing progress.

MAN Finance has proportionate additional payment obligations in the event of losses at an associate.

Purchase commitments for items of property, plant, and equipment amounted to €255 million at the end of the reporting period (previous year: €270 million).

31 Other financial obligations

Other financial obligations comprise rental and lease obligations. The future rental and lease obligations under operating leases are due as follows until expiration of the lease terms:

€ million	12/31/2012	12/31/2011
Investment leases		
Due within one year	29	30
Due between one and five years	43	46
Due after more than five years	3	5
	75	**81**
Rental and lease obligations		
Due within one year	102	106
Due between one and five years	289	263
Due after more than five years	418	402
	809	**771**

Rental and lease obligations contain the sale of leased vehicles and are partly offset by future income from subleases amounting to €5 million (previous year: €8 million).

32 Additional disclosures on financial instruments

The following section contains supplemental disclosures on the significance of financial instruments and on individual balance sheet and income statement line items relating to financial instruments.

The following table shows the carrying amounts, the measurement categories by class, the fair values, and the fair value hierarchy classifications under IFRS 7 as of December 31, 2012.

€ million	Carrying amount	Of which within the scope of IFRS 7	IAS 39 measurement category*	Fair value	Fair value hierarchy classification
Assets					
Financial investments	1,702	1,702	AfS	1,702	n/a
of which quoted in active markets	1,656	1,656	AfS	1,656	Level 1
of which other financial investments	46	46	AfS	46	n/a
Noncurrent and current financial services receivables	1,646	1,646	n/a	1,655	–
Other noncurrent and current assets	889	206		206	–
Other financial assets	206	206		206	–
Available for sale	7	7	AfS	7	n/a
At fair value through profit or loss	16	16	aFV	16	Level 2
Derivatives in hedging relationships	11	11	n/a	11	Level 2
Other assets	172	172	LaR	172	–
Assets not within the scope of IFRS 7	683	–	n/a	–	–
Trade receivables	2,141	2,141	LaR	2,141	–
Marketable securities	1	1	AfS	1	n/a
Cash and cash equivalents	1,366	1,366	LaR	1,366	–
Liabilities					
Noncurrent and current financial liabilities	5,299	5,299	OL	5,454	–
Other noncurrent and current liabilities	2,540	953		942	–
Other financial liabilities	953	953		942	–
At fair value through profit or loss	51	51	aFV	51	Level 2
Derivatives in hedging relationships	15	15	n/a	15	Level 2
Other liabilities	887	887	OL	876	–
Liabilities not within the scope of IFRS 7	1,587	–	n/a	–	–
Trade payables	2,006	2,006	OL	2,006	–

* AfS: available-for-sale financial assets;
LaR: loans and receivables;
aFV: at fair value through profit or loss;
OL: other financial liabilities measured at amortized cost;
n/a: not applicable.

The following table shows the carrying amounts, the measurement categories by class, the fair values, and the fair value hierarchy classifications under IFRS 7 as of December 31, 2011.

€ million	Carrying amount	Of which within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Fair value hierarchy classification
Assets					
Financial investments	1,251	1,251	AfS	1,251	n/a
of which quoted in active markets	1,193	1,193	AfS	1,193	Level 1
of which other financial investments	58	58	AfS	58	n/a
Noncurrent and current financial services receivables	1,485	1,485	n/a	1,487	–
Other noncurrent and current assets	822	242		242	–
Other financial assets	242	242		242	–
Available for sale	3	3	AfS	3	n/a
At fair value through profit or loss	35	35	aFV	35	Level 2
Derivatives in hedging relationships	32	32	n/a	32	Level 2
Other assets	172	172	LaR	172	–
Assets not within the scope of IFRS 7	580	–	n/a	–	–
Trade receivables	2,331	2,331	LaR	2,373	–
Marketable securities	1	1	AfS	1	n/a
Cash and cash equivalents	957	957	LaR	957	–
Liabilities					
Noncurrent and current financial liabilities	3,170	3,170	OL	3,312	–
Other noncurrent and current liabilities	2,844	1,408		1,378	–
Other financial liabilities	1,408	1,408		1,378	–
At fair value through profit or loss	65	65	aFV	65	Level 2
Derivatives in hedging relationships	33	33	n/a	33	Level 2
Other liabilities[2]	1,310	1,310	OL	1,280	–
Liabilities not within the scope of IFRS 7	1,436	–	n/a	–	–
Trade payables	2,324	2,324	OL	2,324	–

[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.
[2] Prior-period amount adjusted for buyback obligations in connection with customer payments not yet recognized as income. See **note (28).**

The cumulative carrying amounts of the financial instruments classified by IAS 39 measurement category are as follows:

IAS 39 measurement category*

	12/31/2012		12/31/2011	
€ million	Assets	Liabilities	Assets	Liabilities
AfS	1,710	–	1,255	–
aFV	16	51	35	65
LaR	3,679	–	3,460	–
OL	–	8,192	–	6,804

* 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.

Fair values were measured on the basis of the market prices available at the end of the reporting period or using the valuation techniques described in the following, and correspond to the prices at which one party would assume the rights and/or obligations under these financial instruments from another party 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, trade payables, and other financial liabilities mostly have short remaining maturities. For this reason, their carrying amounts at the end of the reporting periods are approximately the same as their fair values. In addition, an appropriate impairment loss is recognized for trade receivables if there are objective indications of impairment.

The fair value of finance lease receivables corresponds to the present value of the cash flows expected to be received for the assets, discounted using current interest rate parameters that reflect changes in market and counterparty-related conditions and expectations.

The fair values of listed bonds are based on the quoted prices at the end of the reporting period. The fair value of OTC bonds, fixed-rate bank borrowings, and other financial liabilities is measured as the present value of the cash flows expected to be required to settle the liabilities, discounted using standard market rates of interest for matching maturities.

Available-for-sale (AfS) financial assets include the investment in Scania. This investment has not been accounted for using the equity method since January 5, 2011, but as a financial investment see **note (18).** Initial recognition resulted in an earnings effect of €495 million in 2011; an impairment loss of €677 million was recognized on the investment in December 2011. The impairment loss on the investment was reversed in other comprehensive income, and the investment had a carrying amount of €1,656 million at the end of the reporting period (previous year: €1,193 million). If the share price had been 10% higher or lower at December 31, 2011, net income for the period would have been €119 million higher or lower. If the share price had been 10% higher or lower at December 31, 2012, equity would have been €166 million higher or lower. The remaining portion amounting to €54 million (previous year: €62 million) is attributable to investments and shares measured at cost. These are investments and shares of unlisted entities that were not measured using a discounted cash flow method because the related cash flows could not be reliably measured. No quoted market prices are available for the shares of unlisted entities as no active market exists for these shares. The Company currently has no intention to sell these shares.

Future cash flows are estimated using forward curves for derivative financial instruments without option components, which include currency forwards, commodity futures, interest rate swaps, and cross-currency swaps. The fair value of these instruments corresponds to the discounted cash flows. Options on currency pairs or interest rates are measured on the basis of standard option pricing models, i.e., generalized Black Scholes formulas.

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 (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In fiscal 2012 and 2011, there were no reclassifications between Level 1 and Level 2 in fair value measurement, and there were no reclassifications into or out of Level 3 in relation to fair value measurement.

Net gains and losses on financial instruments are presented in the following table:

€ million	2012	2011
Loans and receivables	–49	–47
Available-for-sale financial assets	63	–601
Financial liabilities at cost	2	–4
Financial assets and liabilities at fair value through profit or loss	8	–1

Net gains and losses on loans and receivables primarily contain changes in valuation allowances, income from payments received on loans and receivables written off, currency translation differences, and reversals of impairment losses.

Net gains and losses on available-for-sale financial assets relate to net income from investments and were negatively affected in the previous year by the €677 million impairment loss recognized on the investment in Scania in the fourth quarter of 2011. This was included in net losses for the category; see also **note (18)**.

Net gains and losses on financial liabilities measured at cost are principally composed of gains and losses from currency translation.

Net currency expenses on the items mentioned above amounted to €–1 million (previous year: €–12 million).

Net gains and losses on financial assets and liabilities at fair value through profit or loss contain changes in the fair value of derivative financial instruments for which hedge accounting is not used.

The interest income and expenses relating to financial assets and liabilities are as follows:

€ million	2012	2011
Interest income	212	275
Interest expenses	–281	–304

Interest income of €211 million (previous year: €275 million) and interest expenses of €254 million (previous year: €285 million) relate to items that are not measured at fair value through profit or loss. Interest income on impaired financial assets is insignificant because receipt of payment is expected in the short term in most cases.

33 Derivatives and hedging strategies

Because of the MAN Group's business activities and international focus, its assets, liabilities, and forecast transactions are exposed to market, credit, and liquidity risk. The MAN Group has in place a Group-wide risk management system to identify, quantify, and mitigate these risks.

MAN Group companies generally hedge their currency, interest rate, and commodity risks through MAN SE's Group Treasury on an arm's length basis using nonderivative and, primarily, derivative financial instruments. In countries whose exchange controls or regulatory provisions do not permit direct hedging by MAN SE – especially Brazil – currency, interest rate, and money market transactions are entered into by MAN SE on behalf of and for the account of the Group company concerned. Financial instruments are accounted for at the trade date.

The Group's risk positions are hedged externally by Group Treasury with banks within defined risk limits. Hedging transactions entered into adequately reflect the risk management requirements applicable to banks and are subject to rigorous oversight, which is ensured in particular by the strict separation of trading, settlement, and supervision functions.

The MAN Group's market risks are reported regularly to the Executive and Supervisory Boards. Compliance with the guidelines is reviewed by the Internal Audit function.

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 reals, and sterling. MAN SE was not exposed to any material currency risk due to the hedging transactions entered into for this exposure.

Cash flow hedges and (in exceptional cases) fair value hedges are used for hedge accounting.

In fiscal 2012, net gains of €2 million (previous year: net losses of €17 million) from cash flow hedges were recognized in other comprehensive income. In the course of the fiscal year, losses of €21 million (previous year: gains of €17 million) were reclassified from other comprehensive income to net income. Losses of €0.1 million (previous year: €1 million) were transferred from other comprehensive income to other operating expenses because of underlyings that did not reach the volume originally planned.

If the results of the retrospective effectiveness test applied to cash flow hedge accounting indicate that effectiveness is not 100% but within the effectiveness range of 80% to 125%, the resulting hedge ineffectiveness is recognized in other operating expenses and other operating income. For the past fiscal year, this related to total losses from hedge ineffectiveness of €772 thousand (previous year: gains of €563 thousand).

The maximum remaining term of cash flow hedges of forecast transactions was 32 months at the end of fiscal 2012. 38% (previous year: 31%) of the hedged forecast transactions are expected to occur and thus affect net income in the first quarter of 2013. A further 46% (previous year: 46%) of the forecast transactions are expected to be implemented by the end of 2013.

Losses on hedging instruments used in fair value hedges amounted to €13 million (previous year: €22 million). Gains on the related underlyings amounted to €13 million (previous year: €26 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, 2012:

	12/31/2012				12/31/2011			
€ million	Other comprehensive income		Net income for the period		Other comprehensive income		Net income for the period	
Exchange rate	+ 10%	– 10%	+ 10%	– 10%	+ 10%	– 10%	+ 10%	– 10%
Euro/Brazilian real	7	– 7	15	– 15	0	0	– 12	12
Euro/Danish krone	1	– 1	– 21	21	0	0	– 7	7
Brazilian real/U.S. dollar	21	– 21	– 1	1	– 30	30	– 2	2
Euro/sterling	15	– 15	4	– 4	15	– 15	3	– 3
Euro/Russian ruble	0	0	10	– 10	0	0	– 8	8
Euro/Swiss franc	3	– 3	– 12	12	4	– 4	– 8	8
Euro/U.S. dollar	8	– 8	0	0	16	– 16	18	– 18
Euro/Norwegian krone	3	– 3	1	– 1	1	– 1	0	0

b) Interest rate risk

The MAN Group is exposed to interest rate risk from interest rate-sensitive assets and liabilities. Most of the assets that are sensitive to interest rate movements result from the financial services activities of MAN Finance. The customer financing transactions of the MAN Finance companies, especially leases, are mainly entered into at fixed rates of interest. Interest rate-sensitive financial liabilities at the end of the reporting period related in particular to fixed- and variable-rate euro-denominated bond issues. There were also liabilities from asset-back securities, promissory note loans, bank borrowings, and other fixed and variable-rate financial liabilities.

