Annual Report 2015
Fast Forward

Leadership in Filtration

MANN+HUMMEL

We always like to be an idea ahead. And we succeed in doing so time and again, because we know the market so well and understand its dynamics. Everything is constantly in motion. And that's the way we like it. Because we love to make things happen – and make them happen fast. Nothing has changed our "Fast Forward" attitude over the last 75 years. Without it, "Leadership in Filtration" would be impossible.

Key figures[1]

EUR million	2015	2014
Sales	**3,042**	2,780
Operating profit or loss (EBIT)	**135**	150
as % of sales	4.5%	5.4%
Net profit or loss before income tax	**82**	132
as % of sales	2.7%	4.8%
Consolidated net income	**33**	99
as % of sales	1.1%	3.5%
Free cash flow	**102**	34
as % of sales	3.3%	1.2%
Total assets	**3,768**	2,434
Shareholders' equity	**948**	881
as % of total assets	25.2%	36.2%
Depreciation of tangible assets	**91**	79
Investments in tangible assets	**140**	141
Value added per employee	**84 kEUR**	79 kEUR
Average number of employees	**16,607**	15,868

1 All figures are rounded. This may lead to minor discrepancies when totaling sums and when determining percentages.

Content

MANN+HUMMEL.
At a glance.

At MANN+HUMMEL everything is constantly in motion – we are set to "Fast Forward". MANN+HUMMEL is however far more than the sum of its parts. Because it is only the combination of experience, innovation and teamwork that creates the particular dynamism that sets MANN+HUMMEL apart around the world and makes it so unique.

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Business Units

- Automotive Original Equipment
- Automotive Aftermarket
- Industrial Filtration
- Water Filtration

3,042

Sales (in millions of euros)

Employees
Development (worldwide)

9,420	**12,745**	**16,607**
2005	2010	2015

Patent applications
2015

Top 50

of the DPMA*

Excellent innovator and active patent applicant

In 2015, MANN+HUMMEL proved its innovative strength once again. With patent applications submitted for more than 166 inventions in 2015, the company was an industry leader and consolidated its position as technological leader in filtration.

*German Patent and Trademark Office

EBIT
2015

135 million euros

EBIT = Earnings Before Interest and Tax

Products
2015

73,000

In 2015, more than 16,600 employees developed, produced and sold around 73,000 different products worldwide. Our employees are constantly working on developing new, and on improving existing, products.

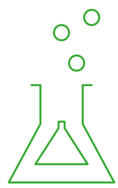
Sales growth by region
in euros

2010	Region	2015
1,324,918,790.67	**Europe** + 22.1 %	1,617,775,295.93
421,644,126.47	**America** + 88.1 %	793,109,803.36
353,400,464.03	**Asia** + 72.1 %	608,266,697.90
7,443,023.14	**Rest of the world** + 205 %	22,763,708.37

Locations
Development (worldwide)

38 in 2005 **41** in 2010 **68** in 2015

R&D
in %



Use of 4 % of sales revenue in research and development
Over 1,000 employees work for the MANN+HUMMEL Group worldwide in R&D on the provision of innovative filtration solutions and filtration products.

Foreword

Alfred Weber
President & Chief Executive Officer

Dear Partners,
dear employees and friends of MANN+HUMMEL,

The EU Commission presented an update to its World Economic Outlook of October 2015 in mid-January 2016. According to this, the global economy has grown by 3.1 percent in 2015 year on year, the lowest figure since the crisis year of 2009.

Admittedly, I had also expected more from the economic conditions in 2015. Despite the difficult conditions, all 16,600 colleagues did their utmost to continue MANN+HUMMEL's success in 2015. I wish to thank you all for this commitment.
Overall, 2015 was a slightly better year for the automotive industry than had been expected in December. The Chinese market recovered at year-end and closed the year with a strong rise. Brazil and Russia continued to slide, while India remained stable. The automotive sector was bolstered by the mature markets in the US and Western Europe.

Performance of global machine construction was significantly weaker: this sector only experienced very weak growth, if any. Due to reduced investment activities and, unfortunately, also due to the many crisis regions around the world, the VDMA expects production in machine construction to stagnate. The sector expects zero growth and points to the drastic slowdown in growth in China, the number one in global machine construction.

In the 2015 fiscal year, we generated sales of more than three billion euros for the first time. The result is weakened by special expenses for restructuring our production plants in Germany and Brazil and for the acquisition of the Affinia Group. We will not achieve the previous-year level. These effects are understandable, but are pushing our return on sales to below the target value of six percent. The results are not satisfactory.

In 2015, we addressed the challenges with verve and determination. We left our comfort zone and acted instead of reacted. Whether regarding necessary restructuring or the determined involvement in a major acquisition.

And nothing has altered this willingness over the past 75 years. After all, our vision of Leadership in Filtration will not be achievable without it. Fast forward so to speak – sometimes one must act quickly and with determination. This was the only way for us to set the stage for more growth and competitiveness.

The Affinia Group with its strong WIX Filters and FILTRON brands will make a strong contribution here. The company enjoys an excellent position in certain regions and market segments in which MANN+HUMMEL has until now been less well established. These include, for example, the heavy duty sector in the USA and hydraulic filtration. The takeover will strengthen our global presence in North America as well as in Central and Eastern Europe. With the expanded offering, we will be better able to serve the needs of our customers. All in all, this move represents significant added value.

With the acquisition in May 2016, MANN+HUMMEL is becoming a new company. How else could the growth in sales alone by nearly one-third to about four billion euros be described? In the future, more than 20,000 employees at more than 70 locations with more than 150 years of experience in filtration will continue the success story of Leadership in Filtration. That is what I call fast forward.

In recent years, MANN+HUMMEL has further pooled its strengths and also focused the production plants in Germany consistently on their core competencies. This allows us to improve our competitiveness. I do not wish to conceal the fact that jobs will be lost in production in Germany over the coming two years. I regret that it has not been possible to avoid compulsory redundancies. Every redundancy is one too many and hurts. I thank the works councilors and the representatives of the unions involved for their constructive collaboration. All parties have faced up to their responsibilities and have not taken the decisions easily. After nearly three years of talks, we have achieved a reasonable settlement to put the German production locations on a profitable footing for the long term.

Over the entire year of 2016, the focus will be on our 75th company anniversary. With campaigns at all locations that focus on our employees and their families, we wish to honor the history of our company and, in particular, the dedicated work of our current and former MANN+HUMMEL employees.

Attentive readers of our 2015 annual report will also note another change: we have given the "new" MANN+HUMMEL Group a new face, a fresh appearance. Not only with the new mark designation as the company logo, but in particular with the unique positioning of the MANN+HUMMEL brand with Leadership in Filtration as the brand core.

In 2015, we performed the groundwork for more growth and competitiveness. Next year, I will report to you here on how we managed to exploit these opportunities.

Alfred Weber

Alfred Weber
President & Chief Executive Officer

Board of Management

Alfred Weber
President & Chief Executive Officer

Filiz Albrecht
Chief Human Resources Officer

Steffen Schneider
President & General Manager Industrial Filtration

Emese Weissenbacher
Chief Financial Officer

Josef Parzhuber
President & General Manager
Automotive Aftermarket

Kai Knickmann
President & General Manager
Automotive OEM

Hansjörg Herrmann
Chief Operations Officer

Report by the Supervisory Board

The Supervisory Board of MANN+HUMMEL HOLDING GmbH met three times in the year under review. In addition to the current business performance, discussions about possible effects of global economic trends on the company were also the focus during the meetings. The Supervisory Board also considered in depth the capital investment and human resources policy of the Group as well as questions of quality assurance. The Management Board also informed the Supervisory Board about the current developments verbally and in writing on a regular basis in addition to the meetings.

Growth in the new markets forms part of the 2022 strategy, which our Committee expressly supports. We are aware that mergers and acquisitions, in particular, in the right markets and their integration in the MANN+HUMMEL family constitute a key component of this growth. A key topic in this context was the purchase of the US-based Wix-Affinia Group in the 2015 fiscal year, about which the expanded management held intensive talks with the involvement of the Supervisory Board. The Supervisory Board approves this company acquisition. At the time of its last meeting, the approval of the various anti-trust authorities was pending for final execution.

In March 2015, the Supervisory Board voted unanimously for the reappointment of Alfred Webers as President & CEO and Chief Human Resources Officer for the time from January 1, 2016 to December 31, 2018. In the same meeting, Emese Weissenbacher was appointed as a further Managing Director for the period from July 1, 2015 to June 30, 2018. In its December meeting, the Supervisory Board also appointed Filiz Albrecht and Hansjörg Herrmann as additional Managing Directors for the period from January 1, 2016 to December 31, 2018. Filiz Albrecht was also appointed as Chief Human Resources Officer for the above period, after Alfred Weber departed from his role effective December 31, 2015. Frank B. Jehle also left his office as CEO with effect from December 31, 2015. The Supervisory Board thanked Mr. Jehle for his commitment and his constructive work to the benefit of the company and its employees.

The Supervisory Board agreed the following targets in order to comply with current German legislation on the equal involvement of women and men in private and public sector management positions, by June 30, 2017: The required proportion of women on the Supervisory Board must be eight percent and 25 percent on the Management Board. These targets correspond to the status within the company in fiscal year 2015. At the same time, it was agreed to define the targets valid from July 1, 2017 in the first six months of 2017.

The Management Board of MANN+HUMMEL HOLDING GmbH informed the Supervisory Board about a planned change to the corporate structure in August 2014. This results in the group management function previously carried out by MANN+HUMMEL HOLDING GmbH as the Group parent company now being adopted by the newly established MANN+HUMMEL International GmbH & Co. KG. However, the implementation originally planned for January 1, 2015 could not be carried out due to forthcoming tax law regulations. This concept will be implemented by January 1, 2016. From this date, MANN+HUMMEL Verwaltungs GmbH will then be the Group parent company. A new supervisory board must be formed there.

At its August 2014 meeting, our Committee already examined in detail and favorably acknowledged the planned changes to the corporate structure including their effects on our Committee, as explained in detail by the Management Board and the shareholder representatives. This decision was again confirmed by our Committee in December 2015.

In the December 2015 meeting, the Management Board also informed the Supervisory Board of the initiation of status proceedings under Section 97(1) German Stock Corporation Act at the start of January 2016. Within this framework, by announcement in the electronic federal gazette and notice at all German locations, it is established that due to the loss of management authority, no supervisory board needs to be formed in future at MANN+HUMMEL HOLDING GmbH. This Committee will therefore be disbanded in spring 2016 in accordance with the procedure pursuant to Article 97(2) Stock Corporation Act, unless

Thomas Fischer Chairman of the Supervisory Board

an appeal is made to the competent court within a one-month objection period under Section 97 II, clause 1, Stock Corporation Act. In the latter case, the competent court would rule on a dissolution.

Due to the dissolution of our Committee expected for spring 2016, we can no longer concern ourselves with the annual financial statements of MANN+HUMMEL HOLDING GmbH to be audited by PKF Wulf und Partner Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Löffelstraße 44, 70597 Stuttgart or the consolidated annual financial statements and annual report of MANN+HUMMEL Group to be audited by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Mittlerer Pfad 15, 70499 Stuttgart.

In this context, the Management Board informed us at the December meeting that, effective from the 2015 fiscal year, the accounting principles for the consolidated annual financial statements will be changed from HGB to IFRS regulations.

We wish every success to the Supervisory Board Committee to be newly established at MANN+HUMMEL Verwaltungs GmbH as the new Group parent company in line with the co-determination regulations.

We thank the employees of the MANN+HUMMEL Group, the Management Board and the employee representatives for their successful efforts in the past fiscal year.

Ludwigsburg, December 2015

Thomas Fischer
Chairman of the Supervisory Board

Consolidated Status Report of MANN+HUMMEL HOLDING GMBH 2015[1]

Group business model

- ›› More than 3,000 patents and 75 years of filtration know-how
- ›› Presence at more than 60 locations on five continents
- ›› Sustainable growth through targeted investment in the future

The MANN+HUMMEL Group is a leading global expert for filtration solutions and development partner and original equipment supplier to the international automotive and mechanical engineering industries. The Group is divided into four Business Units: Automotive Original Equipment, Automotive Aftermarket, Industrial Filtration, and Water Filtration. It mainly develops and distributes air, oil, fuel, and cabin filters and filter systems for the automotive original equipment and aftermarket business. Applications for ambient and process air filtration for industry as well as membrane filters for water filtration round off the portfolio.

The company is represented at more than 60 locations on five continents. MANN+HUMMEL is active worldwide in all markets in the automotive and industrial sector and is mainly active in Asia, Europe, and South America in the water filtration area.

In May 2016, the MANN+HUMMEL Group acquired the filtration business of the Affinia Group based in North Carolina, USA. With this acquisition, MANN+HUMMEL has gained access to market segments such as the heavy duty sector in the USA and hydraulic filtration.

The MANN+HUMMEL Group is on a solid financial footing and secures its sustainable growth through targeted investments in the future. MANN+HUMMEL constantly pursues the vision of "market leadership in filtration". The company's filtration know-how, built up over 75 years and more than 3,000 patents and utility models, represents not only a competitive advantage but also benefits our customers.

1 All figures are rounded. This may lead to minor discrepancies when totaling sums and when determining percentages.

Research and development

›› Use of 4 percent of sales revenue in research and development
›› MANN+HUMMEL is an excellent innovator and active patent applicant
›› Networked cooperation of all R&D locations
›› Investment in the in-house production of filter media for cabin filter elements

Over 1,000 employees work for the MANN+HUMMEL Group worldwide in Research and Development (R+D) and in the provision of innovative filtration solutions and filtration products for automotive and industrial applications. With patent applications submitted for more than 166 inventions in 2015, the company was an industry leader and consolidated its position as technological leader in filtration. MANN+HUMMEL was therefore once again one of the most active patent applicants in Germany. In the year under review, MANN+HUMMEL spent EUR 121 million (4 percent of sales revenue) on research and development.

The MANN+HUMMEL R+D locations are in linked through a development network and are divided into Center of Competence locations with executive authority as well as regional clusters (Engineering Centers) and local R+D locations (Application Centers). The two major R+D Service Centers in the Czech Republic and India successfully completed certification as Engineering Centers in the year under review and thus offer expanded competencies for regional and global R+D projects in the automotive and non-automotive areas.

The integration of the R+D locations in Fayetteville, USA (MANN+HUMMEL Purolator Filters LLC), Svenljunga, Sweden (MANN+HUMMEL Vokes Air AB), and Sprockhövel, Germany (MANN+HUMMEL Vokes Air GmbH & Co. OHG), which were added through acquisitions in recent years, was largely completed. The filter experts at MANN+HUMMEL Vokes Air and the air and cabin filter experts in the R+D network were successful in the area of new development and in the exploitation of synergies. MANN+HUMMEL Purolator Filters was certified as an R+D Application Center for oil filter, fuel filter, air filter, and cabin filter elements.

Two of the biggest challenges facing MANN+HUMMEL-customers are improving air quality and stricter emissions legislation. High levels of air pollution, particularly in Asian megacities, along with increasing health awareness led to the launch of the next generation of mobile filters for air purification, which create a healthier environment in vehicles, buildings, and offices. A new oil filter, which reduces oil degradation during operation and thus contributes to protection against engine wear, was developed in close cooperation with Purolator.

Automotive

The automotive development area further expanded its competencies and capacities in the worldwide development network in 2015 and continues to focus on the international alignment of all processes and functions. This includes sustainable development in international growth markets and at the development site in the Czech Republic, where there is an established measuring and testing center.

