REPORT ON RISKS AND OPPORTUNITIES

(INCLUDES REPORT IN ACCORDANCE WITH SECTION 289 (4) OF THE HGB)

Managing risks and opportunities is an integral part of corporate management and business processes. In 2019, the focus will be on market risk.

Company-wide risk management system

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

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

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

Due to the sale of Power Engineering effective the end of December 31, 2018, the related operating risks are no longer part of the MAN Group's risk profile. As a result, risks in the two-stroke engine business in the market risk field, risks from long-term customer contracts in the product risk field, and risks from long-term construction contracts in the process risk field are no longer included.

Risk management organization

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

Organizational structure

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

Opportunity and risk management processes and standard GRC process

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

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

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

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

Reporting

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

Accounting-related risk management and internal control system

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

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

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

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

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

The 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 with existing regulations that are aimed at reducing process-related and organizational risks at all levels of the MAN Group.

Opportunities and risks

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

Markets

In the medium to long term, the MAN Group sees opportunities for all divisions to achieve profitable growth in the transportation markets. The underlying global economic trends are expected to continue. In particular, these include continued, albeit moderate, economic growth, value chains based on an international division of labor, and the resulting high level of global transportation volumes. MAN continuously works on leveraging these market opportunities worldwide as part of its strategy.

In our view, volatility on the financial markets, increasing protectionist tendencies, and structural deficits are the main risks to the continued growth of the global economy. They pose a threat to growth in some advanced economies and emerging economies. The transition from an expansionary to a more restrictive monetary policy worldwide also harbors risks in the overall economic environment. Private and public sector debt remain high in many places; this hinders growth prospects and can trigger negative market reactions. Declining growth in key countries and regions often has an immediate impact on the state of the global economy and therefore poses a central risk. In particular, the United Kingdom's departure from the EU in a "no-deal" Brexit and other trade policy measures such as tariffs would have a negative impact.

Economic growth in some emerging economies is overshadowed, in particular, by dependence on energy and commodity prices and capital imports, as well as by socio-political tensions. Corruption, inadequate government structures, and a lack of legal certainty also give rise to risks.

Geopolitical tensions and conflicts are another significant risk factor for the growth of individual economies and regions. Local trends can also impact the global economy due to the high level of interconnection. An escalation of the conflicts in Eastern Europe, the Middle East, or in Africa could distort the energy and commodity markets around the world and intensify migration trends, for example. Additional economic strain could result from an intensification of the situation in East Asia. The same applies to armed conflicts, terrorist activities, or the spread of infectious diseases, which could lead to unexpected market reactions in the short term.

Overall, we do not expect a global recession in 2019. Due to the risk factors listed, however, the possibility of a decline in global economic growth or a period of below-average growth rates cannot be ruled out.

Forming part of the capital goods industry, MAN is additionally exposed to fluctuations in the investment climate. Even small changes to growth rates, growth forecasts, and government investment incentives can lead to significant changes in the demand for capital goods in the markets relevant for the MAN Group, or orders being canceled. Among other things, 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 sales risks. Structural adjustments may involve substantial nonrecurring expenses.

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

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

Changes in legislation, taxes, or customs duties, or in environmental regulations in individual countries may also entail risks to MAN. MAN continuously monitors and assesses the economic, political, legal, and social environment so that the resulting opportunities and risks can be promptly incorporated into corporate decisions.

Products

As a leading supplier of advanced technology, it is the MAN Group's mission to develop and launch technologically superior and highly cost-effective products that are of outstanding quality. Abandoning this mission would pose an unjustifiable risk to MAN's market position. During the product development phase, there is a considerable risk that budgeted costs will be exceeded. 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. One example of this is MAN Truck & Bus's electrification strategy. The company presented a concept study of the CitE, a fully electric delivery truck for inner-city distribution transportation, at the IAA Commercial Vehicles trade show in Hanover in September 2018. MAN Truck & Bus also delivered the first electric trucks to nine partners of the Austrian Council for Sustainable Logistics for practical testing.