Financial instruments that are sensitive to movements in interest rates are exposed to interest rate risk in the form of fair value risk or cash flow risk. Fair value risk is a measure of the sensitivity of the carrying amount of a financial instrument to changes in market rates of interest. Cash flow risk describes the exposure to variability in future interest payments in response to interest rate movements.

The goal of interest rate risk management is to largely eliminate the MAN Group's interest rate risk. Interest rate risk is captured, analyzed, and managed centrally in the MAN Group using sensitivity analyses. Group Treasury enters into hedges to mitigate risk resulting from nonderivative financial instruments and, in certain cases, for highly probable forecast customer transactions. Interest rate swaps, cross-currency swaps, and, in specific cases, swaptions, caps, and floors are used for hedging. The volumes and maturities are oriented on the redemption structure of the defined customer portfolios or of the financial liability, and on the target hedging level.

The sensitivity analyses are based on the following assumptions:

In the case of variable-rate nonderivative financial instruments, changes in market rates of interest affect future interest payments and have only a very limited impact on fair values. They are therefore included in the calculation of cash flow risk.

Fixed-rate nonderivative financial instruments measured at amortized cost are not exposed to any interest rate risk. At MAN, these include the fixed-rate bonds issued under the EMTN program and the promissory note loans. The interest rate risk of interest rate derivatives is analyzed and managed based on the measurement of the variable and fixed interest payments.

A 100 basis point (bp) parallel shift in the yield curve is assumed to calculate interest rate sensitivity. This would produce the following opportunities (positive values) and risks (negative values):

	12/31/2012		12/31/2011	
€ million	+ 100 bp	– 100 bp	+ 100 bp	– 100 bp
Variable-rate nonderivative financial instruments (cash flow risk)	– 12	+ 12	– 3	+ 3
Derivatives (fair value risk)	+ 21	– 21	+ 28	– 28

Any earnings effects of the interest rate sensitivity analysis would be recognized exclusively in net income for the period.

c) Commodity price risk

Changes in commodity prices cause volatility in MAN's costs, resulting in commodity price risks that cannot always be passed on to customers. MAN SE has increasingly entered into cash-settled commodity futures since fiscal 2011 to mitigate these risks.

The commodity risks are regularly captured centrally and hedged externally on the basis of defined risk limits, to the extent that there are liquid markets. There were no material concentrations of risk in the past fiscal year. Commodity futures had been entered into at the end of the reporting period to hedge commodity price risks relating to nonferrous metals, precious metals, and rubber with a fair value of €–0.1 million (previous year: €–1.5 million).

The maximum remaining term of hedges of forecast transactions was 11 months at the end of fiscal 2012. Hedge accounting is not used at present.

A hypothetical 10% increase/decrease in commodity prices is assumed, in line with the sensitivity analysis of currency risks. The potential effect on net income of the change in the fair value of the commodity futures is €+2 million (previous year: €+1 million) for +10% or €–2 million (previous year: €–1 million) for –10%, respectively.

d) Credit risk

The MAN Group is exposed to credit risk because of its business operations and certain financing and leasing activities.

From the MAN Group's perspective, credit risk entails the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the MAN Group. Credit risk comprises both the direct default risk and the risk of a deterioration in credit quality. The maximum credit risk is reflected by the carrying amount of the financial assets recognized in the balance sheet. See **note (32)**.

The following measures in particular are used to minimize credit risk and measure risk provisions:

Liquidity management and investment is handled by the central Cash Management function. This carefully selects the financial institutions and investment forms 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. In 2012, the payment terms in the contracts governing receivables amounting to €2 million (previous year: €2 million) were renegotiated. The remaining receivables are combined into groups of similar contracts and then tested for impairment, reflecting country-specific risks and any collateral received. The maximum default risk exposure for trade receivables is reduced by collateral of €290 million.

Credit risk from MAN Finance's financing and lease activities is monitored on the basis of the portfolio at risk. Customer credit quality is continuously monitored by assigning customers to a number of risk classes, based on information provided by the MAN Finance companies as well as on data provided by external providers. Nonrecourse factoring of parts of the receivables portfolio additionally limits the maximum credit risk. As a rule, additional collateral is provided by assignment of the financed vehicle as security, as well as by customer prepayments if appropriate.

The MAN Group recognizes adequate risk provisions for the credit risk from financing and leasing activities. If individual contracts are breached, measures are taken to renegotiate the existing contract terms in line with the customer's economic situation or to recover the financed asset. As of December 31, 2012, the payment terms for contracts with an outstanding volume of receivables of €56 million (previous year: €70 million) had been renegotiated. Contract terms are renegotiated only if the customer's liquidity problems are deemed by MAN Finance to be no more than temporary. Customer-specific risk provisions are recognized to reflect certain criteria. These provisions cover expected losses due to the uncollectibility of installments, potential realization losses from marketing the financed assets, as well as other expenses expected to be incurred if the contract is terminated prematurely. Measurement of the risk provision reflects the estimated fair value of the financed assets serving as collateral, as well as prepayments received and other collateral. In addition, risk provisions are recognized for the relevant MAN Finance company depending on certain indicators. The amount of these provisions is measured in particular on the basis of actual credit losses in the recent past.

The maximum default risk exposure for financial services receivables is reduced by the collateral of €991 million (previous year: €775 million) from the ability to realize vehicles covered by finance leases. Vehicles with a carrying amount of €15 million had been recovered at the reporting date.

There were no material concentrations of credit risk in the MAN Group in the past fiscal year.

Maturity overview of financial assets not individually impaired:

		12/31/2012			12/31/2011	
€ million	Trade receivables	Financial services receivables	Other financial assets	Trade receivables	Financial services receivables	Other financial assets
up to 30 days past due	241	11	–	284	13	–
31 – 90 days	123	11	–	126	10	–
91 – 180 days	56	9	–	65	2	–
181 days – 1 year	58	2	–	71	3	–
More than 1 year	89	1	0	58	7	–
Total financial assets past due but not individually impaired	567	34	0	604	35	0
Financial assets neither individually impaired nor past due	1,510	1,387	242	1,718	1,160	242
Carrying amounts of financial assets not individually impaired	2,077	1,421	242	2,322	1,195	242

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.

In the case of receivables and other financial assets that are neither individually impaired nor past due, there are no indications at the end of the reporting period that their credit quality 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.

Where allowed, 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.

For external financing purposes, the opportunities available on the financial market are tracked continuously to ensure the MAN Group's financial flexibility and limit inappropriate refinancing risks. Continuous access to the capital markets is a key element here. To enable this, MAN SE launched an EMTN program with a volume of up to €5 billion in 2009 that is continuously updated. At present, €3.320 billion has been utilized through bond issues. MAN SE has issued both publicly offered bonds with a fixed interest rate and, for the first time in 2012, privately placed notes with a variable interest rate, all of which are denominated in euros. The privately placed notes have a total volume of €570 million and mature between September 2013 and November 2014. The publicly offered bonds have a total volume of €2.75 billion and mature between May 2013 and March 2017. The MAN Group also has a syndicated variable-interest credit line in the amount of €1.5 billion (previous year: €1.5 billion), expiring in December 2015, that – just like the previous facility – has not been drawn down so far and is thus available as a liquidity reserve. There are also committed bilateral credit lines with financial institutions in the amount of €1.2 billion (previous year: €1.3 billion), of which €817 million (previous year: €575 million) has been utilized. More detailed information on existing short- and long-term external financing arrangements and further information on material agreements regarding a change of control can be found in **note (25).**

The liquid funds are mainly used to cover financing requirements for the leasing and sales financing business, as well as to finance working capital and capital expenditures. Management is informed regularly about cash inflows and outflows, as well as sources of finance.

The following table shows how the cash flows relating to liabilities, derivatives, and contingent liabilities affect the MAN Group's liquidity position.

Maturity overview [1]		**12/31/2012**			**12/31/2011**	
€ million	**2013**	**2014 – 2017**	**> 2017**	**2012**	**2013 – 2016**	**> 2016**
Cash outflows from nonderivative financial liabilities [2]	4,827	3,619	43	4,437	2,690	62
of which: financial liabilities	2,449	3,139	8	1,362	2,171	22
of which: trade payables	2,005	1	0	2,322	2	0
of which: other financial liabilities [3]	373	479	35	753	517	40
Cash outflows from derivatives with a negative fair value [2]	45	24	0	73	29	0
of which: settled gross [4]	14	2	0	37	12	0
of which: settled net	31	22	0	36	17	0
Potential cash flows from contingent liabilities [5]	259	0	0	354	0	0
of which: for contingent liabilities under guarantees	131	0	0	184	0	0
of which: for contingent liabilities under buyback guarantees	128	0	0	170	0	0

[1] The following methodology was applied in calculating the amounts:
– If no contractual maturity has been agreed, the liability refers to the earliest maturity date.
– Variable-rate interest payments reflect the conditions at the end of the reporting period.
– It is assumed that the cash outflows will not occur earlier than shown.

[2] In accordance with IFRS 7, only undiscounted cash flows from contractual interest rate and principal payments are shown.

[3] The undiscounted maximum cash flows from buyback obligations are recognized as a financial liability. The prior-year figures were adjusted accordingly.

[4] In the case of derivatives that are settled gross, not only the cash outflow, but also the cash inflow from the settlement of the derivative are included.

[5] Contingent liabilities under guarantees relate to guarantees issued for trade obligations. Contingent liabilities under standard industry buyback guarantees exist in respect of financing companies that finance the purchase of the Group's products by third parties. The maximum possible cash outflows are presented. The amounts are assumed to be due in the first year.

f) Classification of hedging instruments by type of hedge

The following table shows the fair values of hedging instruments. These relate mainly to currency forwards:

€ million	12/31/2012 with a positive fair value	12/31/2012 with a negative fair value	12/31/2011 with a positive fair value	12/31/2011 with a negative fair value
Fair value hedges	2	0	15	2
Cash flow hedges	9	15	17	31
	11	**15**	**32**	**33**

34 Share-based payment

Share-based payment for members of MAN SE's Executive Board and the directors and other beneficiaries of MAN companies was based on the MAN Stock Program (MSP) established in 2005. Under the MSP, the beneficiaries received taxable cash payments on condition that they use 50% of the payment amount to purchase MAN SE common shares. Purchase and safekeeping of the shares were undertaken centrally by MAN SE on behalf and for the account of the beneficiaries. The MSP participants may 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 may not be sold, pledged, or hedged. If the beneficiary retires or leaves the MAN Group for other reasons, the vesting period is reduced to one year from the date the beneficiary leaves 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.

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 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.

In fiscal 2011, the beneficiaries received a total of 11,805 MAN common shares under the MSP 2011 at an average price of €93.35. Payments for these shares amounted to €1,102 thousand. The part of the variable remuneration required to be used to purchase MAN common shares amounted to €326 thousand. Based on the closing price of €68.70 at December 31, 2011, this corresponded to 4,748 MAN common shares. The total expense from the MSP 2011 and the variable remuneration to be used for share purchases under the MSP was €2,600 thousand in fiscal 2011. Corresponding provisions were recognized as of December 31, 2011, for the share purchases in 2012.

In fiscal 2011, the Executive Board members received a total of 4,654 MAN common shares under the MSP 2011 at an average price of €93.35. Payments for these shares amounted to €434 thousand. The part of the variable remuneration required to be used to purchase MAN common shares for fiscal 2011 amounted to €326 thousand. Based on the closing price of €68.70 at December 31, 2011, this amount corresponded to 4,748 MAN common shares. The total expense from the MSP 2011 and the variable remuneration to be used for share purchases under the MSP was €1,522 thousand.