The many innovative products that went into series production last year are a reflection of the competencies of the MANN+HUMMEL worldwide development network. In China, for example, the first locally developed oil module went into series production. These local developments would not have been possible without consistent global know-how transfer.

In the intake manifold area, the company developed technologies that contribute to compliance with worldwide emissions regulations. Here, MANN+HUMMEL won a number of new orders thanks to its unique concept for integrating the charge air cooler in plastic intake manifolds.

An actively switchable charge air duct developed by the Competence Center in France is used for engine optimization and makes it possible to increase torque or reduce CO_2 on small turbocharged engines.

To meet the requirements of increasingly limited installation space in the engine compartments of modern vehicles as well as constant demands for reduced pressure losses, improved acoustics, and better dust holding capacities, MANN+HUMMEL has developed the new FLEXLINE air filter system with innovative element technology.

In the commercial vehicle sector, the company worked on the development of a highly complex liquid filter modules, which combine key functions in one component. For oil modules, the focus is on the integration of various components, such as water pumps and coolers.

In the area of fuel filters, three-stage water separation is becoming increasingly common in the market. Along with various fuel filters going into series production, MANN+HUMMEL secured other important orders for the future.

In 2015, the new generation of biofunctional cabin filters FreciousPlus was successfully launched on the market. In addition to rollout in the independent aftermarket, the first OE projects (Volkswagen, Renault) were acquired, contributing to market expansion. The decision to invest in the in-house production of filter media for cabin filter elements represented another milestone in the expansion of the cabin filter business. For this purpose, a production facility for filter media will be set up at the Marklkofen site.

Non-automotive

In 2015, the engineering activities of the Industrial Filtration Business Unit focused on various innovation projects and on further strengthening its global engineering infrastructure.

The ENTARON HD 4 two-stage air cleaner was the first size of an entire product family to go into series production. It was developed for use in construction and agricultural machinery and mobile compressors, and impresses not only with its separation efficiency, service life, and compact size, but also its innovative design. A variable weld-on intake air port means that it can be adapted quickly and economically to suit a wide range of customer requirements and installation spaces.

For manufacturers of SCR systems (Selective Catalytic Reduction) for use in construction and agricultural machinery, urea filter elements suitable for installation both upstream and downstream of the feed pump went into series production. In both cases, the filter elements operate reliably even at low temperatures thanks to the patented compensation elements and thermal management.

In the past year, CAF technology (Cabin Air Filter) was successfully transferred to new market segments. In the area of clean-room technology, an order was secured for the supply of combined filter elements for use in V cells. Active carbon media technology was also transferred to the area of kitchen recirculating air filtration, where there was also a successful customer acquisition.

MICRODYN-NADIR in Wiesbaden, a worldwide manufacturer of membranes and modules for water filtration, coordinates worldwide development activities in water filtration. The Water Business Unit focuses all of its development activities on the products BIO-CEL®, AQUADYN®, and SPIRA-CEL®. All development activities and product optimizations were aligned accordingly.

Overall economic and industry-specific conditions

›› Strong increase in Eurozone growth in the fourth quarter
›› Weak economic development of the BRIC states
›› No growth recovery in China
›› Weak commercial vehicle market in China, increase in Europe and the USA

Global economic development 2015

There was a slowdown in global economic expansion over the course of 2015. The economic upswing has shifted further away from emerging markets to more advanced economies, where there has been a steady increase in economic growth due to expansive monetary policy and low oil prices.[1] Many countries dependent on raw material exports, on the other hand, have been badly affected by the sharp decline in prices for crude oil and important industrial raw materials since the middle of 2014. In the BRIC countries (China, Brazil, and Russia), there were increasing signs pointing toward economic slowdown.[1] Total global economic output in 2015 grew by between 2.6[2] and 3.1[3] percent in 2015.

There was a slight weakening of the economy in the United States in the last quarter of the year. Consumption made a positive contribution to growth, but other areas recorded decelerated growth, notably foreign trade. The decline in exports was due to the increased external value of the US dollar. Imports rose and gross domestic product fell. Growth of 2.4 percent was recorded for 2015 as a whole.[4]

Growth in the Eurozone increased significantly again in the fourth quarter. This is mainly attributable to the construction industry and increasing consumption. For 2015 as a whole, economic research institutes have forecast growth of 1.5 percent.[4]

In Germany, gross domestic product rose by 1.7 percent. Consumption accounted for the biggest contribution to growth. However, investment in equipment, in other words machinery and vehicles, and foreign trade also increased.[5]

There were visible signs of a slowdown in growth in China. Initial indications of renewed economic momentum in the fourth quarter did not, however, translate into accelerated growth. Gross domestic product therefore grew by just 6.9 percent for the year as a whole. The Chinese government just missed its target of 7.0 percent growth. Nevertheless, it should be remembered that most economists generally regard official growth estimates as being too high. Their alternative growth estimates put the figure at just 4 percent.[5]

1 Weltkonjunktur im Herbst 2015 [Global Economy in Fall 2015], Institute for the World Economy (Kiel), September 2015
2 Gemeinschaftsdiagnose Herbst 2015 [Joint Economic Forecast Fall 2015], German Institute for Economic Research e.V. (Berlin), October 2015
3 Institut für Weltwirtschaft und VDA in VDA Konjunkturbarometer Januar 2016 [Institute for the World Economy and VDA in VDA Economic Barometer January 2016], VDA (Berlin), January 2016
4 VDA Konjunkturbarometer Februar 2016 [VDA Economic Barometer February 2016], VDA (Berlin), February 2016
5 VDA Konjunkturbarometer Januar 2016 [VDA Economic Barometer January 2016], VDA (Berlin), January 2016

Automotive sector

The global market for passenger cars grew more slowly in 2015 than was expected at the beginning of the year. The reasons for this were primarily the weak sales in Brazil and Russia. The growth of 4 percent recorded in China was lower than projected. The strongest growth in 2015 was recorded by the USA and Western Europe. In the USA, light vehicle sales rose by 5 percent. There was strong growth in Europe, particularly in the United Kingdom. There was also an upward trend in Ireland, Italy, Spain, and Portugal.[1] The German automotive market is benefiting from the positive overall economic situation. Lower maintenance costs for passenger cars gave the market for new cars in Germany an additional boost.[2]

In September 2015, Volkswagen confessed to having manipulated exhaust emission tests for diesel engines. Worldwide, around eleven million of the Group's diesel vehicles were equipped with software that lowers the emissions to below the maximum permissible values only on the test stand. The US authorities had uncovered the manipulation. In 2015, no negative impact had been felt to date with regard to vehicle sales.[3]

Despite a slowdown in growth in the commercial vehicle market in the USA, an increase of 10 percent was recorded over the course of the year. The sales slump in Brazil continued, driven mainly by the current recession. Commercial vehicle sales also fell in China. In Europe, however, the commercial vehicle business recorded a significant rise in 2015. The continuing economic recovery in the countries of Southern Europe led to an increase of 8 percent. The German commercial vehicle market was characterized by a greater willingness to invest and an increase of more than 2 percent was recorded.[4]

Industrial construction and mechanical engineering sector

Economists from the German Engineering Association (VDMA) had to adjust their forecast downward for 2015 as a whole. The market remained at the previous year's levels, meaning that no growth was achieved. The Eurozone recorded a slight drop of 1 percent. The decline in economic growth in the People's Republic of China also affected the country's mechanical engineering sector, which grew by just two percent in 2015. The difficulties in the global market were also felt in Germany, where no growth was achieved.[5]

1 VDA Konjunkturbarometer Dezember 2015 [VDA Economic Barometer December 2015], VDA (Berlin), December 2015
2 VDA Konjunkturbarometer Oktober 2015 [VDA Economic Barometer October 2015], VDA (Berlin), October 2015
3 http://www.zeit.de/wirtschaft/2015-09/vw-abgase-manipulation-faq
4 VDA Konjunkturbarometer Dezember 2015 [VDA Economic Barometer December 2015], VDA (Berlin), December 2015
5 VDMA Prognosespiegel international April 2016 [VDMA Forecast Mirror International April 2016], VDMA (Frankfurt), April 2016

Business trends

›› Increase in sales by 9.4 percent to EUR 3,042 million
›› Increase in the gross margin by 12.1 percent
›› New brand image to boost Purolator in the USA
›› Industrial Filtration Division stable
›› MICRODYN-NADIR is wholly owned subsidiary of MANN+HUMMEL
›› Complete integration of Vokes Air into the MANN+HUMMEL Group

Within the scope of internationalizing the MANN+HUMMEL Group, the consolidated financial statements as at December 31, 2015 were switched from the German Commercial Code (HGB) system to that of the International Financial Reporting Standards (IFRS) as required in the European Union.

MANN+HUMMEL Group development in the past fiscal year was in line with expectations despite the varying economic conditions. Sales of the MANN+HUMMEL Group increased by a total of 9.4 percent to EUR 3,042 million (previous year: EUR 2,780 million). Adjusted for currency effects, sales in the year under review were EUR 2,889 million and the growth rate was 3.9 percent. Sales have developed as planned and are now at the forecast level. Adjusted for special effects from the acquisition of the filter business of the US Affinia Group and the formation of provisions for restructuring, EBIT (earnings before interest and tax) were up on the previous year and slightly above the expected result.

Automotive Original Equipment

In 2015, sales by the Automotive Original Equipment Business Unit increased for the sixth consecutive year in comparison to the previous year. This was due in particular to the positive development in the European foreign subsidiary companies and in North America.

In Germany, the sales volume was up slightly compared to the previous year. Declines in the passenger car business due to discontinuations and products made for the Chinese market were compensated by higher call-offs for other projects for international customers. Sales in the commercial vehicle business reached the previous year's level despite slightly negative development in production due to increased wholesale revenues for new products, which will secure future sales.

In European countries, primarily in France, Spain, and the Czech Republic, series sales increased significantly compared to the previous year.

In North America, sales rose significantly for the fifth year in succession thanks to high capacity utilization, particularly in the area of air filter systems. In South America, on the other hand, sales fell on account of the extremely unstable market situation in Brazil.

In Asia, sales could not be maintained at the previous years' levels, although increases were recorded in India, Thailand, and Korea. The decline in China due to the discontinuation of high-volume intake manifold projects could not be compensated by the launch of other intake manifold, air filter, and oil filter projects. Sales in Japan also fell compared to the previous year's level.

The international rollout of innovative products in the area of air and fluid management contributed to continued positive development. Air filter systems and acoustic products, intake manifolds and technical plastic parts as well as oil and fuel filters successfully went into series production on a global level.

Automotive Aftermarket

Business in the independent aftermarket

With more than 4,600 filter elements for the passenger car, commercial vehicle, and off-highway segment, market coverage of the MANN-FILTER brand for the European fleet rose to 98 percent.

The Automotive Aftermarket Business Unit recorded further slight growth in the independent aftermarket segment worldwide. The MANN-FILTER brand recorded an above-average increase in sales. Growth in Europe was satisfactory despite increasing price pressure. Many Central European markets far exceeded expectations with double-digit growth rates. Russia emerged as one of the key growth markets despite difficult conditions. The launch of the innovative FreciousPlus biofunctional cabin filter in Central Europe also helped to drive sales. Launches for other markets are planned for 2016.

Outside Europe, performance in the independent aftermarket segment was somewhat disappointing. Although China once again recorded double-digit growth for the MANN-FILTER business, sales under the local Haoye brands fell significantly short of expectations. The difficult economic situation in Brazil led to a drop in business. In the United States, all possible steps were taken for the Purolator brand in order to ensure a return to growth with a new brand image.

Aftermarket business with automotive manufacturers

MANN+HUMMEL managed to increase sales in the aftermarket among automotive manufacturers slightly compared to 2014. There was a noticeable slowdown in the aftermarket in China in the second half of the year. Economic downturns in Brazil and China were balanced out by other markets.

OEM business with first-tier manufacturers

The growth of the previous years continued in 2015. Large numbers of new orders from China and in production in Europe contributed to positive development.

In spite of the somewhat difficult conditions, sales in the third-party brand business also grew further in 2015. Growth was driven by performance in Europe.

Non-automotive

Industrial Filtration

The Industrial Filtration Business Unit experienced difficult economic times in 2015. Markets in core sectors, such as construction and agricultural machinery as well as large engines, recorded significant declines compared to the previous year. Important regional markets, such as China and Brazil, remained far below economic expectations. Growth in Europe and North America was stable. Positive currency effects offset the economic effects to a certain extent. Sales and earnings in the Industrial Filtration Business Unit were therefore slightly lower compared with the previous year.

Sales of original equipment for compressors, large engines, construction and agricultural machinery fell. Business developed synchronously with the declines experienced by customers. The compressed air technology segment, which had been a driver of growth in the previous year, showed a significant downward trend.

Driven by the development of raw material prices, in particular oil and gas prices, as well as the difficulties posed by the sanctions against Russia, the downward trend identified in the area of large engines in the second half of 2014 became a massive sales slump. Due to project and startup postponements for virtually all main OEMs, it was not possible to compensate the resulting sales slump despite a wide range of project activities.

The independent aftermarket segment, on the other hand, showed positive development. Significant growth was achieved in the European markets in particular.

The energy generation and special and rail vehicle segments also recorded positive growth. In the latter case, two product groups made a significant contribution to this growth – the cyclone precleaners for air filtration in locomotives and the HVAC (Heating, Ventilation, and Air Conditioning) filters for the passenger compartments.

The entire industrial air filtration segment was stable overall. While the gas turbine business was affected by the weak market situation in Europe, sales in the area of building air filtration grew positively. The trend in the area of systems for oil mist separators and operating rooms was also positive. The integration of the Vokes Air Group, which had been acquired in 2014, was completed at the end of 2015.

Water Filtration

In February 2015, MICRODYN-NADIR in Wiesbaden, a worldwide manufacturer of membranes and modules for water filtration, was fully taken over by the MANN+HUMMEL Group. All membrane and module activities are now carried out under the MICRODYN-NADIR brand. MANN+HUMMEL Ultraflo was renamed MICRODYN-NADIR Singapore.

In September 2015, an extended cooperation agreement for the marketing of BIO-CEL® modules in the US municipal wastewater treatment market was signed with OVIVO. MICRODYN-NADIR will set up a new plant for the manufacture of BIO-CEL® modules in the USA. Commissioning is planned for the first quarter of 2017.

A cooperation agreement for the supply of equipment for surface water treatment was signed with DATEM Water in October in Manila (Philippines). The ceremonial opening of the first plant, which has a capacity of up to 10,000 m^3 per day, also took place in October 2015.

Finances

›› Increase in sales by 9.4 percent to EUR 3,042 million
›› EBIT amounts to EUR 135 million.
›› Free cash flow increase to EUR 102 million
›› Investments in tangible assets on a par with previous year
›› Total assets at EUR 3,768 million

Results of operation

Results of operation of the MANN+HUMMEL Group

	2015		2014		Difference
	EUR million	in %	EUR million	in %	EUR million
Sales	3,042	100.0	2,780	100.0	262
Cost of sales	2,335	76.8	2,149	77.3	186
Gross margin on sales	**707**	23.2	**631**	22.7	**76**
Research and development costs	121	4.0	107	3.9	14
Selling expenses	265	8.7	235	8.4	30
General administrative expenses	144	4.7	135	4.9	9
Other operating income	42	1.4	26	0.9	16
Other operating expenses	83	2.7	30	1.1	53
Operating profit or loss	**135**	4.5	**150**	5.4	**–15**
Share of result of associated companies	0	0.0	1	0.0	–1
Financial expenses	120	3.9	46	1.7	74
Financial income	66	2.2	28	1.0	38
Net financial result	**–53**	–1.7	**–18**	–0.6	**–35**
Net profit or loss before income tax	**82**	2.7	**132**	4.8	**–50**
Income taxes	49	1.6	34	1.2	15
Consolidated net income	**33**	1.1	**99**	3.5	**–66**

The sales of the MANN+HUMMEL Group experienced nominal growth of 9.4 percent to EUR 3,042 million compared to the previous year (adjusted for currency effects to the previous year's rates: 3.9 percent to EUR 2,889 million).