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. This can lead to increased expenses.

Starting in 2019, manufacturers of heavy-duty trucks in the European Union must meet new requirements for CO_2 measurement and monitoring. This also includes reporting CO_2 emissions to EU authorities by means of a standardized methodology called VECTO (Vehicle Energy Consumption Calculation Tool). In addition, in May 2018 the European Commission published a draft proposal to reduce CO_2 emissions for heavy-duty trucks with a gross vehicle weight of more than 16 tons. The draft proposes a two-stage reduction in greenhouse gas emissions in order to reach the targets set out in the Paris climate agreement. Based on the emission figures from 2019, the aim is to reduce emissions for heavy-duty trucks over 16 tons by 15% up to 2025 and by 30% up to 2030. The current proposal also contains penalty payments if the limits are exceeded. In November 2018, the European Parliament further tightened the Commission's proposal and increased the CO_2 reduction targets to 20% by 2025 and 35% by 2030. The position of the Environment Council, consisting of the EU environment ministers, issued at the end of December 2018 largely follows the Commission's proposal, especially with regard to the reduction targets of 15% by 2025 and 30% by 2030. There will be further negotiations in early 2019 between the European Council, the European Parliament, and the European Commission as part of the trialogue procedure before the details of the CO_2 rules for heavy-duty trucks are finalized. MAN Truck & Bus already started to plan its product portfolio for the future in order to be able to react to the corresponding thresholds. Examples include the electrification of city buses and trucks for distribution transportation as well as the development of other options to cut carbon emissions across the entire fleet by optimizing conventional drive types, developing fuel-saving components, and zero-emission vehicles.

Products that have already been launched pose a risk in relation to the product quality expected by customers. Substandard quality may result in manufacturer's guarantee, statutory warranty, and ex gratia repair costs as well as the loss of market share or lower product margins. In extreme cases, product liability and compensation claims may be made. The MAN Group starts to identify and limit these risks right from the product gestation stage. A standardized product gestation process (PGP) ensures that only properly functioning and reliable product concepts move on to the next stage of development. Nevertheless, quality risks and unplanned cost overruns may arise in the course of new product startups. 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 establishments.

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

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

At MAN Truck & Bus, buyback obligations pose a risk if the amount obtainable from the future sale of a used vehicle in the market changes significantly from expectations at the time the contract was concluded. In cases where guarantees or guarantee obligations form an integral part of the customer contracts, there is a risk that an unjustified claim will be made. This risk is combated by formulating contracts carefully.

Processes

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

The MAN Group is involved in various legal disputes and legal proceedings in connection with its Group-wide business activities. These give rise to risks, some of them considerable. In each case, MAN reviews the legal situation, with the support of external legal advisers as appropriate, to defend itself against unjustified claims or assert its own claims. See "Litigation" for further details.

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

When the General Data Protection Regulation (GDPR) took effect, the requirements for processing personal data and documenting how personal data is handled grew massively. MAN tackles these challenges with the help of its established and further reinforced data protection organization, an integrated data protection management system, as well as concrete GDPR implementation projects that also entail comprehensive communication and training measures. Despite corresponding precautions and control measures, however, it cannot be fully ruled out in the area of data protection that misconduct by individual employees or external attacks lead to data protection breaches. There is also a risk that, following inspections by data protection supervisory authorities, it will be necessary to implement improvements or that individual companies of the MAN Group will be fined.

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

Employees

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

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

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

MAN is actively monitoring the changes in the workplace and any new technical expertise requirements resulting from the digitalization of working processes. The first new offerings for employees have already been developed for this purpose. For example, the MAN Future Lab offers the employees a holistic approach to an innovative working world.

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

Finances

Because of its business activities and international nature, the MAN Group is exposed to considerable market, liquidity, and credit risk. It manages these risks — which also represent opportunities due to market fluctuations — using a Group-wide financial risk management system. Risks also result from changes in value recognized in profit or loss from investees and pension obligations.