72,472 MAN SE shares were contingently granted in April 2010 under the stock program for managers (MSP M), which was launched in 2010. The Executive Board of MAN SE contingently grants managers shares of MAN SE on a discretionary basis, which they are eligible to receive at a later date without themselves making a significant additional contribution. The Executive Board of MAN SE decides each year whether to implement the MSP M and thus contingently grant shares of MAN SE. Implementation of the MSP M is usually linked to targets and conditions defined in advance by the Executive Board of MAN SE. At the end of a lock-up period, MAN SE transfers the granted shares of MAN SE to a securities account designated by the beneficiary. The lock-up period for granted shares is four years. No shares of MAN SE were granted under the MSP M in fiscal years 2012 and 2011. For the shares granted in April 2010, a cash settlement under terms still to be determined in fiscal 2013 was resolved in fiscal 2012. The number of shares granted as of December 31, 2012, was 63,612 shares with a fair value of €4.8 million. In fiscal 2012, the expense from the MSP M was €2.0 million (previous year: €0.8 million).

35 Related party disclosures

Related parties within the meaning of IAS 24 are persons or entities that can be influenced by MAN SE, that can exercise influence over MAN SE, or that are influenced by another related party of MAN SE.

Related parties from MAN's perspective as of December 31, 2012 are:

- 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 Board of Management and Supervisory Board of Volkswagen AG,
  - associates,
  - unconsolidated subsidiaries.

Volkswagen Aktiengesellschaft notified MAN SE on June 6, 2012, in accordance with section 21 (1) sentence 1 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 75% on June 6, 2012, and amounted to 75.03% at that time.

The volume of transactions with 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	12/31/2012	12/31/2011
Sales and services to		
Volkswagen AG and Porsche Stuttgart	4	4
subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	86	99
Purchases and services received from		
Volkswagen AG and Porsche Stuttgart	53	41
subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	28	5
Receivables from		
Volkswagen AG and Porsche Stuttgart	1	1
subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	62	5
Liabilities to		
Volkswagen AG and Porsche Stuttgart	25	36
subsidiaries and equity investments of Volkswagen AG that are not part of the MAN Group	45	6

Related party entities that are significant for the MAN Group are the associates and joint ventures with which it exchanges goods and services as part of normal business transactions. The following table shows the volume of such relationships:

€ million	12/31/2012	12/31/2011
Revenue	244	197
Other income	2	4
Purchased services	325	287
Receivables	37	60
Liabilities	59	41

€4 million (previous year: €6 million) of the Company's revenue relates to income received in connection with the licensing agreement with Sinotruk governing TGA truck technology, including engines, vehicle chassis, and axles. Any intercompany profits arising were eliminated. See **note (17)** for further information.

See **note (18)** for information on the exercise of the cash settlement right in connection with the call option on 1.5% of Scania's share capital and 2.8% of its outstanding voting rights acquired from Volkswagen AG in 2008.

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to **notes (36)** and **(37)** below.

36 Remuneration of the Executive Board

The remuneration of the members of the Executive Board was as follows:

€ thousand	2012	2011
Executive Board members in office as of December 31, 2012[1]		
Fixed remuneration	2,417	1,651
Variable cash bonus[2]	3,995	3,640
Pension expense	1,373	623
Former Executive Board members[3]		
Fixed remuneration	290	635
Variable cash bonus[2]	437	1,396
Pension expense	156	272
Total	**8,668**	**8,217**

[1] Dr. Georg Pachta-Reyhofen (Chief Executive Officer), Frank H. Lutz, Dr.-Ing. René Umlauft since September 1, 2011, Jochen Schumm since July 1, 2012, Ulf Berkenhagen since September 1, 2012.
[2] In fiscal 2011, variable cash bonus, variable stock bonus, and MSP; no share-based payment starting with fiscal 2012.
[3] Jörg Schwitalla until June 30, 2012; Klaus Stahlmann until February 21, 2011.

The fixed remuneration in fiscal 2011 includes a nonrecurring payment for Dr.-Ing. René Umlauft amounting to €180 thousand.

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 (€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. €4,408 thousand had already been paid in fiscal 2009 for Dr. jur. Matthias Mitscherlich and €604 thousand for the other three former Executive Board members who left in fiscal 2009. €2,930 thousand (2010: €7,142 thousand) was paid in 2011 in connection with these termination benefits. The payments in 2011 related to Prof. Dr. h.c. Karlheinz Hornung, Dipl.-Ökonom Anton Weinmann, and Klaus Stahlmann (2010: Dipl.-Ing. Håkan Samuelsson, Prof. Dr. h.c. Karlheinz Hornung, and Dipl.-Ökonom Anton Weinmann). €1,480 thousand was paid in fiscal 2012 for Klaus Stahlmann and Jörg Schwitalla. Corresponding provisions were recognized for the termination benefits granted in excess of this amount.

The present value of pension obligations as of December 31, 2012, to members of the Executive Board in office as of the end of the year amounted to €4,567 thousand (previous year: €4,269 thousand). The total pension expense amounted to €1,529 thousand in 2012 (previous year: €895 thousand), of which €1,067 thousand (previous year: €754 thousand) related to current service and €178 thousand (previous year: €141 thousand) to interest. This amount includes both the current service and the interest cost for Jörg Schwitalla in fiscal 2012 and Klaus Stahlmann in fiscal 2011 on a pro rata basis for the period until the date they left the Executive Board. The pension expense also includes the agreed amounts recharged for Jochen Schumm and Ulf Berkenhagen for pension obligations outside MAN. These recharged amounts were determined on a pro rata basis in line with their activity as Executive Board members.

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 €8,523 thousand as of December 31, 2012 (previous year: €3,065 thousand). A total of €47,955 thousand (previous year: €48,563 thousand) was recognized as of December 31, 2012, for provisions for pension obligations to former Executive Board members and their surviving dependents.

The members of the Executive Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on **page 182**, and more detailed information on the remuneration structure and its components is disclosed on **pages 66 ff.** of this Annual Report.

The individual remuneration of the members of the Executive Board is shown in the following table:

Executive Board remuneration 2012 (2011)

€ thousand	Fixed remuneration	Variable remuneration*	Pension expense	Total	No. of shares vested in fiscal 2011 under the MSPP
Executive Board members in office as of December 31, 2012					
Dr. Georg Pachta-Reyhofen (Chief Executive Officer)	776 (746)	1,176 (1,880)	491 (343)	**2,443** **(2,969)**	– (1,872)
Frank H. Lutz	582 (549)	874 (1,396)	323 (280)	**1,779** **(2,225)**	– (1,391)
Dr.-Ing. René Umlauft (since September 1, 2011)	550 (356)	826 (364)	275 (–)	**1,651** **(720)**	– (–)
Jochen Schumm (since July 1, 2012)	308 (–)	437 (–)	258 (–)	**1,003** **(–)**	– (–)
Ulf Berkenhagen since September 1, 2012)	201 (–)	682 (–)	26 (–)	**909** **(–)**	– (–)
Former Executive Board members					
Jörg Schwitalla (until June 30, 2012)	290 (553)	437 (1,396)	156 (255)	**883** **(2,204)**	– (1,391)
Klaus Stahlmann (until February 21, 2011)	– (82)	– (–)	– (17)	**–** **(99)**	– (–)
Total	**2,707** **(2,286)**	**4,432** **(5,036)**	**1,529** **(895)**	**8,668** **(8,217)**	**–** **(4,654)**

* In fiscal 2011, variable cash bonus, variable stock bonus, and MSP; no share-based payment starting with fiscal 2012.

The cost of the shares purchased in fiscal 2011 is contained in the amounts shown for variable remuneration.

37 Remuneration of the Supervisory Board

The components of the remuneration of the Supervisory Board are as follows:

€ thousand	2012	2011
Fixed remuneration	511	630
Variable remuneration	179	1,260
Remuneration for committee membership	210	245
Attendance fees	52	85
Total	**952**	**2,220**

The members of the Supervisory Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on **pages 180 f.**, and more detailed information on the remuneration structure and its components is disclosed on **page 69** of this Annual Report.

The individual remuneration of the active members of the Supervisory Board is shown in the following table:

Supervisory Board remuneration

€ thousand	Period of membership	Fixed remuneration	Variable remuneration	Remu-neration for committee membership	Attendance fees	Total 2012	Total 2011
Name							
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman	Full-year	70	25	35	0	130	245
Thomas Otto, Deputy Chairman*	Full-year	53	19	35	7	114	203
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz, Deputy Chairman	Full-year	53	19	35	5	112	200
Michael Behrendt	Full-year	35	12	35	7	89	147
Marek Berdychowski*	Full-year	35	12	0	3	50	109
Ulf Berkenhagen	until April 20, 2012	0	0	0	0	0	109
Dr. Matthias Bruse, LL.M.	until April 20, 2012	10	4	0	0	14	56
Detlef Dirks*	Full-year	35	12	0	3	50	109
Jürgen Dorn*	Full-year	35	12	35	7	89	150
Prof. Dr. rer. pol. Dr.-Ing. E.h. Jochem Heizmann	April 20, 2012 to Oct. 12, 2012	0	0	0	0	0	–
Jürgen Kerner*	Full-year	35	12	0	3	50	109
Dr. Thomas Kremer	until April 20, 2012	10	4	0	0	14	58
Gerhard Kreutzer*	Full-year	35	12	35	8	90	148
Wilfrid Loos*	Full-year	35	12	0	3	50	56
Dr. h.c. Leif Östling	since Oct.18, 2012	0	0	0	0	0	–
Angelika Pohlenz	Full-year	35	12	0	3	50	56
Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch	since April 20, 2012	0	0	0	0	0	–
Erich Schwarz*	Full-year	35	12	0	3	50	109
Rupert Stadler	Full-year	0	0	0	0	0	147
Prof. Dr. Dr. h.c. mult. Martin Winterkorn	since April 20, 2012	0	0	0	0	0	–
Members who left the Supervisory Board in 2011							209
Total 2012		**511**	**179**	**210**	**52**	**952**	**–**
Total 2011		**630**	**1,260**	**245**	**85**	**–**	**2,220**

* These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the German Confederation of Trade Unions (DGB).

The employee representatives on the Supervisory Board who are employed by MAN also receive their standard employee remuneration.

For their membership of supervisory boards of other companies in the MAN Group, Mr. Dirks received €4 thousand (previous year: €0 thousand), Mr. Dorn received €11 thousand (previous year: €11 thousand), Mr. Kerner received €4 thousand (previous year: €8 thousand), Mr. Kreutzer received €8 thousand (previous year: €8 thousand), Mr. Loos received €3 thousand (previous year: €3 thousand), Mr. Otto received €22 thousand (previous year: €22 thousand), and Mr. Stadler received €0 thousand (previous year: €21 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €20 thousand in the fiscal year (previous year: €22 thousand).

38 Corporate Governance Code

The Executive Board and Supervisory Board of MAN SE issued their annual declaration of conformity in accordance with section 161 of the AktG in December 2012. 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.

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

39 Events after the reporting period

On January 9, 2013, Volkswagen announced its intention to conclude a control and profit and loss transfer agreement with MAN SE to create an integrated commercial vehicles group.

40 Segment reporting

The activities of the MAN Group are classified into the following reportable segments: MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and the Renk industrial subsidiary. In order to make decisions about the allocation of resources and the assessment of performance, the results of these segments are regularly reviewed by MAN SE's Executive Board in its role as chief operating decision-maker. "Others/Consolidation and Reconciliation" mainly comprises MAN's Corporate Center. Companies with no operating activities and the investments in Scania, Sinotruk, and Roland are allocated to the Corporate Center.

Description of the reportable segments:
MAN Truck & Bus is a leading supplier of commercial vehicles and transportation solutions and is expanding from its core Western European market into the growth markets of Eastern Europe and Asia.

MAN Latin America is the largest truck manufacturer in Latin America. It 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)**.

The earnings measure used to assess the performance of a segment is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). To enhance the long-term assessment of operating activities, effects relating to tangible and intangible assets resulting from business combinations and acquisitions of equity-method investments are eliminated from operating profit. In individual cases, an adjustment is made for nonrecurring items, which represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business.