The increase is primarily attributable to the positive development of sales in Europe and the first-time consolidation of the Vokes Air Group. The cost of sales was EUR 2,335 million. The share of sales costs as a proportion of sales improved by 0.5 percentage points. Mainly as a result of the increased sales, the gross margin on sales increased by 12.1 percent on the previous year to EUR 707 million.

The outstanding order backlog amounts to approximately EUR 1,249 million (previous year: EUR 1,217 million).

The research and development costs were up EUR 14 million on the previous year's figure to EUR 121 million, in order to build up the future business. The proportion in terms of sales rose by 0.1 percentage points to 4.0 percent.

The general administrative expenses increased by EUR 9 million on the previous year's figure to EUR 144 million. This is mainly due to the first-time consolidation of the Vokes Air Group. The proportion in terms of sales reached 4.7 percent, an improvement of 0.2 percentage points.

The other operating income increased by EUR 16 million to EUR 42 million compared to the previous year. The increase resulted primarily from the sale of a building complex in Ludwigsburg.

The other operating costs increased by EUR 53 million to EUR 83 million compared to the previous year. The increase is largely due to the formation of provisions for restructuring and consultancy services within the framework of the acquisition of Affinia.

EBIT (earnings before interest and tax) fell by EUR 15 million to EUR 135 million in comparison to the previous year. Return on sales before tax was 4.5 percent.

The financial result fell by EUR 35 million to EUR –53 million. This is primarily due to the increased interest expenses due to the raising of bank debts to finance the Affinia acquisition.

Income tax expenses increased by a total of EUR 15 million to EUR 49 million and resulted in a group tax rate of 59.3 percent. The increase in the tax rate results from aperiodic tax effects relating to a foreign subsidiary.

Financial position

Cash flow

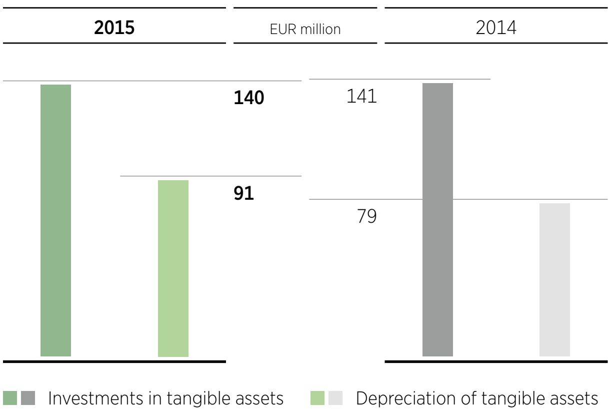
EUR million	2015	2014
Cash flow from operating activities	218	189
Cash flow from investment activities	–116	–155
Free cash flow	**102**	**34**
Cash flow from financial activities	1,122	98
Payment-effective change to cash funds	1,224	132
Changes in cash funds from exchange rate movements and changes in Group structure	32	8
Cash funds at the beginning of period	362	222
Cash funds at the end of period	1,618	362

The MANN+HUMMEL Group generated an operational cash flow (inflow of funds after financing the operative business) in the amount of EUR 218 million in the past fiscal year, an increase on the previous year of EUR 29 million or 15.3 percent. This is attributable in part to the increased liabilities and a rise in non-cash expenditures. Investments were financed completely with the operational cash flow. The cash flow from investment activities amounted to EUR –116 million (previous year: EUR –155 million). Consequently investment fell by EUR 39 million or 25.2 percent compared to the previous year.

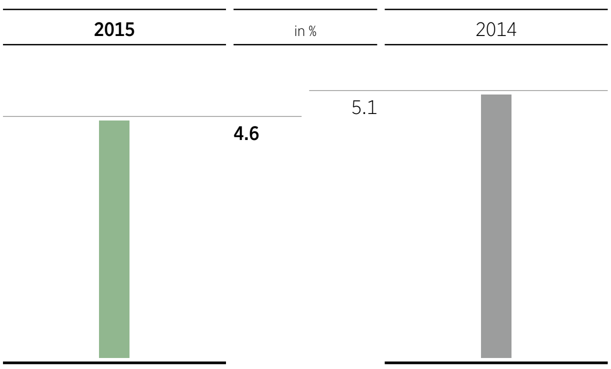
The free cash flow amounted to EUR 102 million compared to EUR 34 million in the previous year. It was not used to repay loans but was instead added to the reserve liquidity. In addition, a promissory note loan in the amount of EUR 1,100 million with a term of between three and ten years was taken out with respect to the acquisition of the filtration business of the Affinia Group. These funds remained invested until the day the purchase price was paid in May 2016. The cash funds therefore increased disproportionately and extraordinarily in the year under review from EUR 362 million to EUR 1,618 million.

Investments

Investments in tangible assets



Investments in tangible assets as % of sales



The MANN+HUMMEL Group made investments in tangible assets in the past fiscal year amounting to EUR 140 million (previous year: EUR 141 million). The proportion of tangible asset additions in relation to the corresponding sales volume thus fell by 0.5 percentage points to 4.6 percent.

Overall, the greatest volume of investment in 2015 was in Germany, the Czech Republic, China and the USA. The volume of investment in the past fiscal year is offset by Group-wide depreciation and amortization for tangible assets of EUR 91 million (previous year: EUR 79 million).

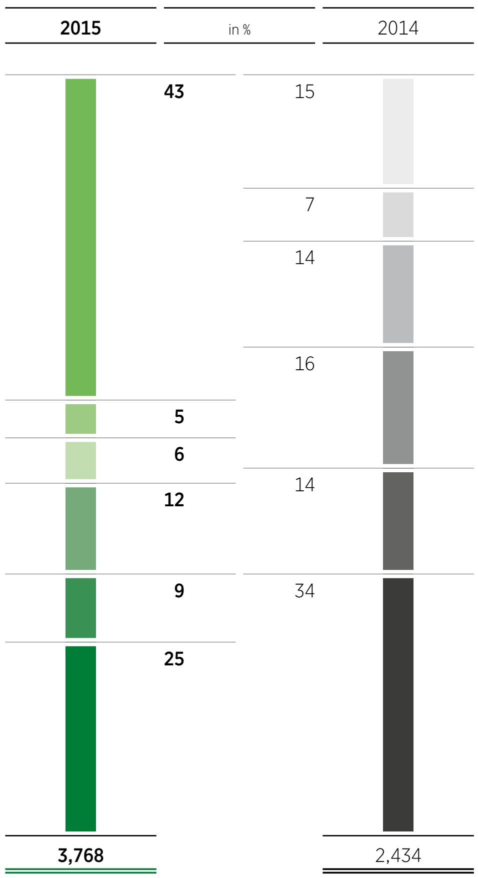
In the past fiscal year, 39 percent of investments in tangible assets were made in the Automotive Original Equipment Business Unit. 36 percent was invested in the Automotive Aftermarket Business Unit.

Investments were mainly made in machines and tools to realize customer projects and implement new technologies (EUR 94 million). At the Portage, Michigan location in the USA, investments were made in production capacity for the manufacturing of air intake systems. The largest investments in the year under review were made in production technologies at the German production locations of Bad Harzburg, Ludwigsburg and Marklkofen, as well as in Querétaro, Mexico.

The MANN+HUMMEL Group also invested almost EUR 31 million in building measures to expand and improve infrastructure worldwide in the past year. The largest individual projects in 2015 were the construction of the Technology Center in Ludwigsburg, Germany and the investment in the logistical connection of the supplier logistics center in Marklkofen, Germany.

Consolidated balance sheet structure

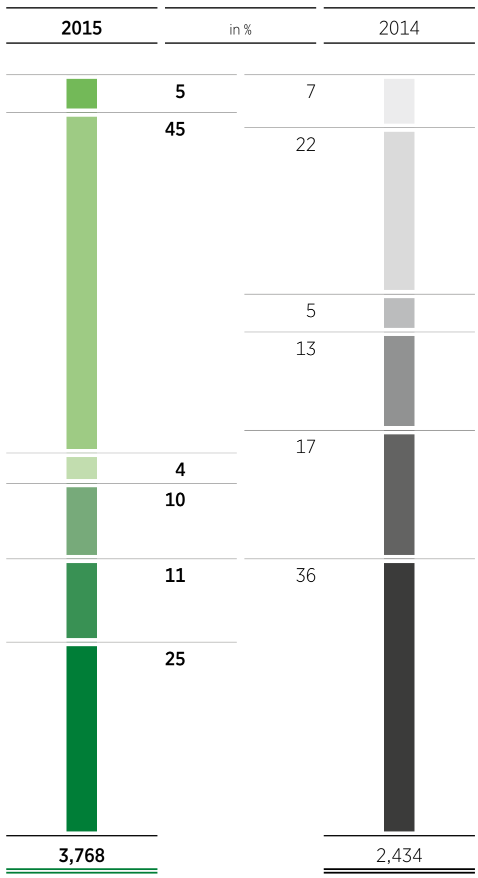
Assets



Total assets in millions of EURO

- Cash
- Long- and short-term other assets
- Long- and short-term financial assets
- Trade receivables
- Inventories
- Intangible assets and tangible assets

Liabilities



Total assets in millions of EURO

- Long- and short-term other liabilities
- Long- and short-term financial liabilities
- Other provisions and income tax liabilities
- Trade payables
- Pension provisions
- Shareholders' equity

The total assets increased during the 2015 fiscal year by 54.8 percent to EUR 3,768 million. This corresponds to an increase of EUR 1,333 million. This increase is largely the result of the raising of loans for financing the acquisition of Affinia and the first-time consolidation of the Vokes Air Group.

Intangible assets and tangible assets increased overall compared to the previous year by 10.7 percent to EUR 929 million. Here the intangible assets increased by around EUR 38 million, reaching EUR 154 million, due to the first-time consolidation of the Vokes Air Group. The tangible assets rose by EUR 52 million to EUR 775 million as a result of the higher investment volume in proportion to the depreciation in the year under review.

Inventories increased by EUR 15 million to EUR 347 million, which is attributable to the first-time consolidation of the Vokes Air Group. Trade receivables are up by EUR 42 million to EUR 438 million, due essentially to the increased sales. The long- and short-term financial assets fell by EUR 87 million to EUR 243 million. This is due mainly to the first-time consolidation of the Vokes Air Group, which in the previous year was still recorded under financial assets, as well as to the sale of securities. The long- and short-term other assets rose by EUR 17 million to EUR 192 million. Liquid funds increased overall by EUR 1,256 million to EUR 1,618 million. The sharp increase came about essentially from the raising of a promissory note loan for the acquisition of the Affinia Group.

In the year under review, shareholders' equity increased by EUR 67 million to EUR 948 million. The shareholders' equity ratio fell compared to the previous year by 11.0 percentage points to 25.0 percent, attributable primarily to the balance sheet extension due to the raising of the promissory note loan.

Pension provisions fell slightly from EUR 422 million to EUR 417 million. Other provisions and income tax liabilities rose overall by EUR 46 million to EUR 163 million. This corresponds to an increase of 39.2 percent. The key influences on this were the formation of a provision for restructuring measures and the increase in income tax liabilities.

Trade payables increased on the previous year's figure by EUR 323 million to EUR 377 million, corresponding to an increase of 16.6 percent. This is due, inter alia, to the optimization of working capital management.

The long- and short-term financial liabilities increased by EUR 1,145 million to EUR 1,666 million. This increase results largely from the raising of loans, inter alia, to pay the purchase price for the planned acquisition of Affinia. The long- and short-term other liabilities increased by 15.5 percent, thus rising by EUR 26 million to EUR 197 million.

Employees

- ›› Around 16,600 employees at all locations worldwide
- ›› Staff turnover rate worldwide only 2.3 percent
- ›› Targeted training and further training of employees
- ›› Offering of flexible work models, personality training and health programs

In the 2015 fiscal year, MANN+HUMMEL successfully implemented numerous initiatives from HR Strategy 2022 worldwide. This process is aligned to the growth strategy and the challenge of achieving “Leadership in Filtration”. A core element of our human resources policy is the recruitment of new employees along with the further training of existing employees and their deployment in areas suited to their expertise and potential, as well as the provision of attractive personal and career development opportunities.

Use of the MANN+HUMMEL employer brand was intensified in growth markets in 2015 in order to attract new talent. This contributes to a positive image of the company as an employer and reflects the performance motivation of the workforce in a value-based corporate culture.

To strengthen the employer brand, MANN+HUMMEL is also using social networks as communication channels and promoting digitization. The Corporate Blog is the content hub of the MANN+HUMMEL Group for social media. Content from the blog is shared on social networks through sites such as LinkedIn, Twitter, and Facebook.

The number of visitors to the blog rose from around 40,000 in 2014 to 61,366 in 2015, representing an increase of around 50 percent. The MANN+HUMMEL company profile on LinkedIn is also attracting more followers. At the end of 2014 there were 6,827 followers. The number of followers reached the 10,000 mark in May 2015, and by December 2015 the MANN+HUMMEL Group company page on LinkedIn had 14,336 followers.

Employees now have faster and easier access to needs-based education and qualification offerings in order to develop their professional, methodical, social, and personal skills. The seminar portal was digitized with a view to simplification and process optimization. A range of seminars can now be booked using SAP on the Intranet anywhere in the world.

The importance of education and training at MANN+HUMMEL is also evident in the number of apprentices. As of December 31, 2015, the company employed 229 apprentices and Baden-Württemberg Cooperative State University (DHBW) students across Germany. Management employees were once again supported within the framework of the “Fit for Leadership” program in 2015. Over 400 managers worldwide took part in COMPASS 3.0 training. Over the past year, the management development program focused on improving skills in the area of situational management. This primarily involved learning and improving the ability to respond to specific circumstances depending on the situation and to adopt conscious and appropriate leadership behavior.

MANN+HUMMEL adapts continuously in line with demographic development and offers employees flexible work models, child care, personality training, and health programs that support their life situation.

In 2015, MANN+HUMMEL also introduced a new performance appraisal system. Globally uniform criteria for assessing performance are now used as the basis for the non-tariff salary increase process. The dialog between management and employees and the formulation of clear expectations regarding the performance and conduct of the employees also play a decisive role in the process.

As part of the production strategy, it was necessary to carry out restructuring at a number of our German locations, which produce for the original equipment business. Potentially affected employees were informed early, openly and repeatedly in preparation for the impending changes over the past two years. The headcount reductions at the Bad Harzburg and Sonneberg locations were successfully achieved in 2015 without compulsory redundancies. In Ludwigsburg, there will be a significant number of compulsory redundancies in the next fiscal year due to limited interest in the voluntary redundancy scheme. The severance package and balance of interests negotiated with employee representatives at an early stage will cushion the impact on affected employees.

The staff turnover rate at MANN+HUMMEL is very low – 2.3 percent worldwide. In the past year, MANN+HUMMEL employed a total of around 16,600 staff at all locations.