Market risk comprises currency, interest rate, and commodity price risk. If MAN companies carry out transactions in a currency other than their functional currency, they are exposed to currency risk. The MAN Group therefore largely hedges currency risk arising from contracts, receivables, and liabilities, and partly hedges currency risk arising from forecast transactions. The inclusion of subsidiaries or associates in countries outside the eurozone in the consolidated financial statements represents a risk as a result of currency translation. As a general rule, MAN does not use derivatives to hedge these translation risks. Interest rate risk results from interest rate-sensitive assets and liabilities. The goal of interest rate risk management is to largely reduce these risks through the use of derivative financial instruments. Furthermore, the manufacture of the MAN Group's products requires commodities. Price trends on the commodity markets or price escalation clauses in supplier contracts may entail commodity price risks. These risks are managed through long-term supplier contracts, price escalation clauses in customer contracts, and targeted commodity price hedging in the banking market.

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

The MAN Group is also exposed to credit risk. 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 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.

Further information on market, liquidity, and credit risk management can be found in note (35) in the Notes to the Consolidated Financial Statements.

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

Further information can be found in note (17) in the Notes to the Consolidated Financial Statements.

In order to reduce the financial risks inherent in defined benefit pension plans, and in some cases as a result of legal regulations, the MAN Group's defined benefit obligations are largely funded through pension plan assets that are ring-fenced from its business assets. Further information can be found in note (26) in the Notes to the Consolidated Financial Statements.

The MAN Group's planning is based on the assumptions made by the MAN Group's management. These assumptions relate to business developments or other external factors that are difficult to predict or cannot be influenced by MAN, as well as measures, some of which still have to be implemented. There is therefore a risk that the planning assumptions may be incomplete or incorrect, and that a variance between the planned and actual outcome may arise. Opportunities for MAN could materialize if actual developments differ from expected developments in a positive way.

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

Due to the sale of Power Engineering effective December 31, 2018, the related operating risks are no longer part of the MAN Group's risk profile. As a result, risks in the two-stroke engine business in the market risk field, risks from long-term customer contracts in the product risk field, and risks from long-term construction contracts in the process risk field are no longer included.

As in the previous year, market risk continues to outweigh the other risk fields in the short-term risks. There have been no significant changes to the overall risk position. There has been no change in the relative importance of the individual risk fields compared with the previous year. As in the previous year, the market risks are risks in margin and unit sales development, as well as uncertainty in the relevant markets. Among financial risks, future currency developments are also an area of significant uncertainty, as in the previous year. In the same way as in the previous year, product-related risks primarily include excess costs in product and new product development. Also as in the previous year, the main process-related risks arise from legal disputes. As before, risks in the employee risk field are of minor significance. The opportunities identified may be able to only partially offset the risks. With regard to the risks reported on in the MAN Group's GRC Board, the Executive Board is convinced that there are no major risks in the divisions that are not covered individually or overall by the projected operating profit on the basis of the net assessment performed. This also applies to risks for which a higher gross impact was calculated since risk mitigation measures were taken for these or their probability of occurrence was assumed to be low.

On the basis of the risk management system established by the MAN Group, the Executive Board has determined that, at the present time, there are no identifiable risks that could have a material and long-term adverse effect on the net assets, financial position, and results of operations of the MAN Group. The risk management system introduced by the Group and the related organizational measures allow the Executive Board to identify risks rapidly and initiate appropriate measures. Given the uncertainty surrounding developments in some areas, activities in 2019 will continue to focus on market risk management.

Litigation/legal proceedings

In 2011, the European Commission launched an antitrust investigation into suspected antitrust violations in the European commercial vehicles business and sent MAN and all other commercial vehicle manufacturers affected the statement of objections in November 2014, informing them of the allegations brought forward against them. With its settlement decision in July 2016, the European Commission imposed penalties on five European commercial vehicle manufacturers for "collusive arrangements on pricing and gross price increases in the European Economic Area [...] and the timing and the passing on of the costs for the introduction of emission technologies for medium and heavy trucks required by EURO 3 to 6 standards" from January 17, 1997, through January 18, 2011 (for MAN: until September 20, 2010). MAN's fine was waived in full because it had notified the European Commission about the irregularities as a whistleblower.