Segment assets and liabilities correspond to the total assets and liabilities of the individual business areas. "Net liquidity/net financial debt" is a financial control measure and is calculated as cash and cash equivalents, marketable securities and short-term loans to unconsolidated investees, less financial liabilities.

Segment financial information is presented in accordance with the disclosure and measurement policies applied to preparation of the consolidated financial statements. Revenues between the segments are transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to the intangible assets, property, plant, and equipment, and investees (excluding assets leased out) allocated to the individual divisions. See **"Financial control system and value management"** on **pages 41 f.** in the Group management report for information on the key performance indicator ROS.

The following table contains segment-related information and a reconciliation from operating profit to earnings before tax, and from net liquidity/net financial debt to free cash flow.

Segment information reporting period from January 1 to December 31 and as of December 31

	Commercial Vehicles					
	MAN Truck & Bus incl. MAN Finance		MAN Latin America		Commercial Vehicles[2]	
€ million	2012	2011	2012	2011	2012	2011
Segment order intake[1]	**9,150**	**9,514**	**2,870**	**3,579**	**12,020**	**13,093**
of which: Germany	2,756	3,167	1	–	2,757	3,167
of which: Other countries	6,394	6,347	2,869	3,579	9,263	9,926
Intersegment order intake	–130	–63	–15	–12	–145	–75
Group order intake	9,020	9,451	2,855	3,567	11,875	13,018
Segment revenue	**8,822**	**8,984**	**2,870**	**3,579**	**11,692**	**12,563**
of which: Germany	2,642	2,960	1	–	2,643	2,960
of which: Other countries	6,180	6,024	2,869	3,579	9,049	9,603
Intersegment revenue	–136	–55	–15	–12	–151	–67
Group revenue	8,686	8,929	2,855	3,567	11,541	12,496
Order backlog at December 31, 2012, and December 31, 2011	**2,122**	**2,289**	**–**	**–**	**2,122**	**2,289**
Total assets at December 31, 2012, and December 31, 2011	**11,197**	**9,588**	**3,046**	**3,435**	**14,243**	**13,023**
of which: inventories	1,558	1,608	551	711	2,109	2,319
of which: trade and financial services receivables	2,730	2,730	226	280	2,956	3,010
of which: cash and cash equivalents, marketable securities	817	112	348	316	1,165	428
Segment liabilities at December 31, 2012, and December 31, 2011	**8,608**	**7,159**	**1,567**	**1,826**	**10,175**	**8,985**
of which: trade payables	977	1,121	418	525	1,395	1,646
Operating profit/loss	**225**	**565**	**229**	**400**	**454**	**965**
Earnings effects from purchase price allocations	–12	–	–91	–99	–103	–99
Gains/losses from nonrecurring items	–41	111	–	–	–41	111
Earnings before interest and taxes (EBIT)	**172**	**676**	**138**	**301**	**310**	**977**
Net interest income/expense	–67	–19	–49	–8	–116	–27
Earnings before tax (EBT) of continuing operations	**105**	**657**	**89**	**293**	**194**	**950**
Earnings before interest, taxes, depreciation, and amortization (EBITDA) of continuing operations	**445**	**901**	**283**	**426**	**728**	**1,327**
of which: depreciation and amortization	–222	–221	–145	–125	–367	–346
of which: impairment losses	–51	–4	–	–	–51	–4
of which: reversals of impairment losses on equity-method investments	–	–	–	–	–	–
Net liquidity/net financial debt	**–2,842**	**–2,377**	**16**	**39**	**–2,826**	**–2,338**
Reconciliation to free cash flow	–2,309	–2,084	–5	85	–2,314	–1,999
Free cash flow	**–533**	**–293**	**21**	**–46**	**–512**	**–339**
of which: net cash provided by/used in operating activities	95	127	102	56	197	183
of which: net cash used in investing activities	–628	–420	–81	–102	–709	–522
Capital expenditures	**640**	**454**	**100**	**113**	**740**	**567**
Additional information by segment:						
Headcount including subcontracted employees at December 31, 2012 and December 31, 2011 (no.)	**34,879**	**34,239**	**1,937**	**1,915**	**36,816**	**36,154**
of which: Germany	20,474	20,492	–	–	20,474	20,492
of which: Other countries	14,405	13,747	1,937	1,915	16,342	15,662
Headcount at December 31, 2012, and December 31, 2011 (no.)	**34,294**	**33,297**	**1,937**	**1,915**	**36,231**	**35,212**
ROS (%)	2.6	6.3	8.0	11.2	3.9	7.7

[1] This supplementary information on order intake is reported on a voluntary basis and does not form part of the audited consolidated financial statements.
[2] Gross presentation excluding consolidation effects.
[3] Corporate Center: MAN SE, Shared Services, and holding companies.

Power Engineering						Others/Consolidation and Reconciliation						Group	
MAN Diesel & Turbo		Renk		Power Engineering[2]		Corporate Center[3]		Cons./ Reconcil.		Total			
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
3,510	**3,692**	**525**	**456**	**4,035**	**4,148**	**22**	**18**	**–188**	**–114**	**–166**	**–96**	**15,889**	**17,145**
335	344	176	150	511	494	21	18	–37	–33	–16	–15	3,252	3,646
3,175	3,348	349	306	3,524	3,654	1	–	–151	–81	–150	–81	12,637	13,499
–4	–4	–19	–22	–23	–26	–20	–13	188	114	168	101	–	–
3,506	3,688	506	434	4,012	4,122	2	5	–	–	2	5	15,889	17,145
3,780	**3,610**	**476**	**389**	**4,256**	**3,999**	**22**	**18**	**–198**	**–108**	**–176**	**–90**	**15,772**	**16,472**
381	425	165	146	546	571	21	18	–40	–34	–19	–16	3,170	3,515
3,399	3,185	311	243	3,710	3,428	1	–	–158	–74	–157	–74	12,602	12,957
–4	–3	–23	–24	–27	–27	–20	–14	198	108	178	94	–	–
3,776	3,607	453	365	4,229	3,972	2	4	–	–	2	4	15,772	16,472
3,367	**3,805**	**634**	**586**	**4,001**	**4,391**	**–**	**–**	**–29**	**–40**	**–29**	**–40**	**6,094**	**6,640**
3,834	**3,534**	**554**	**488**	**4,388**	**4,022**	**5,602**	**5,468**	**–4,315**	**–3,843**	**1,287**	**1,625**	**19,918**	**18,670**
1,110	1,075	164	145	1,274	1,220	–	–	–10	–26	–10	–26	3,373	3,513
826	799	85	83	911	882	2	2	–82	–78	–80	–76	3,787	3,816
1,046	869	125	98	1,171	967	2,828	3,163	–3,797	–3,600	–969	–437	1,367	958
2,547	**2,321**	**289**	**252**	**2,836**	**2,573**	**5,700**	**5,391**	**–4,412**	**–3,869**	**1,288**	**1,522**	**14,299**	**13,080**
631	692	40	43	671	735	14	10	–74	–67	–60	–57	2,006	2,324
437	**460**	**66**	**53**	**503**	**513**	**–7**	**5**	**14**	**0**	**7**	**5**	**964**	**1,483**
–	–	–	–	–	–	–7	–10	–	–	–7	–10	–110	–109
–	–65	–	–	–	–65	–190	–164	–	–	–190	–164	–231	–118
437	**395**	**66**	**53**	**503**	**448**	**–204**	**–169**	**14**	**0**	**–190**	**–169**	**623**	**1,256**
–3	6	–1	1	–4	7	–192	–114	–	–	–192	–114	–312	–134
434	**401**	**65**	**54**	**499**	**455**	**–396**	**–283**	**14**	**0**	**–382**	**–283**	**311**	**1,122**
519	**474**	**80**	**66**	**599**	**540**	**–4**	**493**	**6**	**0**	**2**	**493**	**1,329**	**2,360**
–82	–79	–14	–13	–96	–92	–9	–10	8	–	–1	–10	–464	–448
0	–	–	–	0	–	–191	–677	–	–	–191	–677	–242	–681
–	–	–	–	–	–	–	25	–	–	–	25	–	25
759	**837**	**124**	**103**	**883**	**940**	**–1,985**	**–814**	**–**	**–**	**–1,985**	**–814**	**–3,928**	**–2,212**
626	583	89	87	715	670	–1,065	–1,656	53	892	–1,012	–764	–2,611	–2,093
133	**254**	**35**	**16**	**168**	**270**	**–920**	**842**	**–53**	**–892**	**–973**	**–50**	**–1,317**	**–119**
291	344	66	40	357	384	–572	843	–66	–892	–638	–49	–84	518
–158	–90	–31	–24	–189	–114	–348	–1	13	–	–335	–1	–1,233	–637
164	**93**	**31**	**24**	**195**	**117**	**8**	**9**	**–14**	**–22**	**–6**	**–13**	**929**	**671**
14,863	**14,039**	**2,245**	**2,013**	**17,108**	**16,052**	**359**	**336**	**–**	**–**	**359**	**336**	**54,283**	**52,542**
7,614	7,518	2,069	1,844	9,683	9,362	356	333	–	–	356	333	30,513	30,187
7,249	6,521	176	169	7,425	6,690	3	3	–	–	3	3	23,770	22,355
13,728	**12,693**	**2,167**	**1,944**	**15,895**	**14,637**	**355**	**329**	**–**	**–**	**355**	**329**	**52,481**	**50,178**
11.6	12.7	13.8	13.6	11.8	12.8	–	–	–	–	–	–	6.1	9.0

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
2012				
Noncurrent assets (excl. financial instruments and deferred taxes) at December 31	3,581	2,788	1,818	**8,187**
Capital expenditures	520	128	281	**929**
Revenue[2]	3,170	5,897	6,705	**15,772**
Headcount at December 31 (no.)	29,360	16,552	6,569	**52,481**
Headcount including subcontracted employees at December 31 (no.)	30,513	16,864	6,906	**54,283**
2011				
Noncurrent assets (excl. financial instruments and deferred taxes) at December 31	3,194	2,539	1,723	**7,456**
Capital expenditures	488	75	108	**671**
Revenue[2]	3,515	5,908	7,049	**16,472**
Headcount at December 31 (no.)	28,589	16,604	4,985	**50,178**
Headcount including subcontracted employees at December 31 (no.)	30,187	17,060	5,295	**52,542**

[1] Detailed segment information relating to MAN Latin America is contained in the “Segment information” table.
[2] Allocation of revenue to the regions follows the destination principle.