Independent statement of company management with respect to the gender quota

›› Proportion of women 25 percent on Management Board and 7.6 percent on Supervisory Board
›› Codification of equal opportunities for men and women through social charter

A new federal law has obliged certain companies in Germany to stipulate target values and deadlines to achieve the target proportion of women on the Supervisory Board, the Management Board and on the two management levels beneath that by September 30, 2015. In accordance with the stipulations of the law, the MANN+HUMMEL Group has set its own target values and deadlines for the Supervisory Board, Management Board and further management levels in the German companies. For the Supervisory Board, the current quota is 7.6 percent; for the Management Board it is 25 percent. These quotas also represent the target values that must always be achieved. For both management levels beneath this, the proportion of women in the German businesses is 18 percent, the target value of at least 20 percent is to be achieved by June 30, 2017.

The company has codified equal opportunities for men and women, as well as the equal treatment of both genders, in our social charter. Employees of both genders are sought out and promoted on the basis of their abilities and function-specific qualifications. The MANN+HUMMEL Group expressly supports the targeted, continuous and requirements-oriented further training of female and male employees.

Environmental protection

›› Anchoring of occupational health and safety and environmental protection in the "FILTER" values
›› Promotion of standardized procedures in occupational protection and environmental management

As a leading filter manufacturer, MANN+HUMMEL takes its social responsibilities seriously.

For this reason, occupational health and safety and environmental protection are firmly anchored in our corporate policy and in the "FILTER values" (Focus, Integrity, Leadership, Teamwork, Excellence, Respect).

In 2015, the core elements of an occupational safety and environmental management system were redefined at Group level, in order to further promote standardized procedures.

Occupational safety/Accidents

In European plants, the use of forklifts in production is being increasingly phased out and these are being replaced, where possible, with tugger trains. Through an initiative in Logistics at Marklkofen, innovative considerations aimed at preventing accidents were introduced into the specifications as standard for any new ground conveyors that were to be acquired in the region. To advance ergonomics at the workstations in production, the key indicator method (method which records loads in manual work processes) was introduced in a targeted fashion in the Marklkofen, Speyer and Uhersky Brod plants.

Waste

The recycling rate in the Group has been developing positively for many years. The targets for this year were achieved once again.

Energy

In accordance with EU requirements, MANN+HUMMEL has recorded all energy flows for our European plants. These have also been evaluated and more specifically focused action plans to enhance energy efficiency have been launched.

Energy consumption was reduced by 40 percent in the Sonneberg plant, by replacing the central cooling system for the injection molding machines. This also reduced water consumption, by 73 percent.

Mercury vapor and fluorescent lamps were replaced in several plants with LED spotlights. In addition to an energy saving of around 40 percent, the workplace lighting was improved. In Munmak, Korea and in Okrisky, Czech Republic, the waste heat from the compressors is now also fed back into the heating/water heating system.

Purchasing

›› Continuation of previous year's positive trend in material prices
›› Implementation of "one voice to the supplier" in Purchasing

The global purchasing volume of the MANN+HUMMEL Group increased in 2015 compared to the previous year by 6.3 percent and reached EUR 2,035 million in total due, among other things, to sales growth and newly acquired companies. 66 percent of this amount is attributable to production materials and 34 percent to trading goods, non-production materials and services.

In fiscal year 2015, the development in material prices which had been positive overall in most merchandise groups in the previous year, continued this trend and benefited from falling raw material prices in many sectors. This development was supported by cost reduction projects based on, e.g. lean methods, which have been implemented together with suppliers. In this way, MANN+HUMMEL Purchasing was able to make a positive contribution to earnings despite regional differences.

High technical requirements on the specifications as well as on the quality of purchased parts and materials require an increasingly more selective choice of suppliers and professional supplier development. Coupled with the planned growth, therefore, the strategic positioning of Purchasing and the associated targets are becoming more and more important. In this way, through the further development of the global purchasing organization under the motto "one voice to the supplier", the structure of lead and commodity purchasers as well as project purchasers was implemented in all regions. Within the framework of this organizational development, it was possible to successfully advance the elaboration and implementation of merchandise group-specific strategies. The key target here is the consistent optimization of the supplier portfolio and the reduction in the number of suppliers that generally ensues from this.

To strengthen the partnership-based relationship and to reward the best suppliers, the 4th Global Supplier Event was held this year. In total, 68 suppliers from 16 countries were invited to attend. In addition to presenting seven suppliers with the "Global Supplier Award" for outstanding achievements, the "Supplier Innovation Award" was presented for the first time this year to a supplier, to recognize its innovative strength.

In addition to the strategic alignment of the Purchasing organization, ensuring efficient purchasing processes is an essential prerequisite for successfully managing the planned growth. Here, the rollout of, inter alia, workflow-based systems and purchasing tools was consistently continued such that these are now used in all key locations Group-wide.

The continued, role-specific qualification of employees in Purchasing was another focus of activities. In this context, new training modules were elaborated and taught on the topics of quality management, project management, cost optimization and contract management as well as on law in purchasing, within the framework of the "Purchasing Academy".

Information technology

›› Continuation of digitization of all business processes within the Group
›› Standardization of global SAP processes at 54 locations
›› Expansion of IT Service Centers in the Czech Republic and India

In Information Technology, the focus was very much on establishing a sustainable business-IT alignment. The basis for this is effective business relationship management, uniform process support, the standardization of processes, the further expansion of shared services and a consistent regionalization of IT.

SAP software serves as the company-wide basis for MANN+HUMMEL processes. Around 7,100 employees at 54 locations around the globe now work with the central SAP system. In the last fiscal year, there was a focus on the rollout of this system in our new company MANN and HUMMEL THAILAND LTD. In addition, the rollout was also launched at MANN+HUMMEL Middle East FZE in Dubai, United Arab Emirates. In the latter case, the new SAP template for trading companies is being used for the first time.

In addition, the project to define a SAP template for production locations was started in order to provide optimal support for the further standardization of processes within the company.

A project to create a consistent governance process for material master data on the basis of SAP MDG-M was successfully concluded.

Rollout of the manufacturing execution system "Forcam" continues. The system is to be implemented at 20 further production locations in the next two years.

MANN+HUMMEL also continued the Group-wide rollout of unified communications with Microsoft "Skype for Business" in 2015. In addition, the further development of the new Intranet on the basis of SharePoint 2013 with social media functions was completed. Thus communication and cooperation across locations and time zones, which is becoming increasingly important within the framework of the globalization of our business activities, is being greatly advanced.

To further increase IT and information security, an ISMS system (information security management system) was established. As part of this, the Virtual Engineering department was successfully supported in its bid to be certified to ISO 27001. In addition, the ISMS itself was successfully certified to ISO 27001.

MANN+HUMMEL is continuing to expand the IT Service Centers in the Czech Republic and India. The IT suppliers will be expected to make a significant contribution to decreasing our costs by way of innovative solutions and continuous cost optimization.

Opportunities and risk report

›› Global economic situation characterized by unsteady markets and structural risks
›› Great potential in Russia, Brazil and China
›› Company-wide planning, reporting and controlling system for risk management
›› Raw-material and other material price risks in procurement markets

Current situation

The global economic situation is characterized by unsteady markets and structural risks. As a globally active company, MANN+HUMMEL counters these risks through diversification and also by continually improving our processes and products. Improving our competitive edge also yields opportunities. We achieve this through the continuous new and further development of our products, the expansion of our development skills and the establishment and expansion of new locations. Russia, Brazil and China continue to hold great potential, despite drastic downturns and forecasts that have been revised downwards, as German automotive manufacturers in particular are investing in new production locations in these countries.

Risk management

MANN+HUMMEL's business policy thus aims to recognize the potential, but also the negative effects, of current and future developments at an early stage, to evaluate these and to assess their consequences. There are plans with quickly realizable measures for this purpose. We report to the company owner and the Supervisory Board regularly in this regard. All risk management measures are supported by a company-wide planning, reporting and controlling system.

Financial risks

For the MANN+HUMMEL Group, exchange rate, interest rate and raw material price risks are of significance. Exchange rate risks are hedged using derivative financial instruments, which serve exclusively to cover underlying transactions resulting from the operating activity of the Group. Long-term fixed interest rates account for the interest rate risk. Raw material price risks are minimized through long-term contracts, global purchasing activities and meaningful purchasing controlling.

The MANN+HUMMEL Group treasury assumes responsibility for limiting financing and liquidity risks. Our risks in this area are low thanks to solid financing and a stable liquidity position. The consistent monitoring of liquid funds is an effective risk management tool: MANN+HUMMEL monitors and analyses trade receivables, liabilities and inventories. Cash flow as well as sales and earnings are being further optimized and the tied-up current assets are being monitored and adapted.

Operating opportunities and risks

Market

We are countering a weakening/decline in economic development in our markets with predefined scenarios, from which measures for compensation are derived. These measures serve – both in the Automotive and the Non-Automotive segments – to adjust the cost level for the most part to the falling sales, in order to avoid even greater erosion of profits. These measures are part of the planning process and reduce the risks to an acceptable level.

Quality

In our view, the quality of our products constitutes a decisive competitive edge in comparison with other manufacturers and, together with customer satisfaction, represents one of our central corporate goals. For this reason, we in the MANN+HUMMEL Group strive to eliminate quality problems with wide-ranging standards – particularly in the product creation process – as these problems and any associated warranty claims represent a significant risk with consequences for the reputation and financial situation of the company.

In order to counter this risk, high quality standards are applied throughout production at all of the plants. Moreover, a warranty team works closely with the customers and production plants in order to assure the quality of the products and a swift response in the event of warranty claims.

Appropriate financial provisions are set aside to cover warranty risks. Furthermore, relevant insurance cover is available for possible damages owing to call-backs and for product liability claims.

Nonetheless, we regard the quality of our products as an opportunity because it can provide a decisive competitive edge with respect to other manufacturers.

The contamination of drinking water by our products could endanger the environment and human health. We consider this risk to be extremely low.

Damage due to operational interruptions – Damage to and loss of tangible assets

Natural disasters, terrorist activities or other disruptions in the production facilities or within the supply chain of MANN+HUMMEL – whether at customers or suppliers – can cause significant damage and losses. To limit these risks, MANN+HUMMEL has taken out insurance cover at a level appropriate from a commercial perspective.

Information technology

The worldwide digital networking of our organization forms the basis of the MANN+HUMMEL Group's global presence. Fast and secure data provides opportunities for the ongoing optimization of our processes and improvements in our cooperation with our customers and suppliers. The continuous availability of secure data places high demands on our information technologies. In order to rule out the high risks posed by interruptions to the data supply, there is a second data center in Ludwigsburg, in addition to the primary one. With the annual "Data Center Emergency Drill", we ensure that the emergency measures are effective in the event of an incident and that the risks are minimized.

Purchasing

On the procurement markets, the particular risks are those associated with the prices of raw materials and other materials. Raw material prices will hardly increase because of modest momentum in world industrial production. Experts are assuming a moderate price development. With long-term contracts, a selection of strategic, globally positioned suppliers and the monitoring of exchange rates, these cost increases will be compensated for the most part and the risks will therefore be reduced significantly.

Strategic opportunities and risks

Innovations

Product innovations play an important role in our market success. New potential for future product innovations arises, for example, from cooperation with the North Carolina State University. The Non-Woven Institute located in Raleigh, North Carolina, USA, and the new North Carolina Innovation Center (NCIC) work side by side on the same campus. In our first development center outside of our own four walls, MANN+HUMMEL combines research and development, strategy and innovation under one roof. The newly founded company I2M is also based in Raleigh. Its purpose is to secure the rapid commercialization of new technologies. As soon as these have achieved a sufficient degree of maturity, integration into the MANN+HUMMEL organization will take place.

Together with the matrix organization already established in 2010, the strategic orientation of research and development will enable MANN+HUMMEL to improve its response to local market and customer requirements.

Acquisitions

The effective integration of acquired companies into the existing organization fundamentally entails risks. MANN+HUMMEL is facing these challenges with proven and clearly defined integration processes.

The acquisition of the filtration business of Affinia entails risks with respect to the anticipated profitability of Affinia as well the increased indebtedness of the MANN+HUMMEL Group. In addition, risks can arise from payment flows between the euro area and the US dollar area. We are minimizing these risks through detailed planning processes and by structuring the financing. The acquisition of and preparation for the integration of Affinia was also supported by renowned and specialized consultants.

However, the acquisition also offers opportunities in the form of synergy effects.

Taxes

The many country-specific tax systems represent a high level of complexity within the MANN+HUMMEL Group. In this regard, we minimize the tax risks through the appointment of local tax consultants at the individual subsidiaries. Guidelines, for example on transfer pricing practices, are continuously updated and the employees informed around the world.

Compliance

Increasingly, investigations by the antitrust authorities are underway in many countries. This can result in penalties due to competition law infringements or other unlawful conduct. In our company guidelines and the Code of Conduct, we regulate the correct procedure with respect to antitrust issues, export control, corruption and other violations of the law. Through ongoing training, all employees worldwide are made aware of these topics and the risk is reduced.

Overall statement regarding the risk situation

The MANN+HUMMEL Group is countering the potential risks with an established risk management system. This enables risks to be detected as early as possible and averted or minimized through appropriate action. No risks that could jeopardize the future of the Group can be identified at present. We currently have no further information beyond the individual risks mentioned above that would indicate further significant risks.

The liquidity situation at MANN+HUMMEL remains solid. There are contingency plans in place for the event of short-term market changes or the effects of a returning financial crisis.

Supplementary report

›› Takeover of the Affinia Group with the WIX Filters and FILTRON brands
›› Foundation of a new managing holding company

In May 2016 the MANN+HUMMEL Group took over the global filtration business of the Affinia Group, which is headquartered in Gastonia, North Carolina / USA. The filtration business of Affinia, known under the brands WIX Filters and FILTRON, specializes in the aftermarket business in oil, fuel, hydraulic and coolant filters. MANN+HUMMEL will lead the Group as a new business unit based in North Carolina in the US.

Within the framework of the rearrangement of the Group structure, MANN+HUMMEL International GmbH & Co. KG was established on January 1, 2016 as the managing holding company. In contrast to the existing MANN+HUMMEL Holding GmbH, this company is operational and employs its own staff.

No events of particular significance that would have affected the net assets, financial position and results of operation of the MANN+HUMMEL Group occurred after December 31, 2015.

Forecast report

›› Global positioning and greater flexibility as important success factors
›› Sales expectation in 2016 – without taking into account the Affinia acquisition – on a par with the previous year
›› Operating results forecast to improve slightly compared to 2015

For the automotive industry worldwide, the VDA is forecasting growth of around 2 percent for 2016. Lower growth is expected in the USA and in Europe, while a slight recovery is forecast for Brazil and Russia. In China, after a successful fourth quarter in 2015, growth of 6 percent is expected for the whole of 2016.[1] The discussion triggered by the VW scandal regarding the diesel engine has not as yet had any apparent effect on demand. As market volatility and structural risks have generally increased, global positioning and greater flexibility are increasingly important success factors both for our customers and for MANN+HUMMEL. We will therefore also have to consider any necessary restructuring measures in the future. MANN+HUMMEL will take these requirements into account and continue our internationalization.

Given the current conditions, we expect sales to be slightly below the previous year's level for our Automotive Original Equipment Business Unit in 2016. This is due to a significant decline in sales of customer directed parts, and to the reduction in pre-series sales.

1 VDA Konjunkturbarometer Februar 2016 [VDA Economic Barometer February 2016], VDA (Berlin), February 2016

We are expecting slight sales growth compared to the previous year in the automotive aftermarket business, based on a positive development in the markets in Europe, Asia and America. However, developments in the highly inflationary countries of South America, as well as the politically tense situation in Europe do, however, harbor risks.