A number of direct or indirect customers who purchased or leased trucks have initiated or joined court proceedings, inter alia, against one or more MAN companies, which are addressees of the 2016 decision and/or other MAN Group companies, in various jurisdictions. As is the case in any antitrust proceedings, further lawsuits for damages may follow.

These proceedings vary considerably in scope: while some plaintiffs may have only purchased a single truck, other cases concern a multitude of trucks. Other customers may have assigned claims to so-called claim vehicles which "bundle" possible damages claims of various customers into a single claim, or may have joined a claim as co-plaintiffs. The vast majority of proceedings are still in the early stage.

In three proceedings, the Regional Court of Hanover rendered "judgments on the merits of the claim" (*Grundurteile*) without resolving the issue of whether any damages were, in fact, sustained. In all three cases, the MAN defendant has appealed the judgments to the competent Higher Regional Court (*Oberlandesgericht*) Celle. Most recently, the Regional Court of Dortmund dismissed a claim against MAN for lack of substantiation for the alleged damages claims.

Outside of Germany, proceedings for purported damages in relation to the Trucks case have been initiated against MAN, inter alia, in Austria, Belgium, France, Hungary, Ireland, Italy, Northern Ireland, Norway, and Spain. By way of example, a number of proceedings of claim vehicles, combining purported damages claims of numerous customers who assigned their claims to the respective claim vehicle, are currently pending in the Netherlands. Furthermore and apart from a small number of individual claims, there are two applications for certification of class actions in England: one by the Road Haulage Association, which was addressed, inter alia, against MAN, and one by UK Trucks Claim Limited, which had not been addressed against MAN, but in which MAN has intervened. In either case, the classes have not yet been certified. Another application for certification of a class action against the five addressees of the 2016 decision as well as Scania is currently pending in Israel before the District Court of Lod. Again, the class has not yet been certified.

In Spain, six claims have been dismissed or the proceedings have been abandoned or closed. None of these decisions have been appealed in substance for now. In Hungary, four judgments have been passed dismissing the respective claims of clients due to lack of jurisdiction of the Hungarian court. All four decisions have been overturned by the second instance court. In Norway, the Oslo District Court confirmed its jurisdiction to hear the claims of Norwegian claimants against all five addressees of the 2016 decision. All truck manufacturers appealed this decision.

In Belgium, the Commercial Court of Ghent has rendered a judgment on the merits by which it rejects liability of Belgian MAN Truck & Bus N.V. for conduct in connection with the Trucks case, but in principle accepts liability of MAN SE. The court has commissioned an expert to assess if, and to what extent, the conduct may have caused damages to the plaintiff. The judgment is appealable.

The Brazilian tax authorities initiated tax proceedings against MAN Latin America with regard to the assessment of the tax effects of the acquisition structure chosen in 2009 for MAN Latin America. In December 2017, an administrative court ruled against MAN Latin America following an appeal. MAN Latin America took legal action against this ruling by recourse to regular courts in 2018. Because of the potential range of punitive surcharges plus interest that may be applied under Brazilian law, the best estimate of the risk in the event that the tax authorities are successful in asserting their position entails a degree of uncertainty. Nevertheless, a positive outcome is still expected for MAN Latin America. In the event of an adverse outcome, the risk for the total contested period starting in 2009 could be approximately €683 million. This assessment is based on the accumulated amounts at the reporting date for the claimed tax liability including the potential expected punitive surcharges, as well as accumulated interest, but excluding any future interest, and without discounting any cash flows.

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. At the present time, the MAN Group does not expect these proceedings to have any material adverse effect on its net assets, financial position, and results of operations.