List of shareholdings as of December 31, 2012

Name and domicile of the company	Equity interest
1. Consolidated companies with an exemption under section 264 (3) of the HGB and section 264b of the HGB	
MAN HR Services GmbH, Munich, Germany	100.00%
MAN Financial Services GmbH, Munich, Germany	100.00%
MAN Finance International GmbH, Munich, Germany	100.00%
MAN Versicherungsvermittlung GmbH, Munich, Germany	100.00%
MAN Beteiligungs GmbH, Munich, Germany	100.00%
MAN Vermietungs GmbH, Munich, Germany	100.00%
MAN Immobilien GmbH, Munich, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal, Germany	100.00%
MAN Ferrostaal Beteiligungs GmbH, Munich, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal, Germany	100.00%
MAN Leasing GmbH & Co. Epsilon KG, Munich, Germany	100.00%
MAN Truck & Bus AG, Munich, Germany	100.00%
MAN Truck & Bus Deutschland GmbH, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Beta KG, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Alpha KG, Munich, Germany	100.00%
MAN Service und Support GmbH, Munich, Germany	100.00%
MAN Logistik GmbH, Salzgitter, Germany	100.00%
Kosiga GmbH & Co. KG, Pullach i. Isartal, Germany	94.00%
NEOPLAN Bus GmbH, Plauen, Germany	100.00%
EURO-Leasing GmbH, Sittensen, Germany	100.00%
MAN GHH Immobilien GmbH, Oberhausen, Germany	100.00%
MAN Diesel & Turbo SE, Augsburg, Germany	100.00%
Rostock Diesel Service GmbH, Rostock, Germany	100.00%
MAN Grundstücksges.mbH & Co. Werk Deggendorf DWE KG, Deggendorf, Germany	100.00%
2. Other consolidated companies	
MAN Financial Services SpA, Dossobuono di Villafranca VR, Italy	100.00%
MAN Financial Services SAS, Evry Cedex, France	100.00%
MAN Financial Services España S.L., Coslada (Madrid), Spain	100.00%
MAN Financial Services Tüketici Finansmani A.S., Ankara, Turkey	99.99%
MAN Financial Services GesmbH, Eugendorf, Austria	100.00%
MAN Financial Services OOO, Moscow, Russian Federation	100.00%
MAN Financial Services Portugal, Unipessoal, Lda, Lisbon, Portugal	100.00%
MAN Credit società finanziaria S.r.l., Dossobuono di Villafranca VR, Italy	100.00%
MAN Financial Services Poland Sp. z o.o., Nadarzyn, Poland	100.00%
MAN Location & Services S.A.S., Evry Cedex, France	100.00%
Trucknology S.A., Luxembourg, Luxembourg	0.00%[1]
MANTAB Holdings Limited, London, UK	0.00%[1]
MANTAB Funding Limited, London, UK	0.00%[1]
MANTAB Assets Limited, London, UK	0.00%[1]
MANTAB Trucks Limited, London, UK	0.00%[1]
MAN Finance and Holding S.à r.l., Luxembourg, Luxembourg	100.00%
MAN Capital Corporation, New Jersey, 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 Verwaltungs-Gesellschaft mbH, Munich, Germany	100.00%
MAN Truck & Bus Licence GmbH, Grünwald, Germany	100.00%
MAN Truck & Bus Vertrieb Österreich AG, Vienna, Austria	100.00%
MAN Truck&Bus Mexico S.A. de C.V., El Marques, Mexico	100.00%
MAN Truck & Bus Asia Pacific Co., Ltd., Bangkok, Thailand	99.99%
MAN Bus Sp. z o.o., Tarnowo Podgórne, Poland	100.00%
MAN Truck & Bus (Korea) Limited, Seoul, South Korea	100.00%
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn, Poland	100.00%
MAN TRUCKS India Pvt. Ltd., Akurdi, India	100.00%
MAN ERF Ireland Properties Limited, Dublin, Ireland	100.00%

[1] Consolidated special purpose entity with an equity interest of 0.00%.

Name and domicile of the company	Equity interest
ERF Limited, Middlewich, UK	100.00%
MAN Iberia S.A.U., Coslada (Madrid), Spain	100.00%
MAN Truck & Bus Trading (China) Co., Ltd., Beijing, China	100.00%
Euro-Leasing A/S, Padborg, Denmark	100.00%
EURO-LEASING Sp. z o.o., Szczecin, Poland	100.00%
EURO-Leasing Hellas E.P.E. Thessaloniki, Greece	100.00%
Truck Rental Solutions Hungaria Kft., Budapest, Hungary	100.00%
Truck Rental Solutions Cesko, spol.sr.o., Prague, Czech Republic	100.00%
Truck Rental Solutions Slovensko, Spol.s.r.o., Dolná Poruba, Slovakia	100.00%
MAN Camions & Bus SAS, Evry Cedex, France	100.00%
Neoplan France SARL, Evry Cedex, France	100.00%
Neoman France Eurl, Noisy-le-Grand, France	100.00%
MAN Truck & Bus Denmark A/S, Glostrup, Denmark	100.00%
MAN Truck & Bus N.V., Kobbegem (Brussels), Belgium	100.00%
TOV MAN Truck & Bus Ukraine, Kiev, Ukraine	100.00%
MAN Truck & Bus Kazakhstan LLP, Almaty, Kazakhstan	100.00%
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg, South Africa	100.00%
MAN Truck & Bus (S.A.) (Pty.) Ltd., Johannesburg, South Africa	100.00%
Centurion Truck & Bus (Pty.) Ltd t/a, Centurion, South Africa	70.00%
MAN Bus & Coach (Pty.) Ltd., Olifantsfontein, South Africa	100.00%
MAN Nutzfahrzeuge Immobilien GesmbH, Vienna, Austria	100.00%
MAN Hellas Truck & Bus S.A., Peristeri-Athens, Greece	100.00%
MAN West-Vlaanderen N.V., Kobbegem (Brussels), Belgium	100.00%
MAN Engines & Components Inc., Pompano Beach, U.S.A.	100.00%
MAN Truck & Bus Schweiz AG, Otelfingen, Switzerland	100.00%
MAN Truck & Bus Italia SpA, Verona, Italy	100.00%
MAN Truck & Bus Iberia S.A.U., Coslada (Madrid), Spain	100.00%
MAN Truck & Bus UK Limited, Swindon (Wiltshire), UK	100.00%
MAN Truck & Bus Norge A/S, Lorenskog, Norway	100.00%
MAN Truck & Bus Österreich AG, Steyr, Austria	99.99%
MAN Truck & Bus Czech Republic s.r.o., Cestlice, Czech Republic	100.00%
MAN Truck & Bus Sverige AB, Kungens Kurva, Sweden	100.00%
MAN Truck & Bus Slovenija d.o.o., Ljubljana, Slovenia	100.00%
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100.00%
MAN Türkiye A.S., Akyurt Ankara, Turkey	99.99%
MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey	100.00%
MAN Truck & Bus Portugal S.U. Lda., Algés (Lisbon), Portugal	100.00%
IPECAS-Gestao de Imoveis S.A., Algés (Lisbon), Portugal	100.00%
MAN Truck & Bus Middle East and Africa FZE, Dubai, United Arab Emirates	100.00%
MAN Truck & Bus Slovakia, s.r.o., Bratislava, Slovakia	100.00%
MAN Truck and Bus RUS LLC, Moscow, Russian Federation	100.00%
OOO MAN Truck & Bus Production RUS, Saint Petersburg, Russian Federation	99.00%
MAN Financial Services plc, Swindon (Wiltshire), UK	100.00%
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	100.00%
MAN Diesel & Turbo Schweiz AG, Zurich, Switzerland	100.00%
MAN Diesel & Turbo South Africa (Pty.) Ltd., Elandsfontein, South Africa	100.00%
MAN Diesel & Turbo China Production Co. Ltd., Changzhou, China	100.00%
MAN Diesel & Turbo Australia Pty. Ltd., North Ryde, Australia	100.00%
MAN Diesel & Turbo UK Ltd., Stockport, UK	100.00%
MAN Diesel & Turbo India Ltd., Aurangabad, India	93.44%
MAN Diesel & Turbo Canada Ltd., Oakville, Canada	100.00%
MAN Diesel & Turbo Pakistan (Private) Limited, Lahore, Pakistan	100.00%
MAN Diesel & Turbo Operations Pakistan (Private) Ltd., Lahore, Pakistan	100.00%
MAN Diesel & Turbo España S.A.U., Madrid, Spain	100.00%
MAN Diesel & Turbo Brasil Limitada, Rio de Janeiro, Brazil	100.00%
MAN Diesel & Turbo France SAS, Villepinte, France	100.00%
MAN Diesel & Turbo Singapore Pte. Ltd., Singapore, Singapore	100.00%
MAN Diesel & Turbo Hong Kong Ltd., Hong Kong, China	100.00%
MAN Diesel & Turbo Hellas Ltd., Piraeus, Greece	100.00%
MAN Diesel & Turbo Benelux B.V., Schiedam, Netherlands	100.00%

Name and domicile of the company	Equity interest
MAN Diesel & Turbo Benelux N.V., Antwerp, Belgium	100.00%
MAN Diesel & Turbo North America Inc., Woodbridge, U.S.A.	100.00%
MAN Diesel & Turbo Korea Ltd., Pusan, 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%
MAN Diesel & Turbo Saudi Arabia LLC, Jeddah, Saudi Arabia	100.00%
Société de Mécanique de Précision de l'Aubois, Jouet, France	100.00%
MAN Diesel Shanghai Co. Ltd., Shanghai, China	100.00%
MECOS AG, Winterthur, Switzerland	100.00%
MAN Turbo India Pvt. Ltd., Baroda (Vadodara), India	100.00%
MAN Diesel & Turbo Shanghai Co., Ltd., Shanghai, China	100.00%
Gulf Turbo Services LLC, Doha, Qatar	55.00%
Renk Aktiengesellschaft, Augsburg, Germany	76.00%
RENK Corporation, Duncan, U.S.A.	100.00%
RENK-MAAG GmbH, Winterthur, Switzerland	100.00%
ADMOS-Gleitlager Produktions- und Vertriebsgesellschaft mbH, Berlin, Germany	100.00%
RENK Test System GmbH, Augsburg, Germany	100.00%
RENK LABECO Test Systems Corporation, Mooresville, U.S.A.	100.00%
RENK France SAS, Saint-Ouen-l'Aumône, France	100.00%
3. Unconsolidated companies (section 296 (2) of the HGB)	
MAN Grundstücksgesellschaft mbH, Oberhausen, Germany	100.00%
MAN IT Services GmbH, Munich, Germany	100.00%
MAN Unterstützungskasse GmbH, Munich, Germany	100.00%
MAN Erste Beteiligungs GmbH, Munich, Germany	100.00%
MAN Leasing GmbH & Co. Gamma KG, Munich, Germany	100.00%
MBC Mobile Bridges Corp., Houston, Texas, U.S.A. (inactive)	100.00%
MAN Personal Services GmbH, Dachau, Germany	100.00%
MAN Truck & Bus pvt. Ltd., Mumbai, India (inactive)	100.00%
MAN Truck & Bus (M) Sdn. Bhd., Rawang, Malaysia	70.00%
ERF (Holdings) plc, Swindon, UK (inactive)	100.00%
MAN Truck & Bus Singapore Pte. Ltd., Singapore, Singapore	100.00%
MAN Properties (Pinetown) (Pty.) Ltd., Pinetown, South Africa (inactive)	100.00%
MAN Properties (Midrand) (Pty.) Ltd., Midrand, South Africa (inactive)	100.00%
MAN Properties (Pty.) Ltd., Johannesburg, South Africa (inactive)	100.00%
LKW Komponenten s.r.o., Bánovce nad Bebravou, Slovakia	100.00%
MAN IT Services Österreich GesmbH, Steyr, Austria (inactive)	100.00%
Railway Mine & Plantation Equipment Ltd., London, UK (inactive)	100.00%
MAN Turbo (UK) Limited, London, UK	100.00%
RENK (UK) Ltd., London, UK (inactive)	100.00%
MAN Latin America Importacao, Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	100.00%
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Objekt Heilbronn KG, Oberhausen, Germany	100.00%
tcu Turbo Charger GmbH, Augsburg, Germany	100.00%
Aumonta GmbH, Augsburg, Germany	100.00%
MAN Diesel Turbochargers Shanghai Co. Ltd., Shanghai, China	100.00%
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	100.00%
MAN Diesel Electrical Services Ltd., Essex, UK (inactive)	100.00%
Ruston Diesels Ltd., Stockport, UK (inactive)	100.00%
MAN Diesel ve Turbo Satis Servis Limited Sirketi, Istanbul, Turkey	100.00%
MAN Diesel & Turbo Kenya Ltd., Nairobi, Kenya	100.00%
Metalock Denmark A/S, Copenhagen, Denmark	100.00%
MAN Diesel & Turbo Poland Sp. z o.o., Gdansk, Poland	100.00%
MAN Diesel & Turbo Sverige AB, Gothenburg, Sweden	100.00%
Caribbean Power Application, S.L., Madrid, Spain	100.00%
MAN Diesel & Turbo Italia S.r.l., Genoa, Italy	100.00%