In 2016, industrial construction and mechanical engineering should experience weak momentum, as the markets continue to be defined by uncertainty. In the area of industrial filtration, which comprises our core business in mechanical engineering and the integration of the Vokes Air Group which was completed in the year under review, we expect a slight growth in sales overall compared to the previous year.

In the area of water filtration, we expect a slight weakening of sales overall compared to 2015. It is unlikely that the planned sales increases in Asia will be able to compensate for the expected downturn resulting from the difficult economic situation in Brazil.

From a regional standpoint, we expect only slightly increased sales in Asia, while in Europe and America sales on a level with 2015 are anticipated.

For the 2016 fiscal year, without taking into account the acquisition of Affinia, we expect sales for the MANN+HUMMEL Group on a level with those of the previous year. From the current perspective, the operating results will only improve slightly compared to 2015. Price reductions in relation to our customers are partly balanced out by improvements in material prices. The salary-related personnel cost increases can be compensated for by measures in production and in overheads.

Despite the global economic and political challenges, we are optimistic about the future – sustainable growth and a focus on our filtration know-how have created a solid foundation for us to continue our 75-year-long success story.

Ludwigsburg, June 15, 2016

MANN+HUMMEL HOLDING GmbH
The Management Board

Alfred Weber **Filiz Albrecht**

Hansjörg Herrmann **Kai Knickmann**

Josef Parzhuber **Steffen Schneider**

Emese Weissenbacher **Manfred Wolf**

MANN+HUMMEL
Consolidated financial statements IFRS[1]

1 All figures are rounded. This may lead to minor discrepancies when totaling sums and when determining percentages.

Consolidated profit and loss statement January 1 to December 31, 2015

in million EUR	Notes	2015	2014
Sales	(10)	3,041.9	2,780.1
Cost of sales	(11)	2,334.7	2,149.5
Gross margin on sales		**707.2**	**630.6**
Research and development costs	(11)	120.6	107.2
Selling expenses	(11)	265.5	234.8
General administrative expenses	(11)	144.5	135.0
Other operating income	(12)	42.3	25.7
Other operating expenses	(13)	83.4	29.6
Operating profit or loss (EBIT)		**135.4**	**149.8**
Share of result of associated companies		0.5	0.7
Financial expenses	(14)	119.8	46.4
Financial income	(14)	66.2	28.0
Net financial result		**–53.1**	**–17.7**
Net profit or loss before income tax		**82.3**	**132.2**
Income taxes	(15)	48.8	33.6
Consolidated net income		**33.5**	**98.6**
Result attributable to non-controlling interests		0.9	1.5

Consolidated statement of comprehensive income January 1 to December 31, 2015

in Mio. EUR	2015	2014
Consolidated net income	**33.5**	**98.5**
thereof attributable to non-controlling interests	0.9	1.5
Items that may be reclassified to profit/loss		
Exchange rate difference from translation foreign operations		
Exchange rate differences arising during the fiscal year	14.3	36.5
Financial assets held for sale		
Changes in fair value on financial assets held for sale	–0.3	1.1
Reclassifcations to profit and loss	1.4	0.0
Cashflow hedge (Currency hedging)		
Gains/losses recorded during the fiscal year	27.8	0.0
Income taxes attributable to these components	–8.2	–0.3
Items that will not be reclassified to profit/loss		
Revaluation of defined benefit obligations and similar commitments	8.7	–71.1
Income taxes attributable to these components	–2.5	19.8
Other comprehensive income	41.2	–14.0
Total consolidated comprehensive income	**74.7**	**84.5**
thereof attributable to non-controlling interests	1.6	3.1

Consolidated balance sheet as at December 31, 2015

Assets

in million EUR	Notes	12/31/2015	12/31/2014	1/1/2014
Non-current assets				
Intangible assets	(17)	154.1	116.1	99.0
Tangible assets	(18)	774.5	722.8	631.0
Investments in associates	(19)	2.7	2.4	4.0
Trade receivables	(23)	0.7	0.9	0.0
Financial assets	(20)	29.3	56.5	111.6
Income tax receivables		0.8	1.4	1.8
Other assets	(21)	7.4	12.3	12.0
Deferred tax assets	(15)	103.6	87.7	61.3
		1,073.1	**1,000.1**	**920.7**
Current assets				
Inventories	(22)	346.7	331.3	309.0
Trade receivables	(23)	438.2	395.5	359.9
Financial assets	(24)	212.2	272.7	133.6
Income tax receivables		28.9	25.9	23.1
Other assets	(21)	50.8	47.0	43.0
Cash		1,617.7	361.8	221.8
		2,694.5	**1,434.2**	**1,090.4**
		3,767.6	**2,434.3**	**2,011.1**

Liabilities

in million EUR	Notes	12/31/2015	12/31/2014	1/1/2014
Shareholders' equity				
Subscribed capital	(26)	92.7	92.7	92.7
Capital reserves	(26)	83.5	83.5	83.5
Revenue reserves	(26)	781.4	753.7	662.7
Total other shareholders' equity	(26)	–25.8	–66.3	–50.7
Equity attributable to shareholders of M+H Holding GmbH		**931.9**	**863.6**	**788.2**
Non-controlling interests	(26)	16.6	17.5	14.5
		948.4	**881.1**	**802.7**
Non-current liabilities				
Financial liabilities	(28)	1,525.6	460.2	252.9
Pension provisions	(31)	417.3	422.4	347.4
Other provisions	(30)	45.3	18.2	18.7
Other liabilities	(29)	1.6	3.4	6.9
Income tax liabilities	(31)	1.4	2.7	2.2
Deferred tax liabilities	(15)	64.5	45.9	38.3
		2,055.7	**952.8**	**666.4**
Current liabilities and provisions				
Financial liabilities	(28)	140.3	60.5	50.1
Trade payables		376.7	323.1	294.3
Other liabilities	(29)	130.4	120.8	102.7
Other provisions	(30)	79.0	76.9	75.7
Income tax liabilities		37.0	19.1	19.2
		763.5	**600.4**	**542.0**
		3,767.6	**2,434.3**	**2,011.1**

Consolidated cash flow statement
January 1 to December 31, 2015

in million EUR	Notes	2015	2014
1. Cash flow from operating activities			
Net profit or loss before income tax (incl. attributable to non-controlling interests)		82.3	132.1
Paid (–)/refunded (+) taxes on income		–59.5	–46.0
Depreciation (+) of fixed assets		104.1	88.1
Increase (+) / reduction (–) in long-term provisions		31.4	5.8
Other expenditure (+)/income (–) not affecting payments		3.8	–0.6
Increase (+)/reduction (–) in short-term provisions		1.7	–0.1
Profit (–)/loss (+) from disposal of assets		1.5	2.1
Increase (–)/reduction (+) in inventories, trade debtors and other assets		–20.3	–26.5
Increase (+)/reduction (–) in trade creditors and other liabilities		73.0	34.2
Cash flow from operating activities	(32)	**218.0**	**189.1**
2. Cash flow from investment activities			
Receipts (+) from disposal of tangible assets		19.6	7.8
Payments (–) for investment in tangible assets		–135.8	–139.6
Receipts (+) from disposal of intangible assets		0.2	0.1
Payments (–) for investment in intangible assets		–6.5	–3.5
Receipts (+) from disposal of non-current financial assets		0.6	3.0
Payments (–) for investment in non-current financial assets		–1.7	–30.0
Interest received (+)		7.5	7.0
Cash flow from investment activities	(32)	**–116.1**	**–155.1**
Free Cash flow		**101.9**	**34.0**

in million EUR	Notes	2015	2014
3. Cash flow from investment activities			
Payments (–) to company shareholders		–6.3	–6.1
Receipts (+) from acceptance of (financial) credits and sale of monetary financial assets		1,745.1	351.4
Repayment (–) of (financial) credits and payments to acquire monetary financial assets		–581.2	–236.4
Interest paid (–)		–35.1	–11.3
Cash flow from financial activities	(32)	**1,122.4**	**97.6**
4. Cash funds at end of period			
Payment-effective change to cash funds (sub-total 1-3)		1,224.3	131.6
Changes in cash funds from currency translations, related to valuation and to the consolidated Group		31.6	8.4
Cash funds at the beginning of period		361.8	221.8
Cash funds at end of period		**1,617.7**	**361.8**
5. Composition of cash funds			
Cash	(32)	1,617.7	361.8
Cash funds at end of period		**1,617.7**	**361.8**

Consolidated changes in equity as at December 31, 2015

	Parent Company			
	Subscribed capital	Capital reserves	Revenue reserves	Total other shareholders' equity
in million EUR				Available for sale financial assets
As at 1/1/2014	**92.7**	**83.5**	**662.7**	**0.0**
Accumulated other comprehensive income	0.0	0.0	0.0	0.8
Consolidated net income	0.0	0.0	97.0	0.0
Total comprehensive income	0.0	0.0	97.0	0.8
Dividends paid	0.0	0.0	–6.0	0.0
Changes to the consolidated Group	0.0	0.0	0.0	0.0
As at 12/31/2014	**92.7**	**83.5**	**753.7**	**0.8**
Accumulated other comprehensive income	0.0	0.0	0.0	0.9
Consolidated net income	0.0	0.0	32.6	0.0
Total comprehensive income	0.0	0.0	32.6	0.9
Dividends paid	0.0	0.0	–6.2	0.0
Changes to the consolidated Group	0.0	0.0	1.3	0.0
As at 12/31/2015	**92.7**	**83.5**	**781.4**	**1.7**

			Parent Company	Non-controlling interests	Total Equity
		Total other shareholders' equity	Total equity attributable to shareholders of M+H Holding GmbH		
Mark-to market of cash flow hedges	Acturial gains and losses	Difference from currency translation			
0.0	**0.0**	**–50.7**	**788.2**	**14.5**	**802.7**
0.0	–51.3	34.9	–15.6	1.6	–14.0
0.0	0.0	0.0	97.0	1.5	98.5
0.0	–51.3	34.9	81.4	3.1	84.5
0.0	0.0	0.0	–6.0	–0.1	–6.1
0.0	0.0	0.0	0.0	0.0	0.0
0.0	**–51.3**	**–15.8**	**863.6**	**17.5**	**881.1**
19.8	6.2	13.6	40.5	0.7	41.2
0.0	0.0	0.0	32.6	0.9	33.5
19.8	6.2	13.6	73.1	1.6	74.7
0.0	0.0	0.0	–6.2	–0.2	–6.3
0.0	0.0	0.0	1.3	–2.4	–1.1
19.8	**–45.1**	**–2.1**	**931.8**	**16.6**	**948.4**

Notes to the Consolidated Financial Statements of MANN+HUMMEL HOLDING GMBH 2015

Fundamental Principles

1. Corporate structure

MANN+HUMMEL HOLDING GMBH (hereinafter also referred to as "company", "parent" or "MH holding") is a limited liability company. The company is based in 71638 Ludwigsburg, Germany, Hindenburgstraße 45. The company is the parent of the MANN+HUMMEL Group (hereinafter also „Group" or "MANN+HUMMEL Group").

The MANN+HUMMEL Group is a leading global expert for filtration solutions and development partner and original equipment supplier to the international automotive and mechanical engineering industries. The MANN+HUMMEL Group is divided into four Business Units: Automotive Original Equipment, Automotive Aftermarket, Industrial Filtration, and Water Filtration. It mainly develops and distributes air, oil, fuel, and cabin filters and filter systems for the automotive original equipment and aftermarket business. Applications for ambient and process air filtration for industry as well as membrane filters for water filtration round off the portfolio.

The MANN+HUMMEL Group is represented at more than 60 locations on five continents. The MANN+HUMMEL Group is active worldwide in all markets in the automotive and industrial sector and primarily in Asia, Europe, and South America in the water filtration sector.

2. General Information

The items in the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity are listed or explained in the notes to the consolidated financial statements.

The group currency is the euro. Unless noted otherwise, all amounts are stated in millions of euros (EUR m).

The Management Board of the company approved the consolidated financial statements for referral to the Supervisory Board on June 15, 2016.

The consolidated financial statements prepared as of December 31, 2015 and the status report are announced in the Federal Gazette.

The consolidated balance sheet is structured in accordance with terms. Balance sheet items are broken down into current assets or liabilities if they have a remaining term of more than one or up to one year.

Assets and debts belonging to a disposal group that is classified as held for sale or assets held for sale are reported separately from the other assets and debts in the balance sheet.

The assets and debts are recognized in accordance with the historical cost convention. Excluded from this are derivative financial instruments, securities and holdings in companies that were recognized at their value, if it can be reliably determined.

3. First-time adoption of IFRS

As a non-publicly listed company, the business uses the option under Section 315a(3) HGB (German Commercial Code) to prepare the consolidated financial statements in accordance with IFRS.

The consolidated financial statements are consistent with the standards and interpretations of the International Accounting Standards Board (IASB), London, valid at the end of the reporting and as applicable in the European Union (IFRS) and additionally in accordance with the commercial law regulations applicable under Section 315a(1) HGB.

Notes to the first-time adoption of IFRS

The 2015 fiscal year is the first year for which the consolidated financial statements are prepared in accordance with IFRS. The last consolidated financial statements were prepared according to HGB for the fiscal year ending on December 31, 2014. Due to the disclosure of corresponding figures, as required by IFRS, in the balance sheet, income statement and statement of overall income as well as in the cash flow statement and statement of changes in equity, January 1, 2014 is therefore the time of switching to IFRS.

The switch of group accounting to IFRS was carried out in observance of the regulations of IFRS 1. As such, the standards and interpretations applicable as at the first IFRS balance sheet date (January 1, 2014) must be applied as if they always applied. The adjustments resulting from the switch to IFRS accounting were recognized accordingly in the opening IFRS statement of financial position as at January 1, 2014 and the revenue reserves disclosed there. The main effects of the switch are presented and explained below in summary.

In accordance with IFRS 1, the following simplification rule was used, in particular, for switching to IFRS: Company mergers by December 31, 2013 were not recognized in the balance sheet retroactively in accordance with IFRS but in accordance with HGB. The amount of the goodwill recognized in the IFRS opening balance sheet therefore corresponds to the amount presented in accordance with HGB. In particular neither intangible assets were to be separated nor an expense for depreciation to be recognized directly in equity.

In **intangible assets** the differences from the HGB result largely in the development costs now capitalized in accordance with IAS 38. In addition, the economic (usually longer) usage periods are used in IFRS to determine the depreciations. In the 2014 fiscal year, it must also be taken into account that the goodwill in accordance with the IFRS is not amortized as planned. The carrying amounts therefore performed as follows:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Intangible assets	102.0	116.1	14.1	96.0	99.0	3.0

In addition, the economic (usually longer) usage periods are also used in IFRS to determine the depreciations for **tangible assets**. In addition, the carrying amount of the tangible assets increases due to the different treatment of finance leases in accordance with the IFRS (capitalization of the leased assets and recognition of corresponding liabilities in accordance with IAS 17). The carrying amounts therefore performed as follows:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Tangible assets	638.3	722.8	82.3	549.6	631.0	79.0

For a **holding** with a stake of up to 50% in the voting capital, a change was made to the equity accounting method when switching to IFRS (**investments in associate companies**). In addition, the securities in the financial assets (**special funds**) disclosed in accordance with the HGB are now only to be included in the consolidated financial statements by way of full consolidation in accordance with IFRS 10. Accordingly, the financial instruments held by the special funds are now disclosed directly in IFRS consolidated financial statements instead of the special fund units. As such, in particular the financial assets available for sale at short notice must be reclassified from the financial assets (HGB) to the short-term financial assets (IFRS). The following differences in the carrying amounts arise:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Financial assets	308.6	58.9	11.7	190.4	115.6	4.2

When switching to IFRS, the **inventory measurement** in accordance with IAS 2 resulted in lower amortizations due to the relevance of the net realizable value. The differences as at 1/1/2014 are also based on first-time consolidation effects. The following differences between HGB and IFRS arise:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Inventories	324.8	331.3	6.4	311.5	309.0	-2.5

The reason for the change to the **receivables and other assets (incl. financial assets and deferred tax assets)** were the following facts: The **trade receivables** are increased in the consolidated financial statements in accordance with the IFRS compared to the consolidated financial statements in accordance with the HGB, as no global valuation allowance is considered that reduces the carrying amount. In addition, the **financial instruments** of the available for sale category from the consolidation of the special funds are largely disclosed as short-term financial assets.