Name and domicile of the company	Equity interest
MAN Diesel & Turbo Chile Limitada, Valparaíso, Chile	100.00%
MAN Diesel & Turbo Portugal, Unipessoal, Lda., Setúbal, Portugal	100.00%
MAN Diesel & Turbo Bulgaria EOOD, Varna, Bulgaria	100.00%
MAN Diesel & Turbo Costa Rica Limitada, San Jose, 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	96.00%
MAN Diesel & Turbo Panama Enterprises Inc., Panama City, Panama	100.00%
MAN Diesel & Turbo Russia Ltd., Moscow, Russian Federation	100.00%
MAN Diesel & Turbo Latvia SIA, Riga, Latvia (inactive)	100.00%
Centrales Diesel Export SAS, Villepinte, France	100.00%
MAN Diesel & Turbo Jordan Limited Liability Company, Aqaba, Jordan	100.00%
MAN Diesel & Turbo Philippines Inc., Manila, Philippines	100.00%
MAN Diesel & Turbo Canarias S.L., Las Palmas (Canary Island), Spain	100.00%
MAN Diesel & Turbo Guatemala Ltda., Guatemala City, Guatemala	100.00%
MAN Diesel & Turbo Qatar Navigation LLC, Doha, Qatar	49.00%
MAN Diesel & Turbo Argentina S.A., Buenos Aires, Argentina	100.00%
PT MAN Diesel & Turbo Indonesia, Jakarta, Indonesia	92.62%
MAN Diesel & Turbo Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	49.00%
COFICAL RENK Mancais do Brasil LTDA, Guaramirim, Brazil	98.00%
RENK Transmisyon Sanayi A.S., Istanbul, Turkey	55.00%
4. Other companies	
A. Equity-method investments	
A1. Associates	
Sinotruk (Hong Kong) Limited, Hong Kong, China	25.00%
Hörmann Automotive Gustavsburg GmbH, Gustavsburg, Germany	40.00%
OOO EURO-Leasing RUS, Ryazan, Russian Federation	60.00%
JV MAN AUTO – Uzbekistan Limited Liability Company, Samarkand City, Uzbekistan	49.00%
Rheinmetall MAN Military Vehicles GmbH, Munich, Germany	49.00%
Rheinmetall MAN Military Vehicles Österreich GesmbH, Vienna, Austria	49.00%
Atlas Power Ltd., Karachi, Pakistan	33.54%
A2. Joint ventures	
MAN Financial Services SA (Pty) Ltd, Johannesburg, South Africa	50.00%
Scania-MAN Administration ApS, Frederiksberg, Denmark	50.00%
B. Companies carried at cost	
Roland Holding GmbH, Munich, Germany	22.83%[2]
Scania AB, Södertälje, Sweden	13.35%[3]
Verwaltungsgesellschaft Wasseralfingen mbH, Aalen, Germany	50.00%
FFK Fahrzeugservice Förtsch GmbH, Kronach, Germany	30.00%
Coburger Nutzfahrzeuge Service GmbH, Coburg, Germany (inactive)	30.00%
Neoplan Ghana Ltd., Kumasi, Ghana	45.00%
PosernConnect GmbH, Sittensen, Germany	49.00%
Grundstücksverwaltungsgesellschaft EURO-Leasing GmbH, Matthias Hinners und Helge Richter GbR, Sittensen, Germany	50.00%
Scavino S.r.l., Alba, Italy	30.00%
MTC Marine Training Center Hamburg GmbH, Hamburg, Germany	24.80%
RENK U.A.E. LLC, Abu Dhabi, United Arab Emirates	49.00%

[2] Share of voting rights: 32.82%.
[3] Share of voting rights: 17.37%.

Governing Bodies

Members of the Supervisory Board and their appointments

Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch
Salzburg / Austria,
Supervisory Board Chairman
[1] Volkswagen AG (Chairman)
AUDI AG
Dr. Ing. h.c. F. Porsche AG
Porsche Automobil Holding SE
[3] Ducati Motor Holding S.p.A., Italy
Porsche Ges.m.b.H., Austria
Porsche Holding GmbH, Austria
Porsche Piëch Holding GmbH, Austria
Scania AB, Sweden
Scania CV AB, Sweden

Thomas Otto*
Ottweiler,
Executive Assistant to the Executive Board Chairman of Saarland Chamber of Employment
Deputy Chairman of the Supervisory Board
[1] MAN Diesel & Turbo SE
MAN Truck & Bus AG
MAN Truck & Bus Deutschland GmbH

Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h.c. Ekkehard D. Schulz
Krefeld,
Former Chief Executive Officer of ThyssenKrupp AG
Deputy Chairman of the Supervisory Board
[1] Bayer AG
RWE AG

Michael Behrendt
Hamburg,
Chief Executive Officer of Hapag-Lloyd AG
[1] Barmenia Allgemeine Versicherungs-AG (Deputy Chairman)
Barmenia Krankenversicherung a. G. (Deputy Chairman)
Barmenia Lebensversicherung a. G. (Deputy Chairman)
Esso Deutschland GmbH
ExxonMobil C. E. Holding GmbH
Hamburgische Staatsoper GmbH

Marek Berdychowski*
Tarnowo, Podgórne / Poland,
Deputy Chairman of the Metalowcy labor union and member of the Works Council at MAN Bus Sp.z o.o., Tarnowo plant, Podgórne

Ulf Berkenhagen
Wolfsburg,
Member of the Board of Management of AUDI AG
(Member of the Supervisory Board until April 20, 2012)
[2] quattro GmbH
[4] AUDI HUNGARIA MOTOR Kft., Hungary (Deputy Chairman)

Dr. Matthias Bruse, LL.M.
Munich,
Lawyer / Partner, P+P Pöllath + Partners
(Member of the Supervisory Board until April 20, 2012)
[1] Klöpfer & Königer GmbH & Co. KG
Surteco SE
Wacker Neuson SE

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)

Prof. Dr. rer. pol. Dr.-Ing. E. h. Jochem Heizmann
Wolfsburg,
Member of the Board of Management of Volkswagen AG
(Member of the Supervisory Board from April 20, 2012, to October 12, 2012)
[1] Lufthansa Technik AG
[4] Scania AB, Sweden
Scania CV AB, Sweden

Jürgen Kerner*
Frankfurt,
Executive Board Member of IG Metall
[1] Premium Aerotec GmbH
Siemens AG

Dr. jur. Thomas Kremer
Essen,
Executive Vice President of ThyssenKrupp AG
(Member of the Supervisory Board until April 20, 2012)
[2] Howaldtswerke-Deutsche Werft GmbH
ThyssenKrupp Elevator AG
ThyssenKrupp Marine Systems AG
ThyssenKrupp Stainless Zweite Beteiligungen AG (Chairman)
[4] ThyssenKrupp Italia S.p.A., Italy

Gerhard Kreutzer*
Oberhausen,
Deputy Chairman of the Group Works Council of MAN SE, as well as the SE Works Council
[1] MAN Diesel & Turbo SE

Wilfrid Loos*
Dortmund,
Chairman of the Works Council and Deputy Chairman of the Supervisory Board of MAN Truck & Bus Deutschland GmbH
[1] MAN Truck & Bus Deutschland GmbH (Deputy Chairman)

Dr. h. c. Leif Östling
Stockholm / Sweden,
Member of the Board of Management of Volkswagen AG
(Member of the Supervisory Board since October 18, 2012)
[2] MAN Truck & Bus AG
[3] Aktiebolaget SKF, Sweden (Chairman)
ISS A/S, Denmark (Deputy Chairman)
[4] Scania AB, Sweden
Scania CV AB, Sweden

Angelika Pohlenz
Wiesbaden,
Secretary General of the International Chamber of Commerce (ICC), Berlin

Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch
Wolfsburg,
Member of the Board of Management of Volkswagen AG and Member of the Executive Board of Porsche Automobil Holding SE
(Member of the Supervisory Board since April 20, 2012)
[1] Bertelsmann SE & Co. KGaA
[2] AUDI AG
Autostadt GmbH (Chairman)
Dr. Ing. h. c. F. Porsche AG
Volkswagen Financial Services AG (Chairman)
[4] Bentley Motors Ltd., United Kingdom
Porsche Austria Gesellschaft m.b.H., Austria (Deputy Chairman)
Porsche Holding GmbH, Austria (Deputy Chairman)
Porsche Retail GmbH, Austria (Deputy Chairman)
Scania AB, Sweden
Scania CV AB, Sweden
VfL Wolfsburg-Fußball GmbH (Deputy Chairman)
Volkswagen Group of America, Inc., U.S.A.
Volkswagen (China) Investment Company Ltd., China (Deputy Chairman)

Erich Schwarz*
Steyr / Austria,
Chairman of the Works Council of MAN Truck & Bus Österreich AG and Deputy Chairman of the SE Works Council
[3] MAN Truck & Bus Österreich AG, Austria

Prof. Rupert Stadler
Ingolstadt,
Chief Executive Officer of AUDI AG and Member of the Board of Management of Volkswagen AG
[1] FC Bayern München AG
[2] MAN Truck & Bus AG (Chairman)
[4] Automobili Lamborghini Holding S.p.A., Italy (Chairman)
Italdesign Giugiaro S.p.A., Italy
Porsche Holding GmbH, 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
(Member of the Supervisory Board since April 20, 2012)
[1] FC Bayern München AG
Salzgitter AG
[2] AUDI AG (Chairman)
Dr. Ing. h. c. F. Porsche AG
Porsche Holding Stuttgart GmbH
[4] Bentley Motors Ltd., United Kingdom
Italdesign Giugiaro S.p.A., Italy (Chairman)
Porsche Austria Gesellschaft m.b.H., Austria
Porsche Holding GmbH, Austria
Porsche Retail GmbH, Austria
Scania AB, Sweden (Chairman)
Scania CV AB, Sweden (Chairman)
SKODA AUTO a.s., Czech Republic
Volkswagen Group of America, Inc., U.S.A. (Chairman)
Volkswagen (China) Investment Company Ltd., China (Chairman)

* Elected by the workforce.
As of December 31, 2012, or date of departure.
[1] Membership of supervisory boards of German companies.
[2] Membership of supervisory boards of German companies, Group appointments.
[3] Membership of comparable German or foreign governing bodies.
[4] Membership of comparable German or foreign governing bodies, Group appointments.

Supervisory Board committees of MAN SE

Presiding Committee
Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Michael Behrendt
Jürgen Dorn
Gerhard Kreutzer
Thomas Otto
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Audit Committee
Prof. Rupert Stadler (Chairman)
Thomas Otto (Deputy Chairman)
Michael Behrendt
Jürgen Dorn
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
[1] Rheinmetall MAN Military Vehicles GmbH
[2] MAN Diesel & Turbo SE (Chairman)
MAN Truck & Bus AG
[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 (since September 1, 2012)
[2] MAN Diesel & Turbo SE

Frank H. Lutz
Munich,
Chief Financial Officer
[2] MAN Diesel & Turbo SE
MAN Pensionsfonds AG (Chairman)
MAN Truck & Bus AG
Renk Aktiengesellschaft (Chairman)
[3] Börse München
[4] MAN Capital Corporation, USA (Chairman)
MAN Latin America Indústria e Comércio de Veículos Ltda.

Jochen Schumm
Groß Schwülper,
Chief Human Resources Officer
Chief Human Resources Officer of MAN Truck & Bus AG (since July 1, 2012)
[2] MAN Diesel & Turbo SE
MAN Pensionsfonds AG
[4] MAN Latin America Indústria e Comércio de Veículos Ltda.

Jörg Schwitalla
Besigheim,
Chief Human Resources Officer (until June 30, 2012)
[2] MAN Pensionsfonds AG
MAN Truck & Bus AG
[3] Sinotruk (Hong Kong) Ltd.
[4] MAN Latin America Indústria e Comércio de Veículos Ltda.