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Receivables and the other assets	854.0	1,117.5	4.4	703.4	795.2	3.4

Whereas the consolidated financial statements in accordance with the HGB disclose **deferred tax assets and liabilities** are offset as a rule, any offsetting in IFRS consolidated financial statements is only carried out if the requirements of IAS 12.71 et seq. are fulfilled. In addition, the accounting differences presented in this section result in the formation of additional deferred tax assets and liabilities. The following differences between HGB and IFRS arise:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Deferred tax assets	6.7	87.7	81.0	1.0	61.3	63.8

The **provisions for pension obligations** have been (re)assessed in accordance with the IFRS. As the accrued benefit method is already applied in the HGB consolidated financial statements of the MANN+HUMMEL Group during the valuation of the provisions for pensions, valuation differences arise when switching to IFRS exclusively from the application of the IAS19-compliant parameters (interest rate, salary raises). As such, the following differences from the HGB arise:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Provisions for pensions	297.2	422.5	-125.3	278.6	347.4	-68.8

The **other provisions** are lower in the consolidated financial statements in accordance with IFRS, as a liability for restructuring provisions in accordance with IFRS, in particular, is only possible if all requirements of IAS 37.70 are given. In addition, amounts disclosed in the HGB consolidated financial statements as other provisions must be disclosed in the consolidated financial statements in accordance with IFRS in the other liabilities if they are "accruals" within the meaning of IAS 37.11(b). The following differences between HGB and IFRS arise:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Other provisions	256.3	116.9	-5.4	253.7	115.9	-2.4

Due to offsetting, no **deferred tax liabilities** are reported in the consolidated financial statements prepared in accordance with HGB. The accounting differences presented in this section result in the formation of additional deferred tax assets and liabilities. The following differences arise between HGB and IFRS, which do not lead to any changes in equity:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Deferred tax liabilities	0.0	45.9	0.0	0.0	38.3	0.0

The **other liabilities (incl. other financial liabilities)** change in accordance with the above explanations, among other things, by the recognition of finance leases in accordance with IAS 17, the restructuring of so-called accruals from the other provisions and the deduction of down payments received on inventories. The following differences between HGB and IFRS arise:

	12/31/2014			1/1/2014		
EUR million	HGB	IFRS	Of which changes in equity	HGB	IFRS	Of which changes in equity
Other liabilities	868.5	967.0	-0.5	611.2	706.8	9.8

In summary, the following changes to the statement of capital equity arise:

	12/31/2014	1/1/2014
EUR million		
Shareholders' equity in accordance with HGB	**812.4**	**708.4**
Intangible assets	14.1	3.0
Tangible assets	82.3	79.0
Financial assets	11.7	4.2
Inventories	6.4	-2.5
Receivables and other assets	4.4	3.4
Deferred tax liabilities	81.0	63.8
Provisions for pensions	-125.3	-68.8
Other provisions	-5.4	2.4
Other liabilities	-0.5	9.8
Shareholders' equity in accordance with IFRS	**881.1**	**802.7**

The previous-year income statement in accordance with the HGB also needs to be applied to IFRS for the same period. For the 2014 previous-year period, the following differences in results arise:

	HGB	IFRS	Δ	
EUR million				
Sales	2,795.2	2,780.1	-15.1	[a]
Operating expenditure and income	-2,655.5	-2,630.3	25.2	[b]
Net financial result	-37.2	-17.7	19.5	[c]
Income taxes	-28.3	-33.6	-5.3	[d]
Annual consolidated net income	**74.2**	**98.5**	**24.3**	

[a] Predominantly reverse effects from the partial profit realization (application of the POC method).
[b] Differences largely from lower amortizations in inventory assets in accordance with IAS 2 (EUR 4.0 million), longer usage periods for the tangible assets and intangible assets in accordance with IFRS compared with the official depreciation tables used in the HGB (EUR 2.5 million), impairment only approach instead of planned amortization of goodwill (EUR 11.5 million) and recognition of actuarial losses on provisions for pensions in the other comprehensive income in accordance with IAS 19 (EUR 1.0 million).
[c] Recognition of actuarial losses on provisions for pensions in the other comprehensive income in accordance (EUR 14.1 million), consolidation of special funds and realization of gains from the sale of individual financial instruments (EUR 4.9 million).
[d] Tax effects on the above IFRS adjustments.

Furthermore, when switching from HGB to IFRS a change was made from the expense method to the cost of sales method. Whereas in the expense method the earnings before interest and income tax (EBIT) are established by deducting the material and personnel costs, among other things, as well as the depreciations from the revenues, in the cost of sales method a functional structure of the profit and loss statement is used: in addition to the production costs, the services provided to achieve the sales, the research and development costs, the selling expenses and the general administrative expenses are deducted from the revenue. The material costs presented in accordance with HGB is now largely included in the production costs of the services provided to achieve the sales. To allocate the depreciations (in accordance with IFRS adjustments) to the functional areas for 2014, we refer to Note 16. From the personnel costs presented in the past in accordance with HGB, 61% is now included in the production costs of the services provided to achieve the sales and the rest in the other functional areas. Also, the other operating expenses were now also allocated to the production costs of the services provided to generate the sales (see Note 11) and largely also to the other functional areas.

4. New IFRS standards

The following accounting standards published by IASB are not yet to be applied as mandatory and will also not be applied early:

- **IFRS 9 Financial instruments** will replace the accounting and measurement of financial instruments in accordance with IAS 39. IFRS 9 introduces a standard approach to classifying and measuring financial assets and a new impairment model based on the expected credit defaults. IFRS 9 also contains new regulations for application of hedge accounting. IFRS 9 is applicable to fiscal years that start on or after 1/1/2018, an early application is not permissible. We are currently verifying what effects the first-time application of IFRS 9 has on the consolidated financial statements.

- **IFRS 15 Revenue from contracts with customers** will govern the recognition of revenues and replace IAS 11 Construction contracts and IAS 18 Revenue. According to IFRS 15, the realization of sales will present the transfer of the agreed goods or services with the amount that corresponds to the return service that the company will likely receive for the goods delivered or services provided. Under IFRS 15, sales are regularly realized when the customer receives the power to dispose of the goods/services. IFRS 15 contains requirements for recognizing the service surpluses and liabilities, i.e. for assets and debts, originating under agreements with customers that result in the service provided by the company or the payment of the customer. IFRS 15 requires additional information in the notes on the type, amount, time and uncertainties of sales and cash flows. If adopted without change by the EU, IFRS 15 is applicable to fiscal years that start on or after 1/1/2018, an early application is not permissible. We are currently verifying what effects IFRS 15 will have on the consolidated financial statements.

- **IFRS 16 Leases** will include regulations on the balance sheet recognition of lease agreements and replace IAS 17 and the associated interpretations of IFRIC 4, SIC 15 and SIC 27. As regards the lessee, IFRS 16 specifies a single accounting method. For the lessee, this results in all assets for the usage rights obtained and liabilities, which originate from leasing agreements, need to be recognized in the balance sheet. An exception only applies for short-term leasing agreements with a term of at least 12 months and for minor assets. For the lessor, however, finance and operate leases are distinguished, as in the past. IFRS 16 also contains new regulations on the disclosure and information in the notes on sale and lease-back transactions. The time of the first application of IFRS 16 is 1/1/2019. Early application is permissible if the regulations on the revenue realization in accordance with IFRS 15 are considered at the same time. We are currently verifying what effects IFRS 16 will have on the consolidated financial statements.

The other amended standards published and not yet adopted by the EU will likely not have any major impact on the net assets, financial position and results of operation of the MANN+HUMMEL Group. If these standards are accepted by the EU, which will only become mandatory in later fiscal years, no early application of these standards is planned.

5. Consolidated Group

Included in the consolidated financial statements were, in addition to MANN+HUMMEL HOLDING GMBH, 14 domestic and 50 foreign subsidiaries. The consolidated group includes, in addition to MANN+HUMMEL HOLDING GMBH as the parent, all domestic and foreign companies that MANN+HUMMEL HOLDING GMBH controls directly or indirectly or on which it has a major influence. Subsidiaries are companies where MANN+HUMMEL HOLDING GMBH controls the business and financial policies thanks to the actual majority of votes in order to benefit from its activities and meaning that it has the possibility to control. In addition, MANN+HUMMEL HOLDING GMBH is exposed to fluctuating returns from its investments in holdings and has the ability to influence the returns. Associated companies are businesses where MANN+HUMMEL HOLDING GMBH has a major influence on the business and financial policies, but which are neither subsidiaries nor joint ventures.

	1/1/2015	Initial consolidations	Legal changes	De-consolidations	12/31/2015
Subsidiaries	52	17	3	2	64
of which in Germany	14	3	2	1	14
of which abroad	37	14	1	0	50
Associates	2	0	0	1	1

	1/1/2014	Initial consolidations	Legal changes	De-consolidations	12/31/2014
Subsidiaries	50	2	0	0	52
of which in Germany	13	1	0	0	14
of which abroad	35	2	0	0	37
Joint ventures	0	0	0	0	0
Associates	2	0	0	0	2

Changes to the consolidated group

In the 2014 fiscal year, the following special fund was include in the consolidated financial statements of MANN+HUMMEL HOLDING GMBH for the first time.

in %	Share in capital
MI-Fonds G32	100

In the 2015 fiscal year, the following companies were included in the consolidated financial statements of MANN+HUMMEL HOLDING GMBH for the first time, which were previously irrelevant in total for the presentation of the net assets, financial position and results of operation of the MANN+HUMMEL Group:

in %	Share in capital
MANN+HUMMEL Vokes Air GmbH & Co. OHG, Sprockhövel	100.0
MANN+HUMMEL MRH Filter Beteiligungsgesellschaft mbH, Sprockhövel	100.0
MANN+HUMMEL Atex Filter Verwaltungsgesellschaft mbH, Sprockhövel	100.0
MANN+HUMMEL Vokes Air SAS, Ozouer Le Voulgis / France	100.0
MANN+HUMMEL Vokes Air Treatment Holdings Ltd., Burnley / UK	100.0
MANN+HUMMEL Vokes-Air Limited, Burnley / UK	100.0
MANN+HUMMEL Vokes Air Filtration Ltd, Burnley / UK	100.0
MANN+HUMMEL Wheway Plc, Burnley / UK	100.0
MANN+HUMMEL Vokes Air S.r.L, Pioltello / Italy	100.0
MANN+HUMMEL, Vokes Air SL, Premià de Dalt Barcelona / Spain	100.0
MANN+HUMMEL Vokes Air BV, Ijsselstein / Netherlands	100.0
MANN+HUMMEL Vokes Air AS, Hvidovre / Denmark	100.0
MANN+HUMMEL Vokes Air AG, Uster / Switzerland	100.0
MANN+HUMMEL Vokes Air GmbH, Vösendorf / Austria	100.0
MANN+HUMMEL Vokes Air Holding AB, Svenljunga / Sweden	100.0
MANN+HUMMEL Vokes Air AB, Svenljunga / Sweden	100.0
MANN+HUMMEL Filter (CHONGQING) CO., LTD., Chongqing / PR China	100.0

Furthermore, the following companies dropped out of the consolidated group in the 2015 fiscal year year through merger:

in %	Share in capital
MANN+HUMMEL Inlandsbeteiligungsgesellschaft mbH, Ludwigsburg	100.0
MANN+HUMMEL Vermögensverwaltungs GmbH & Co.KG, Wülperode	100.0
MANN+HUMMEL Brasil Tecnologia EM Aqua Participacoes LTDA., Jundai / Brazil	100.0

6. Principles of consolidation

The capital consolidation is carried out in accordance with the purchase method. The subsidiaries are fully consolidated from the time of purchase, i.e. from the time of MANN+HUMMEL HOLDING GMBH obtaining a controlling influence. The inclusion in the consolidated financial statements ends as soon as the parent loses its controlling influence. At the time of obtaining control, the newly measured assets and liabilities of the subsidiary as well as contingent liabilities, unless dependent on a future event, are offset against the fair value of the return service provided for the shares. Contingent considerations are carried as a liability at fair value.

Subsequent adjustments to contingent considerations are recognized in income. The ancillary costs incurred during the purchase are recognized as an expense at the time of being incurred.

Any debt difference remaining after capital consolidation is capitalized as good will and recognized under the intangible assets. The good will are verified for their value on the balance sheet date within the framework of an impairment test. A verification is carried out during the year if there are indications of an impairment. Negative debt differences arising during capital consolidation are recognized in the other income the consolidated profit and loss statement.

If not all shares are purchased during a company acquisition, non-controlling interests can be applied in the amount of the pro rata newly measured net assets or at their total pro rata company value, including the business or company value made up by them. The option can be freshly exercised for every company acquisition. As of December 31, 2015, all non-controlling interests are recognized with the pro rata net assets.

In the event of a gradual purchase of shares, the already existing shares in the company to be consolidated are newly measured at the fair value at the time of obtaining control. The difference to the equity holding's carrying amount is recognized in income.

The purchase of additional shares of already pre-consolidated subsidiaries is accounted for as an equity capital transaction. In this process, the difference between the acquisition costs of the shares and the carrying amount of the non-controlling stake is offset against the revenue reserves. The effects of share sales, which do not result in the loss of control of a subsidiary, are recognized directly in equity by offsetting the capital gains or losses with revenue reserves and increasing the non-controlling interests in the amount of the pro rata net assets.

The deconsolidation of subsidiaries takes place as of the time of losing control or the time of liquidation. The result of the deconsolidation is recognized in the other income or expenditure. Remaining shares are capitalized at fair value under the shares in investees.

Receivables, liabilities, provisions, revenue and other income and expenses between the companies included in the consolidated financial statements are consolidated. Interim profits from internal transactions that were not realized from the sale to external third parties are excluded from the calculation. Internal sureties and guarantees are eliminated.

7. Foreign currency translation

The conversion of the annual financial statements prepared in foreign currency of the group companies included is carried out on the basis of the concept of the functional currency using the modified spot rate on reporting date method in EUR. As the subsidiaries conduct their business independently from a financial, economic and organizational perspective, the functional currency is identical to that of the company's relevant national currency as a rule. For that reason, the expenses and income from financial statements of subsidiaries, which are prepared in a foreign currency, are converted in the consolidated financial statements at the annual average rate of exchange, assets and liabilities at spot rate on reporting date. The currency difference resulting from the conversion of the equity capital at historic rates and the conversion differences resulting from the conversion of the consolidated profit and loss statement at the annual average rate of exchange are recognized in the accumulated other equity without affecting income.