Dr.-Ing. René Umlauft
Erlangen,
Deputy Member of the Executive Board
Chief Executive Officer of MAN Diesel & Turbo SE
[4] MAN Diesel & Turbo India Ltd. (Chairman)
MAN Diesel & Turbo Russia Ltd. (Chairman)

Executive and management boards of Group companies

MAN Truck & Bus AG
Munich
Anders Nielsen,
Chief Executive Officer (since September 1, 2012)
Dr. Georg Pachta-Reyhofen,
Chief Executive Officer (until August 31, 2012)
Jörg Astalosch
Ulf Berkenhagen (since September 1, 2012)
Dr. Frank Hiller
Dr. Carsten Intra (since April 1, 2012)
Dipl.-Ing. Bernd Maierhofer
Jochen Schumm (since June 2, 2012)
Dipl.-Ing. Lars Wrebo (until March 31, 2012)

MAN Latin America Indústria e Comércio de Veículos Ltda.
São Paulo
Antonio Roberto Cortes, Chairman
Helmut Dieter Hümmerich

MAN Diesel & Turbo SE
Augsburg
Dr.-Ing. René Umlauft, Chief Executive Officer
Dr.-Ing. Hans-O. Jeske
Arnd Löttgen (since September 1, 2012)
Dr. Peter Park
Dr.-Ing. Stephan Timmermann

Renk Aktiengesellschaft
Augsburg
Dipl.-Ing. (FH) Florian Hofbauer,
Spokesman of the Executive Board
Ulrich Sauter

As of December 31, 2012, or date of departure.
[1] Membership of supervisory boards of German companies.
[2] Membership of supervisory boards of German companies, Group appointments.
[3] Membership of comparable German or foreign governing bodies.
[4] Membership of comparable German or foreign governing bodies, Group appointments.

04/

Further Information

Unaudited Additional Information: Overview by Quarter (1/3)

	2012					2011				
€ million	Total 2012	Q4	Q3	Q2	Q1	Total 2011	Q4	Q3	Q2	Q1
Order intake by division										
MAN Truck & Bus	9,150	2,274	1,835	2,496	2,545	9,514	2,519	2,195	2,304	2,496
MAN Latin America	2 870	765	681	584	840	3,579	810	953	958	858
Commercial Vehicles	12,020	3,039	2,516	3,080	3,385	13,093	3,329	3,148	3,262	3,354
MAN Diesel & Turbo	3,510	906	911	784	909	3,692	824	847	1,041	980
Renk	525	121	123	147	134	456	86	108	137	125
Power Engineering	4,035	1,027	1,034	931	1,043	4,148	910	955	1,178	1,105
Others/Consolidation	– 166	– 29	– 26	– 51	– 60	– 96	– 31	– 7	– 29	– 29
Order intake	**15,889**	**4,037**	**3,524**	**3,960**	**4,368**	**17,145**	**4,208**	**4,096**	**4,411**	**4,430**
Commercial Vehicles order intake (units)	**136,339**	**34,689**	**26,962**	**34,256**	**40,432**	**156,551**	**39,608**	**36,924**	**39,831**	**40,188**
of which: MAN Truck & Bus	80,034	19,812	14,093	22,708	23,421	84,449	22,639	18,264	20,753	22,793
of which: MAN Latin America	56,305	14,877	12,869	11,548	17,011	72,102	16,969	18,660	19,078	17,395
Intersegment order intake[2]	– 1,839									
Group order intake	134,500									
Revenue by division										
of which: MAN Truck & Bus	8,822	2,263	2,187	2,290	2,082	8,984	2,564	2,158	2,295	1,967
of which: MAN Latin America	2,870	765	681	584	840	3,579	810	953	958	858
Commercial Vehicles	11,692	3,028	2,868	2,874	2,922	12,563	3,374	3,111	3,253	2,825
MAN Diesel & Turbo	3,780	1,059	949	916	856	3,610	1,001	862	916	831
Renk	476	135	126	110	105	389	124	86	96	83
Power Engineering	4,256	1,194	1,075	1,026	961	3,999	1,125	948	1,012	914
Others/Consolidation	– 176	– 32	– 55	– 51	– 38	– 90	– 27	– 25	– 23	– 15
Revenue	**15,772**	**4,190**	**3,888**	**3,849**	**3,845**	**16,472**	**4,472**	**4,034**	**4,242**	**3,724**
Commercial Vehicles unit sales (units)	**136,271**	**34,984**	**32,904**	**33,381**	**35,002**	**155,520**	**40,636**	**39,208**	**40,405**	**35,271**
of which: MAN Truck & Bus	79,966	20,107	20,035	21,833	17,991	83,418	23,667	20,548	21,327	17,876
of which: MAN Latin America	56,305	14,877	12,869	11,548	17,011	72,102	16,969	18,660	19,078	17,395
Intersegment sales[2]	– 2,026									
Group sales	134,245									
Order backlog*	**6,094**	**6,094**	**6,489**	**7,101**	**7,105**	**6,640**	**6,640**	**7,477**	**7,642**	**7,551**
Commercial Vehicles production (units)	**125,977**	**30,499**	**32,918**	**32,436**	**30,124**	**168,308**	**40,924**	**43,379**	**44,700**	**39,305**
of which: MAN Truck & Bus	78,133	17,874	19,304	20,337	20,618	85,107	19,170	20,785	23,810	21,342
of which: MAN Latin America	47,844	12,625	13,614	12,099	9,506	83,201	21,754	22,594	20,890	17,963
Intersegment production[2]	– 1,673									
Group production	124,304									

[1] As of the reporting date.
[2] Disclosed starting in fiscal 2012; consolidation effects in previous periods were immaterial.
This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Unaudited Additional Information: Overview by Quarter (2/3)

	2012					2011				
€ million	Total 2012	Q4	Q3	Q2	Q1	Total 2011	Q4	Q3	Q2	Q1
Operating profit/loss by division										
MAN Truck & Bus	225	93	51	14	67	565	174	117	177	97
MAN Latin America	229	54	45	50	80	400	97	102	102	99
Commercial Vehicles	454	147	96	64	147	965	271	219	279	196
MAN Diesel & Turbo	437	144	81	103	109	460	120	110	120	110
Renk	66	16	23	13	14	53	19	9	13	12
Power Engineering	503	160	104	116	123	513	139	119	133	122
Others/Consolidation	7	1	–15	38	–17	5	–10	–17	25	7
Operating profit	**964**	**308**	**185**	**218**	**253**	**1,483**	**400**	**321**	**437**	**325**
Earnings effects from purchase price allocations	–110	–33	–26	–23	–28	–109	–24	–28	–25	–32
Gains/losses from nonrecurring items	–231	–41	–	–190	–	–118	–613	–	–	495
Earnings before interest and taxes (EBIT)	**623**	**234**	**159**	**5**	**225**	**1,256**	**–237**	**293**	**412**	**788**
Depreciation, amortization, and impairment losses	706	172	118	304	112	1,129	791	113	116	109
Reversals of impairment losses on equity-method investments	–	–	–	–	–	–25	–25	–	–	–
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**1,329**	**406**	**277**	**309**	**337**	**2,360**	**529**	**406**	**528**	**897**
Earnings before tax (EBT)	**311**	**127**	**114**	**–117**	**187**	**1,122**	**–301**	**269**	**391**	**763**
Income taxes	–122	–39	–53	28	–58	–434	–36	–98	–102	–198
Loss from discontinued operations, net of tax	–	–	–	–	–	–441	–441	–	–	–
Net income/loss	**189**	**88**	**61**	**–89**	**129**	**247**	**–778**	**171**	**289**	**565**
ROS (%)	**6.1**	**7.4**	**4.8**	**5.7**	**6.6**	**9.0**	**8.9**	**8.0**	**10.3**	**8.7**
MAN Truck & Bus	2.6	4.1	2.3	0.6	3.2	6.3	6.8	5.4	7.7	4.9
MAN Latin America	8.0	7.1	6.6	8.6	9.5	11.2	12.0	10.7	10.6	11.5
Commercial Vehicles	3.9	4.9	3.3	2.2	5.0	7.7	8.0	7.0	8.6	6.9
MAN Diesel & Turbo	11.6	13.6	8.6	11.2	12.8	12.7	12.0	12.8	13.1	13.2
Renk	13.8	11.7	18.4	11.7	13.5	13.6	14.9	10.8	13.7	14.2
Power Engineering	11.8	13.4	9.7	11.2	12.9	12.8	12.3	12.6	13.2	13.3
Cash earnings	980	328	160	270	222	1,094	74	279	469	272
Net cash provided by operating activities	–84	662	–262	–379	–105	518	361	13	125	19
Net cash used in investing activities	–1,233	–258	–164	–157	–654	–637	–259	–141	–171	–66
Free cash flow	**–1,317**	**404**	**–426**	**–536**	**–759**	**–119**	**102**	**–128**	**–46**	**–47**
Net financial debt [1]	**–3,928**	**–3,928**	**–4,309**	**–3,853**	**–3,016**	**–2,212**	**–2,212**	**–2,324**	**–2,164**	**–1,833**

[1] 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 (3/3)

	2012					2011				
€ million	Total 2012	Q4	Q3	Q2	Q1	Total 2011	Q4	Q3	Q2	Q1
ROCE (%)	**13.9**	**17.1**	**10.2**	**12.5**	**16.0**	**24.4**	**27.8**	**20.9**	**27.7**	**21.4**
ROE (%)[2]	**5.5**	**9.2**	**8.5**	**–8.2**	**12.8**	**11.3**	**–52.6**	**17.9**	**24.7**	**49.6**
Headcount[1,3]	**54,283**	**54,283**	**54,970**	**55,235**	**54,802**	**52,542**	**52,542**	**53,284**	**52,255**	**50,215**
of which: subcontracted employees	1,802	1,802	2,038	2,402	2,388	2,364	2,364	3,003	3,166	3,021
Capital markets information										
Earnings per share from continuing operations (in €)	**1.20**	**0.57**	**0.39**	**–0.62**	**0.86**	**4.62**	**–2.29**	**1.13**	**1.95**	**3.83**
Earnings/loss per share from continuing operations excl. effects from purchase price allocations and nonrecurring items (in €)	**3.31**	**1.03**	**0.51**	**0.77**	**1.00**	**5.78**	**1.44**	**1.32**	**1.89**	**1.13**
MAN share price[4]										
High	102.45	82.53	83.77	102.45	99.83	98.72	68.70	95.30	98.72	93.07
Low	70.76	72.22	70.76	76.98	72.42	52.51	52.81	52.51	87.60	78.68
Quarter-end	80.75	80.75	71.25	80.54	99.83	68.70	68.70	58.39	91.96	88.00
MAN share performance (%)										
Performance of MAN shares[5]	17.5	13.3	–11.5	–19.3	45.3	–22.8	–22.8	–34.4	3.3	–1.1
Dax® performance[5]	29.1	5.5	12.5	–7.6	17.8	–14.7	–14.7	–20.4	6.7	1.8

[1] As of the reporting date.
[2] ROE including earnings effects of discontinued operations.
[3] Including subcontracted employees.
[4] Xetra closing prices, Frankfurt.
[5] Cumulative compared with prior-year closing price.
This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, January 30, 2013

MAN SE

The Executive Board

Dr. Georg Pachta-Reyhofen **Frank H. Lutz**

Jochen Schumm **Dr.-Ing. René Umlauft** **Ulf Berkenhagen**

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, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position, and suitably presents the opportunities and risks of future development.

Munich, January 30, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Jan Konerding
Wirtschaftsprüfer

Petra Justenhoven
Wirtschaftsprüferin

Glossary

Capital employed (CE)
The MAN Group's CE is derived from the capital side. It comprises the Group's total equity, pension provisions, and financial liabilities, less marketable securities, cash and cash equivalents, and the financing business (leasing) not covered by the equity of MAN Finance. The divisions' CE is derived from the asset side. For the Industrial Business it comprises total assets excluding certain liquid assets and tax assets, less all provisions and liabilities with the exception of financial liabilities, pension provisions, and income taxes. Effects from acquisitions relating to finite-lived tangible and intangible assets are also eliminated when calculating CE. Prepayments received are only deducted if they have already been used in order processing.

Cash earnings
Cash earnings reflect the net cash provided by or used in operating activities. They are the net amount of operating profit, interest, taxes (excl. deferred taxes), depreciation, amortization, impairment losses and reversals of impairment losses, and other noncash income and expense.

Committee of Sponsoring Organizations of the Treadway Commission (COSO)
Internationally recognized framework for enterprise risk management and internal control.

Compliance
Adherence to statutory provisions, internal corporate policies, and ethical principles.

Contractual trust arrangement (CTA)
Trust arrangement for funding pension provisions under which a company assigns assets to an autonomous and legally independent trustee as security that it will meet its pension funding obligations.

Derivatives/derivative financial instruments
Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e.g., stocks, foreign currency, interest-bearing securities).

Equity method
Method of including investments that are not consolidated in the investor's consolidated financial statements in cases where the investor has significant influence over the investment's financial and operating policy decisions. The carrying amount of the investment is adjusted for any changes in the investor's share of the investment's equity. These changes are usually reported in the owner's income statement.

Equity ratio
Indicates the ratio of total equity to total capital.

Equity-to-assets ratio
Indicates the extent to which noncurrent assets (intangible assets, property, plant, and equipment, and investments) are covered by equity.

European Medium Term Notes (EMTN) Program
Framework agreement between companies and traders of notes, which enables companies to issue securities in the European capital market to procure external capital within a very short period of time.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow reflects the funds generated by a company during the fiscal year.

Functional expenses
Functional expenses comprise the cost of goods sold and services rendered, selling expenses, and general and administrative expenses.

International Financial Reporting Standards (IFRSs)
Internationally applicable accounting standards that are designed to ensure comparability of financial accounting and reporting. They are issued by the International Accounting Standards Board (IASB), an international private body. IFRSs also comprise those International Accounting Standards (IASs) that are still effective.

Net liquidity / net financial debt

Net liquidity/net financial debt is a financial control measure comprising cash and cash equivalents, short-term loans to unconsolidated investments, and marketable securities, less financial liabilities.

Other comprehensive income (OCI)

OCI is a separate category within total equity. It comprises gains and losses that are recognized in the balance sheet but not in the income statement, in particular from the fair value measurement of marketable securities and hedges (marking to market) and changes in actuarial gains and losses on pensions, after adjustment for deferred taxes.

Operating profit

Earnings measure for calculating ROS and thus for assessing and measuring the performance of MAN Group divisions. As a rule, it corresponds to earnings before interest and taxes (EBIT). An adjustment is made for earnings effects from purchase price allocation and, in individual cases, for nonrecurring items. These items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business.

Operating profit = EBIT ± Nonrecurring items + Earnings effects of purchase price allocation

Option

Agreement under which the purchaser is entitled, but not obligated, to acquire (call option) or sell (put option) the underlying asset at a future date for a predefined price. By contrast, the seller of the option is obligated to sell or purchase the asset and usually receives a premium for granting the option rights.

Percentage of completion (PoC) method

Revenue and profit recognition method that is based on the stage of completion in accordance with IAS 11. This method is applicable to dedicated construction contracts for which the total revenue, total costs, and stage of completion can be reliably determined. Earnings contributions are recognized in accordance with the stage of completion even if the contract has not yet been completed in full and invoiced to the customer.

Projected unit credit method

Method used to measure pension obligations in accordance with IAS 19 that reflects expected future pay and pension increases in addition to the vested pension rights and entitlements existing at the end of the reporting period.

Rating

Assessment of a company's creditworthiness issued by independent rating agencies on the basis of a thorough analysis. Ratings are expressed by means of rating classes, which are defined differently by individual rating agencies.

Return on capital employed (ROCE)

Ratio of operating profit to annual average capital employed.

$$ROCE = \frac{\text{Operating profit}}{CE}$$

Return on equity (ROE)

Ratio of earnings before tax to annual average equity.

$$ROE = \frac{\text{Earnings before tax}}{\text{Annual average MAN Group equity}}$$

Return on sales (ROS)

Ratio of operating profit to revenue.

$$ROS = \frac{\text{Operating profit}}{\text{Revenue}}$$

Swap

Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

Syndicated credit line

Committed credit line granted by a banking syndicate.

Weighted average cost of capital (WACC)

For management purposes, the MAN Group's WACC is fixed for the long term at 10% before tax.

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Financial Diary

Financial diary (expected dates)*	
Report on Q1/2013	April 26, 2013
Annual General Meeting for fiscal 2012	June 6, 2013
Half-yearly report 2013	July 30, 2013
Report on Q3/2012	October 29, 2013

* The latest information can be found on MAN's website at
→ www.man.eu/ir

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In the event of discrepancies between the German language version
and any translation thereof, the German language version will prevail.

MAN Group: Seven-Year Overview

€ million	2012	2011	2010	2009	2008	2007	2006
Order intake	**15,889**	**17,145**	**15,072**	**9,860**	**14,033**	**17,818**	**16,567**
of which: Germany	3,252	3,646	3,489	2,388	3,306	4,549	4,151
of which: Other countries	12,637	13,499	11,583	7,472	10,727	13,269	12,416
Order intake by division							
MAN Truck & Bus	9,150	9,514	8,023	5,224	9,130	12,684	10,103
MAN Latin America	2,870	3,579	3,140	1,412	–	–	–
MAN Diesel & Turbo	3,510	3,692	3,475	2,936	4,515	4,825	4,117
Renk	525	456	525	294	443	439	417
Others/Consolidation	–166	–96	–91	–6	–55	–130	1,930
Revenue	**15,772**	**16,472**	**14,675**	**12,026**	**14,945**	**14,063**	**13,049**
of which: Germany	3,170	3,515	3,058	2,751	3,704	4,073	3,394
of which: Other countries	12,602	12,957	11,617	9,275	11,241	9,990	9,655
Revenue by division							
MAN Truck & Bus	8,822	8,984	7,446	6,395	10,610	10,410	8,685
MAN Latin America	2,870	3,579	3,140	1,412	–	–	–
MAN Diesel & Turbo	3,780	3,610	3,766	3,796	3,870	3,286	2,709
Renk	476	389	403	474	527	430	356
Others/Consolidation	–176	–90	–80	–51	–62	–63	1,299
Order backlog[1]	**6,094**	**6,640**	**7,025**	**7,422**	**10,416**	**12,335**	**11,298**
of which: Germany	1,067	1,172	1,264	1,107	1,626	2,331	1,820
of which: Other countries	5,027	5,468	5,761	6,315	8,790	10,004	9,478
Headcount including subcontracted employees[1]	**54,283**	**52,542**	**47,669**	**47,743**	**51,321**	**50,399**	**53,715**
of which: Companies within Germany	30,513	30,187	27,354	26,768	28,753	28,963	31,368
of which: Companies outside Germany	23,770	22,355	20,315	20,975	22,568	21,436	22,347
Subcontracted employees[1]	**1,802**	**2,364**	**1,976**	**1,643**	**2,197**	**3,519**	**3,425**
Headcount[1]	**52,481**	**50,178**	**45,693**	**46,100**	**49,124**	**46,880**	**50,290**
Annual average headcount	**52,499**	**48,986**	**45,885**	**47,365**	**48,787**	**47,128**	**49,994**
MAN share data							
Common shares (in €)[1]	80.75	68.70	88.99	54.44	38.72	113.80	68.46
Common shares, high (in €)	102.45	98.72	96.44	61.23	110.91	123.73	74.00
Common shares, low (in €)	70.76	52.51	47.99	30.31	27.78	68.46	44.36
Common shares, price/earnings ratio[1,2]	67.3	14.9	16.8	–	5.0	15.7	13.6
Preferred shares (in €)	75.50	48.35	58.21	41.00	43.05	108.65	63.35
Preferred shares, high (in €)	85.51	69.94	62.24	49.95	110.00	117.39	69.78
Preferred shares, low (in €)	50.54	37.02	38.02	35.45	32.56	62.69	40.35
Preferred shares, price/earnings ratio[1,2]	62.9	10.5	11.0	–	5.5	14.9	12.5
Dividend per share (in €)	1.00	2.30	2.00	0.25	2.00	3.15	2.00
Earnings per share (IAS 33) (in €)[2]	1.20	4.62	5.30	–2.69	7.76	7.27	5.05
Cash earnings per share (in €)	6.57	7.36	5.46	2.52	10.43	10.52	6.40
Equity per share (in €)	38.10	39.40	37.60	35.50	35.70	30.30	22.90

Information on comparability:
The Others data includes Industrial Services up to 2006.
[1] Number at December 31.
[2] For continuing operations.

€ million	2012	2011	2010	2009	2008	2007	2006
Noncurrent assets[1]	11,752	10,623	10,046	8,661	6,010	6,891	6,998
Inventories	3,373	3,513	2,852	3,037	3,275	3,279	3,032
Other current assets[1]	3,426	3,576	3,462	3,561	7,140	4,471	4,054
Marketable securities and cash and cash equivalents	1,367	958	1,071	636	105	1,520	1,162
Equity	5,619	5,590	5,990	5,129	5,396	5,177	3,779
Pension obligations	591	378	226	160	74	132	946
Noncurrent and current financial liabilities	5,299	3,170	2,849	3,270	1,736	1,967	2,108
Prepayments received	908	823	762	913	1,099	2,031	1,557
Other liabilities and provisions	7,501	8,709	7,604	6,423	8,225	6,854	6,856
Total assets/total capital	**19,918**	**18,670**	**17,431**	**15,895**	**16,530**	**16,161**	**15,246**
Revenue	**15,772**	**16,472**	**14,675**	**12,026**	**14,945**	**14,063**	**13,049**
Cost of goods sold and services rendered[2]	– 12,499	– 12,791	– 11,400	– 9,455	– 11,243	– 10,722	– 10,161
Gross margin	**3,273**	**3,681**	**3,275**	**2,571**	**3,702**	**3,341**	**2,888**
Other income and expenses[3]	– 2,309	– 2,198	– 2,240	– 2,067	– 1,973	– 1,790	– 1,783
Operating profit[4]	**964**	**1,483**	**1,035**	**504**	**1,729**	**1,551**	**1,105**
Earnings effects from purchase price allocations	– 110	– 109	– 109	– 62	–	–	–
Gains/losses from nonrecurring items	– 231	– 118	357	– 656	– 106	183	–
Net interest income/expense	– 312	– 134	– 158	– 117	20	– 55	– 82
Earnings before tax (EBT)	**311**	**1,122**	**1,125**	**– 331**	**1,643**	**1,679**	**1,023**
Income taxes	– 122	– 434	– 338	– 53	– 488	– 600	– 273
Income/loss from discontinued operations, net of tax	–	– 441	– 65	126	92	146	175
Net income/loss	**189**	**247**	**722**	**– 258**	**1,247**	**1,225**	**925**
Noncontrolling interests	– 12	– 9	– 9	– 12	– 14	– 9	– 7
Withdrawals from/transfer to reserves	– 30	100	– 419	307	– 939	– 753	– 624
Total dividend paid by MAN SE	**147**	**338**	**294**	**37**	**294**	**463**	**294**
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**1,329**	**2,360**	**1,393**	**590**	**1,947**	**2,131**	**1,433**
Depreciation, amortization, and impairment of noncurrent assets	– 706	– 1,129	– 467	– 804	– 324	– 397	– 328
Reversals of impairment losses on equity-method investments	–	25	357	–	–	–	–
Earnings before interest and taxes (EBIT)	**623**	**1,256**	**1,283**	**– 214**	**1,623**	**1,734**	**1,105**
Capital expenditures and financing							
Property, plant, and equipment, and intangible assets	754	601	391	366	603	459	446
Investments	175	70	5	1,937	270	259	1,214
Research and development expenditures	830	740	626	504	493	433	396
Cash earnings	980	1,094	815	396	1,619	1,661	963
Net cash provided by operating activities	– 84	518	1,427	1,462	137	2,109	777
Net cash used in investing activities	– 1,233	– 637	– 374	– 2,584	– 707	– 426	– 1,329
Free cash flow	– 1,317	– 119	1,053	– 1,122	– 570	1,683	– 552
Key performance indicators							
ROS (%)	6.1	9.0	7.1	4.2	11.6	11.0	8.5
ROCE (%)[5]	13.9	24.4	17.4	8.8	40.2	31.9	28.0

Information on comparability:
The data includes Industrial Services up to 2006.
[1] Change in presentation of finance lease receivables from 2009.
[2] 2008 figure after reclassification of € – 61 million (2007: € – 35 million) of cost of goods sold and services rendered to gains/losses from nonrecurring items.
[3] Including net interest income of Financial Services.
[4] Printing Systems and Steel Trade reported as discontinued operations from 2006 and Industrial Services reported as discontinued operations from 2007.
[5] CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made in 2009).

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