In the individual financial statements of MANN+HUMMEL HOLDING GMBH and the subsidiaries, foreign currency receivables and payables are measured on the first-time recognition at the rate valid on the transaction date. The balance sheet date rate is used for the subsequent measurement. Currency gains and losses from the due date valuation of the trade receivables and trade payables are recognized in other earnings and expenditure. Currency gains and losses, which are made up by financial assets and liabilities, are recognized in other financial income and financial expenses. The underlying exchange rates for the foreign currency translation with a major impact on the consolidated financial statements have changed in relation to the euro as follows:

	Spot rate on reporting date			Annual average rate of exchange	
	12/31/2015	12/31/2014	1/1/2014	2015	2014
Argentine peso [ARS]	14.20970	10.40740	8.95110	10.47447	10.86864
Brazilian real [BRL]	4.24930	3.22640	3.22590	3.73508	3.11063
Renminbi yuan [CNY]	7.09520	7.45560	8.41890	6.91351	8.13556
Czech koruna [CZK]	27.02500	27.72500	27.42500	27.26875	27.55000
Pound sterling [GBP]	73.46050	77.87300	83.28400	72.38183	80.32838
Indian rupee [INR]	72.07000	76.61500	85.14900	70.98933	80.71558
Yen [JPY]	131.17500	145.10050	144.64250	133.57800	140.52621
South Korean won [KRW]	1.28172	1.32514	1.45453	1.25373	1.39198
Mexican peso [MXN]	18.94030	17.92640	17.98160	17.67128	17.63167
Russian ruble [RUB]	79.69720	68.34270	44.96990	68.41748	51.66368
Singapore dollar [SGD]	1.54004	1.60566	1.74100	1.52162	1.67786
Baht [THB]	39.43875	39.95510	45.09100	37.99837	43.00795
US dollar [USD]	1.08925	1.21540	1.37795	1.10373	1.32177

8. Accounting policies

The financial statements of MANN+HUMMEL HOLDING GMBH and the companies included in the consolidated financial statements are prepared as of December 31 of each fiscal year in accordance with accounting policies that are standard across the Group in line with IFRS.

Realization of expense and income

Revenues from sales of products are recognized at the time of the transfer of title and perils to the customer if a price is agreed or determinable and the benefit flow can be assumed. The revenues are recognized less discounts, deductions, customer bonuses and reductions. Earnings from services are recognized in accordance with the degree of completion if the amount of the earnings can be determined and the inflow of the economic benefit from the business can be expected. The recognition of license agreements is carried out in line with the period in accordance with the provisions of the underlying agreement.

The **cost of sales** includes the cost of making the products and the initial costs of the trading goods sold. In addition to the directly attributable costs for materials and production, they also include the indirect, production-related overheads, including the depreciations on the tangible assets used and amortizations on intangible assets. The costs of the allocated service also contain expenses from the depreciation of inventories on the lower net revenue.

The **research and development costs** that cannot be capitalized are recognized in income when incurred.

Borrowing expenses that can be attributed directly to the purchase or production of an asset, for which a considerable amount of time is required to put it into the intended usable or sellable status, are capitalized as part of the acquisition or manufacturing costs. All other borrowing expenses are immediately recognized as expenditure.

Interest income is recognized in income at the time of generation.

Dividend income is recognized on the occurrence of the legal entitlement.

Hedge accounting

Derivative financial instruments are used at the MANN+HUMMEL Group for hedging purposes in order to reduce currency and interest risks as well as risks from equity derivatives. According to IAS 39, all derivative financial instruments are accounted for at market value.

Inasmuch as the MANN+HUMMEL Group opts for the balance-sheet representation of hedging relationships in accordance with the regulations of hedge accounting on a case-by-case basis, the accounting is carried out as a cash flow hedge. If no hedge accounting is applied, the derivative financial instruments are measured at fair value and the changes in fair value recognized in income.

Cash flow hedges are used to hedge against risks of changes in the value of future cash flows. In the event of changes to the market value of financial instruments used within the framework of cash flow hedges, the unrealized profits and losses in the amount of the actual part are initially recognized in the revenue reserves without an impact on income. A transfer to the consolidated profit and loss statement takes place at the same time as the impact on results from the hedged item. The non-effective portion of the changes in market value is recognized directly in the consolidated profit and loss statement.

Effects with an impact on result from hedging transactions concluded to hedge against risks from commodity price changes, are recognized in the cost of sale. The profits and losses from currency hedging transactions are recognized in other income and expenses or as part of the acquisition costs. Profits and losses from derivative financial instruments that serve to hedge against interest-change risks and price risks from securities are recognized in the other net financial result.

Cash

Cash in hand and bank balances currently available and short-term overnight cash are recognized under cash.

Financial assets

Short- and long-term financial assets are broken down into the following categories:

- Loans and receivables
- Financial assets available for sale
- Financial assets held for trading

The **Loans and receivables** category includes cash, financial assets and trade receivables. Lending and loans as well as bank balances and overnight cash are recognized under financial assets. They are recognized at cost less depreciation using the effective interest rate. Trade receivables are recognized at the invoice amount

In the event of objective indications that point toward an impairment on the loans and receivables, the impairment loss is determined as the difference between the cash value of the expected future cash flow and the carrying amount and recognized in income on a later allowance account. If there is a risk of uncollectibility, a direct valuation allowance takes place.

The **Financial assets available for sale** category includes, as a rule, all securities for which entry in this category is permissible as well as holdings. After the recognition, financial assets available for sale are measured at their fair value as a rule. Holdings for which no active market exists and whose fair values are to be determined in lack of planning data are recognized at cost. A sale of these shares is currently not planned; there is no information about impairments.

Profits and losses from changes to the fair value of the financial assets available for sale are recognized in the revenue reserves in the equity capital without any impact on result. A transfer into the consolidated profit and loss statement is carried out as soon as an impairment is detected, at the latest on disposal of the financial assets.

In the event of objective indications of a sustainable impairment, such as a permanent fall in the fair value of the financial asset or a major worsening of the issuer's credit rating, the accumulated net loss is removed from the equity capital and recognized in the net financial result. The accumulated net loss is the difference from the cost and the current fair value, if applicable less any impairment loss of the financial asset recognized previously in income. Later reversals of impairment losses for equity capital instruments are recognized in equity. For borrowing instruments, reversals in income are made in the amount of the impairments previously recognized. If there are indications of an impairment for holdings measured at cost, this is recognized in income. A reversal of these shares is not carried out.

Financial assets held for trading and liabilities relate to derivative financial instruments for which the option of hedge accounting is not exercised or the criteria of which are not fulfilled.

The capitalization of financial assets is carried out on the date of fulfillment as a rule.

A financial asset is derecognized on the date of fulfillment if the contractual rights to cash flows from the assets have expired or all risks and opportunities have been largely assigned. Derecognition before the date of fulfillment is carried out as soon as the uncollectibility of trade receivables as well as financial assets is confirmed.

Financial assets and liabilities are offset and the net amount recognized in the consolidated balance sheet if there is a legal claim at the current moment in time to offset the amounts recognized against one another and if it is intended to bring about the offsetting on a net basis or to replace the associated liability at the same time as the realization of the relevant asset.

Inventories

Materials and supplies as well as trading goods are measured at their average cost in observance of lower net sales values as at the balance sheet date as a rule. Work in progress and finished goods are recognized at cost of production in observance of lower net sales values and taking into account consumption as at the balance sheet date. Cost of production includes all costs directly attributable to the production process as well as appropriate portions of the production-related overheads. They include production-related depreciations, pro rata administration costs and pro rata expenses of the social area.

Investments in associates and joint ventures

Investments in associates and joint ventures are generally accounted for using the equity method with the pro rata equity capital and initially with the acquisition costs, including transaction costs. If there are objective indications of an impairment of the shares on the balance sheet date, an impairment test is carried out. The share of the group in the net profit or loss for the period of the associates or joint ventures is recognized separately as part of the net financial result in the consolidated profit and loss statement. Earnings and expenses recognized directly in the equity capital of the associates or joint ventures are also recognized in equity at the MANN+HUMMEL Group and presented separately in the statement of comprehensive income. The accumulated changes after the time of purchase increase or reduce the equity holding's carrying amount of the associate/joint venture accordingly. Profits and losses from transactions between the MANN+HUMMEL Group and associates/joint ventures are eliminated in accordance with the holding share.

Intangible assets

Acquired and internally generated intangible assets are capitalized if it is likely that a future economic benefit is associated with the use of the asset and the costs of the asset can be determined reliably.

As regards the accounting and measurement of the **goodwill**, reference is made to the explanations of the principles of consolidation and the impairment tests.

Tooling cost contributions made to suppliers are recognized if they constitute a right granted by the supplier or a remuneration to be provided for the service of the supplier. Tooling cost contributions received are written off over a period of one to six years.

Development costs are capitalized at cost given the requirements of IAS 38 if, in addition to other criteria, the technical feasibility and marketing are ensured. Furthermore, the development activities must generate a future economic benefit with sufficient likelihood. The capitalized development costs include all costs directly attributable to the development process. Capitalized development costs are written off as planned over an expected product lifecycle of five years from the start of production.

Other intangible assets are recognized at cost and written off in linear fashion as planned in application of the following usage periods:

	in years
Independently developed software	4
Software – general (individual licenses)	4
Software – version change, e.g. product data management (PDM) and CAD (CATIA, ProEngineer, NX, etc.)	8
Patents	10

Intangible assets with an uncertain usage period are not available as at the balance sheet date.

Tangible assets

The entire **tangible assets** is subject to operational use and is measured at cost or production cost, less planned usage-related depreciation. The depreciations on the tangible assets are made in accordance with the usage progress using the linear method. The planned depreciations are based on the following usage periods throughout the Group:

	in years
Buildings	20 to 40
Components	20 to 25
Building parts	15 to 33
Outdoor facilities	20 to 33
Machines	8 to 20
Operating equipment	12 to 20
Vehicles	6 to 10
Tools	5
Machines/devices general	8 to 15
Tools and equipment	6 to 10

For machines used in multiple shifts, the depreciations are increased by shift additions accordingly.

The residual values, depreciation methods and usage periods of the assets are verified annually and adjusted as applicable.

According to the regulations on accounting for leasing agreements, the economic property is attributed to the lessee if it largely bears all opportunities and risks associated with the ownership. Lease agreements that fulfill these requirements are classified as **financial lease**. The leased properties are capitalized at the time of concluding the agreement at fair value or the lower cash value of the minimum lease payments. The amortizations are made as planned in a linear method over the planned usage period or over the shorter agreement term. The discount payment obligations resulting from the future lease rates are recognized as a liability under financial liabilities. The lease payments are broken down into a repayment and an interest portion in the following periods. The interest portion is recognized in income in the net financial result. The repayment portion reduces the financial liabilities.

Lease rates or rents that result from **operating lease** agreements are recognized in a linear fashion over the term of the lease as expense in the consolidated income statement as a rule. The future encumbrance from operating leases is presented under other financial liabilities.

Government grants

Government grants are only recognized if there is sufficient security that the associated terms will be met and the grants extended. Investment subsidies are deducted from the assets in the period they occurred. Cost subsidies are recognized as earnings over the same period in which the expenses, for whose compensation they were granted, are incurred.

Standard market interest rates are used for the measurement of non-interest-bearing and low-interest-bearing loans from the state. The difference between the deducted amount and repayment amount is deferred and recognized under other liabilities. The deferred amount is dissolved over the term of the loan agreement, which largely corresponds to the usage period of the asset, and recognized in the interest expense.

Assets held for sale and disposal groups

Assets and liabilities are recognized as disposal groups if they are to be sold as a group in a transaction that is highly likely. Individual assets are recognized in the balance sheet as assets held for sale. The relevant assets and liabilities are reported in the balance sheet within current assets and liabilities as assets of asset groups held for sale or liabilities of disposal groups. The earnings and expenses of the affected assets and liabilities are included in the result from continued activities until sale if they do not fulfill the definition of a discontinued business unit.

On initial classification of the disposal group, the measuring is initially carried out in accordance with the relevant IFRS standards; the resulting carrying amount of the disposal group is then compared with the fair value less sales costs in order to determine the lower value to the applied.

Impairment tests

For **shares in equity holdings**, for already used **intangible assets** and for assets of the **tangible assets**, it is verified as at the balance sheet date whether there are any indications of a possible impairment. In the event of such indications, the value is verified (impairment test). Intangible assets not yet ready for use and intangible assets with undefined usage periods are subjected to an impairment test every year.

To carry out the impairment test, the recoverable amount is determined. This is the higher amount from the fair value of the asset or the smallest cash-generating unit is the higher of its fair value less costs to sell and its fair value. The recoverable amount is determined for the individual asset or, if no cash flows can be attributed to the individual asset, for a cash-generating unit. The smallest units whose cash flows are forecast within the framework of the corporate planning are defined as cash-generating units. These are usually individual companies.

The recoverable amount corresponds to the fair value less disposal costs (level 3) and was determined as the cash value of future cash flows. The future cash flows were derived from the planning of the Group. The calculation of the cash value of the estimated future cash flows is based largely on the assumptions on future sales prices or quantities and costs taking into account changed economic framework conditions, if applicable. Net cash flows beyond the detailed planning phase are determined in application of individual growth rates derived from the relevant market information on the basis of long-term business expectations. The planning is based on a detailed planning period for the 2016 to 2018 fiscal years. To measure perpetuals, growth rates of 0.5% to 2.0% (previous year: 0.5% to 2.0%) form the basis. The cash flows determined were discounted at weighted capital cost rates after tax of 6.0% to 10.4% (2014: 5.8% to 8.3%; before tax 8.3% to 15.8% (2014: 7.9% to 12.5%). The weighting of the equity capital and borrowing costs was carried out with a capital structure that was derived from a group of comparable companies. For the determination of the equity capital and borrowing costs, capita market data and data of comparable companies were applied as the basis. There were no indications of an impairment in the fiscal year. When conducting the impairment tests, the Group performed various sensitivity analyses for changes to the WACC or to the planned sales performance considered to be possible. This variation of the measurement parameters did also not result in any impairment reduction for the capitalized good will.

The estimate of the fair value after deduction of the disposal costs for tangible assets is carried out on the basis of discounted cash flows as well as a cost-based approach for comparable assets, which are normally not based on parameters observable in the market (level 3). An impairment is recognized if the recoverable amount falls below the carrying amount of the asset or the cash-generating unit.

If the grounds for an impairment carried out earlier no longer apply, an addition takes place, but as a maximum at the amortized acquisition or manufacturing costs. Impairments and reversals of impairments of intangible assets and tangible assets are allocated to the functional areas of the consolidated profit and loss statement.

Goodwill from company mergers is allocated to those groups of cash-generating users that benefit from the mergers. These are the relevant national law individual companies in the Group. An audit of the value of good will is carried out annually on the basis of impairment tests using the above methods. Impairments on good will are recognized if the recoverable amount of the corresponding cash-generating unit is below its carrying amount. Impairments on good will are reported in other income. An addition to goodwill is not carried out.

Financial and other liabilities

The financial and other liabilities are applied on the initial recognition at cost, which corresponds to the fair value of the return services received. Transaction costs are also taken into account in this process. Subsequently, the liabilities are evaluated with the amortized acquisition costs under application of the effective interest method. If financial liabilities have not yet been claimed, the transaction costs are deferred within other assets. Collection in income takes place within other financial expenses. Derecognition of financial liabilities and other liabilities takes place as soon as the underlying liabilities have been fulfilled, canceled or expired.

For financial guarantees given by the company, the risk of being claimed is assessed as best possible inasmuch as such exist as at the balance sheet date. Inasmuch as the claiming is likely, a liability in the amount of the cash outflow to be expected is recognized under financial liabilities

The application of the fair value option, financial assets and liabilities on their initial recognition in the at fair value through profit or loss category is not utilized at the MANN+HUMMEL Group as a rule.

Tooling cost contributions received

Tooling cost contributions received constitute the return service for rights granted to the subsidizing party or services to be provided. The subsidies are deferred as tooling cost contributions received under other liabilities. The dissolution is carried out over the project period.

Provisions for pensions

The provisions for pensions are formed in accordance with the projected unit credit method. In this method, not only the pensions known as at the balance sheet date and the unit credits known, but also increases in expected pensions and current withdrawals are considered. The calculation is based on actuarial expert reports taking into account current biometric calculation bases. Actuarial profits and losses are recognized in the period of being generated in the full amount in other comprehensive income. The expenses from accrued interest and the expected earnings from fund assets are offset and recognized in interest expense. All other expenses from the allocation of pension obligations are allocated to the affected functional areas in the consolidated profit and loss statement.

Other provisions

Other provisions are formed if a liability toward a third party exists from a past event which will likely be claimed and the expected amount of the necessary provision amount can be reliably assessed.

When measuring the provisions from the sale area, in particular for guarantees and expected losses from open transactions, all cost components are integrated that are also capitalized in the inventories as a rule. The measurement is carried out at the amount of the best possible estimate of the expenses required to fulfill the liability on the balance sheet date. The measurement of the guarantee provisions is carried out on the basis of the guarantee expenses actually incurred, taking into account guarantee periods and periods of grace as well as sales performance of the products affected in the period considered.

The staff-related liabilities relate, in particular, to anniversary benefits and old-age part-time working hours obligations. Provisions for anniversaries of years of service are determined in accordance with actuarial principles. The provisions for old-age part-time working hours obligations include the amounts set aside for the pension insurance under individual or pay-scale agreements as well as the remuneration payments to be made during the release phase. The accumulation takes place pro rata from the start of the obligation.

The old-age part-time working hours obligations are hedged against insolvency via a trust model. To this end, shares in a special fund were assigned to a trustee. The shares in the special fund are measured at fair value. The assets used exclusively for the fulfillment of the old-age part-time working hours obligations and removed from the access of all other creditors are offset against the provisions (plan assets). If they exceed the provision value, the excess amount is recognized in the long-term other financial assets. The earnings from the plan assets are recognized as offset against the expense from the accrued interest of the provisions in the income statement.

Long-term provisions with a remaining term of more than one year are recognized at their fulfillment amount discounted on the balance sheet date. Discounting is carried out at the interest rate that corresponds to the risk and the maturity of the fulfillment inasmuch as the interest effect is relevant.

Income taxes

The **actual income tax receivables and income tax provisions** for the current and previous periods are measured with the amount in whose amount a refund is expected from or a payment to the tax authorities. The calculation of the amount is based on the tax rates and tax laws valid at the time of the balance sheet date.

Deferred tax assets and liabilities are formed on temporary differences between the recognition of tax rates and IFRS carrying amounts. The deferred tax assets also include tax reduction entitlements that result from the expected use of existing loss carryforwards and tax credits in the subsequent years. The deferred taxes are determined on the basis of tax rates that apply according to the current legal situation in the individual countries at the time of realization or are expected with sufficient likelihood.

Deferred tax assets on temporary differences and on tax loss carryforwards are only recognized if there is sufficient likelihood that the resulting tax reductions will actually occur in the future.

The carrying amount of the deferred tax assets is audited on every balance sheet date and reduced to the extent to which it is no longer likely that a sufficient result to be reported for tax purposes will be available against which the deferred tax asset can be utilized at least partially. Non-recognized deferred tax assets are audited on every balance sheet date and recognized to a degree to which it has become likely that a future result to be reported for tax purposes will enable the realization of the deferred tax asset.

Furthermore, no deferred tax assets and liabilities are recognized if they result from the initial recognition of goodwill, an asset or a liability within the framework of a business case, which is a company merger and if this initial recognition influences neither the balance sheet net profit or loss before income tax nor the result to be reported for tax purposes.

Deferred taxes that relate to items that are recognized in equity capital directly are also recognized in equity capital and not in the consolidated profit and loss statement.

Deferred tax assets and deferred tax liabilities are offset against one another if the MANN+HUMMEL Group has a claimable entitlement to offsetting the actual tax rebate claims against actual tax liabilities and these refer to income taxes of the same taxpayer, which are levied by the same tax authority.

9. Judgments and uncertainties in connection with estimates

The preparation of the consolidated financial statements requires that assumptions are made and estimates used that have an effect on the amount and reporting of the recognized assets and liabilities, earnings and expenses as well as the contingent liabilities. Key assumptions and estimates that are used when recognizing and measuring the balance sheet items are explained below.

When **capitalizing costs of development** (Item 17 of the Notes to the consolidated financial statements), assessments of the management regarding the technical feasibility and commercial viability of the development projects are included in the recognition decision. The measurement of the capitalized development costs depends on assumptions about the amount and period of the inflow of the expected future cash flow and on the discounting rates to be applied.

When accounting for other **intangible assets** and **plant, property and equipment**, assumptions and estimates largely relate to the definition of usage periods.

Within the framework of the **impairment tests** (Item 25 of the Notes to the consolidated financial statements), assumptions and estimates are used for the determination of the expected future cash flow and for the definition of the discounting rates. In particular in the area of intangible assets and liabilities, an influence on the relevant value may occur.

The assessment of the value of **trade receivables** (Item 23 of the Notes to the consolidated financial statements) is subject to a judgment about the assessment of the future solvency of the debtors.

The determination of the fair value of the **securities** (Item 36 of the Notes to the consolidated financial statements) allocated to level 3 of the fair value hierarchy are based on basic data that cannot be observed in the market. The calculation carried out in accordance with the discounted cash flow method is based on estimates about the expected cash flow and discounting rates used.

The amount of the fair value of the derivative instruments for hedging the currency risk from the purchase price payment for the acquisition of the Affinia Group is explained in detail in Item 36 of the Notes to the consolidated financial statements.

When recognizing the **deferred tax assets** (Item 15 of the Notes to the consolidated financial statements), the assumptions and estimates refer to the likelihood of the expected tax reductions actually occurring in the future.

The actuarial measurement of the **provisions for pensions** (Item 31 of the Notes to the consolidated financial statements) is carried out, in particular, on the basis of assumptions on the discounting rates, future pension performance, age deferral and the performance of the general living expenses.

The determination of **warranty provisions** (Item 30 of the Notes to the consolidated financial statements) is subject to assumptions and estimates that refer to the period between time of delivery and entry of the warranty event, warranty period and period of grace as well as the future warranty charges.

The determination of long-term **provisions for onerous contracts** (Item 30 of the Notes of the consolidated financial statements is subject to judgments about the interpretation of supply agreements. Significant decision-making criteria are here the binding definition of the period, quantities and prices of delivery.

The amount of the impairment expenses for **financial assets available for sale** is influenced by the judgments about the assessment whether the price losses are significant or longer-lasting and about the assessment of the issuer's credit rating.

Further judgments were not made.

The actual values may differ from the assumptions and estimates made in individual cases. Changes are considered in income at the time of better knowledge.

At the time of preparing the annual financial statements the underlying estimates were not exposed to any significant risks, for which reason no major adjustment to the assets and liabilities recognized in the consolidated financial statements is to be expected in the following fiscal year.

Notes to the consolidated profit and loss statement

The consolidated profit and loss statement is prepared using the cost of sales method.

10. Sales

EUR million	2015	2014
Europe	1,617.8	1,492.2
America	793.1	693.0
Asia	608.3	575.9
Rest of the world	22.7	19.0
	3,041.9	**2,780.1**

Of the revenues, EUR 3,030.4 million (previous year EUR 2,782.3 million) consists of the sale of goods EUR 11.6 million (previous year EUR 11.6 million) of the provision of services.

11. Cost of sales and other costs

EUR million	2015	2014
Material costs	1,703.0	1,577.7
Personnel costs	456.6	418.4
Depreciation and amortization	80.1	69.3
Other operating expenses	95.0	84.1
	2,334.7	**2,149.5**

The **research and development costs** include expenses for the own research department and expenses for external research and development services and test activities. The activities in this area serve to develop products to generate revenues.

The **selling expenses** include largely expenses for outgoing logistics, advertising and customer support as well as for commissions and licenses.

The **administration costs** include largely the expenses for information technology, finance and controlling, taxes, legal and for human resources.

12. Other operating income

EUR million	2015	2014
Income from foreign currency translation	12.2	8.5
Income from sale of tangible assets	10.5	1.9
Other	19.6	15.3
	42.3	**25.7**

13. Other operating expenses

EUR million	2015	2014
Expenditure from restructuring	36.1	7.1
Expenditure from foreign currency translation	10.9	7.7
Expenditure from sale of tangible assets	5.0	2.4
Guarantee expenditure	6.2	1.3
Other	25.2	11.1
	83.4	**29.6**

Expenses from restructuring are linked to a reduction in the production capacities in Ludwigsburg. Other expenses include, in particular, legal and consulting costs for the preparation of the company acquisition in 2016.

14. Net financial result

EUR million	2015	2014
Share in the result from associated companies	**0.5**	**0.7**
Interest and similar income	8.6	6.7
Currency gains	38.8	8.0
Income from lending, financial assets and securities	1.7	5.5
Income from sale of financial assets, securities and hedging transactions	17.1	7.8
Financial income	**66.2**	**28.0**
Accrued interest of long-term items	9.7	12.8
Interest and similar expenses	44.3	15.6
Currency losses	41.3	11.3
Depreciations on lending, financial assets and securities	0.3	0.2
Losses from sale of financial assets, securities and hedging transactions	24.2	6.5
Financial expenses	**119.8**	**46.4**
Net financial result	**-53.1**	**-17.7**

15. Income taxes

EUR million	2015	2014
Current tax expenses	42.7	39.5
Tax revenues previous years	-4.7	-1.9
Tax expenses previous years	23.0	0.6
Deferred taxes from temporary differences	-11.5	-4.6
Deferred taxes from loss carryforwards and tax credits	-0.7	0.0
	48.8	**33.6**

A corporation tax rate of 15% (previous year 15%) applies in Germany. Taking into account an average trade tax rate of 12.5% (previous year 12.5%) and solidarity surcharge of 5.5% (previous year 5.5%), the mean income tax rate for domestic companies is 28.35% (previous year 28.35%). This income tax rate is used as the applicable tax rate for the tax reconciliation account. The tax rates applicable abroad in the fiscal year are unchanged at between 2% and 36.05%.

The inventory of deferred tax assets and liabilities results from the following balance sheet items:

EUR million	12/31/2015		12/31/2014		1/1/2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Intangible assets	11.3	14.6	9.7	10.8	4.3	5.9
Tangible assets	0.5	39.8	0.4	33.0	0.6	29.8
Financial assets	1.0	1.4	6.1	3.1	6.6	1.0
Inventories	3.4	0.4	2.1	0.0	2.1	0.8
Trade receivables	1.9	0.3	0.3	0.3	0.2	1.0
Other current assets	1.7	8.9	1.0	0.1	0.8	0.0
Pension provisions	48.3	0.2	44.5	0.3	24.5	0.1
Other provisions	21.7	0.0	22.1	0.1	19.2	0.5
Short-term financial debts	1.6	0.1	1.3	0.0	1.4	0.0
Trade payables	0.3	0.0	0.2	0.0	0.4	0.0
Other liabilities	6.4	1.1	2.1	0.0	2.5	0.0
Other	0.3	0.1	0.0	0.3	0.1	0.6
	98.4	**66.9**	**89.8**	**48.0**	**62.7**	**39.7**
Tax losses and tax credits carried forward	7.6	0.0	0.0	0.0	0.0	0.0
Offsetting	-2.4	-2.4	-2.1	-2.1	-1.4	-1.4
	103.6	**64.5**	**87.7**	**45.9**	**61.3**	**38.3**

From the fair value measurement of securities and cash flow hedges, as at the balance sheet date deferred tax liabilities of EUR 0.7 million or EUR 7.8 million (previous year EUR 0.3 million or EUR 0.0 million) are recognized in equity capital. The recognition of the actuarial profits and losses for pension obligations directly in equity results in a deferred tax asset of EUR 17.3 million (previous year EUR 19.8 million). In addition, all other changes, with the exception of changes due to first-time consolidations, were recognized in income.

The amount for the deductible temporary differences and the tax losses and tax benefits not yet utilized, for which no deferred tax assets were recognized in the balance sheet, amount to EUR 72.5 million (previous year EUR 48.0 million) and related exclusively to non-utilized tax losses. Of this figure, EUR 4.3 million (previous year EUR 4.7 million) consists of loss carryforwards, which can be utilized with a time limitation (in the period from 5 to 9 years). As regards the measurement of deferred tax assets, the expected future business performance at the time of preparing the consolidated financial statements is, as a rule, based on the corporate planning for the following three fiscal years. As in the previous year, there were no reductions of the actual or deferred tax expense due to the use of previously non-considered tax losses, tax benefits or as a result of a temporary difference of a previous period previously not utilized.

The retained profits at foreign subsidiaries should largely remain reinvested from today's perspective. No deferred tax liabilities were calculated on retained profits at foreign subsidiaries in the amount of EUR 544.5 million (previous year EUR 524.0 million). On distribution, profits would be subject to 5% of German taxation; where applicable, foreign withholding tax would be levied. In addition, on distribution of the profits of a foreign subsidiary to a foreign intermediate holding, further income tax consequences would need to be considered. Distributions would therefore result in an additional tax burden as a rule. The determination of the temporary differences to taxes would be associated with a disproportionately high level of work.

Reconciliation from expected to actual income tax expense recognized:

EUR million	**2015**	**2014**
Net profit or loss before income tax	82.3	132.1
Expected income tax expense	23.3	37.4
Tax effects due to different national tax rates and group taxation systems	-8.9	-2.7
Effects of tax rate changes	0.1	-0.2
Tax effects due to the non-application and value correction due to deferred taxes or their reversal	8.9	1.4
Tax effects due to permanent differences	8.1	-3.1
Tax effects due to facts of past periods	18.4	-1.1
Other tax effects	-1.1	1.9
Recognized income tax expense	**48.8**	**33.6**

16. Other disclosure to the consolidated profit and loss statement

The consolidated profit and loss statement includes the following material expenses:

EUR million	**2015**	**2014**
Expenditure on raw materials, consumables, supplies and trading goods	1,630.80	1,514.10
Expenditure on purchased services	28.6	26.8
	1,659.40	**1,540.90**

The staff costs break down as follows:

EUR million	**2015**	**2014**
Direct and indirect remuneration	625.6	560.0
Social duties and expenses for support	127.0	112.0
Expenses for provisions for pensions	21.1	18.4
	773.7	**690.4**

The staff costs include amounts for contribution-oriented plans in the amount of EUR 28.2 million (previous year EUR 27.6 million). The expenses included in it for state plans in the amount of EUR 27.3 million (previous year EUR 27.0 million) include predominantly the employer contributions to the pension insurance, which are included in the social dues.

The planned amortizations on intangible assets and tangible assets are included in the following items of the consolidated profit and loss statement:

Cost of sales	80.1	69.3
Research and development costs	5.9	5.5
Selling expenses	2.0	1.7
Administrative expenses	15.5	11.1
Other operating expenses	0.5	0.5
	104.0	**88.1**

The expenses recognized in the fiscal year for research and development amount to EUR 120.6 million (previous year EUR 107.2 million).

In the fiscal year, payments from operating lease or tenancies in the amount of EUR 28.6 million (previous year EUR 23.1 million) were recognized in income in the consolidated profit and loss statement.

Notes to the Consolidated Balance Sheet

17. Intangible assets

EUR million	Goodwill	Patents, licenses, software and similar rights and values	Development costs	Total
Acquisition and manufacturing costs of 1/1/2015	**43.7**	**137.7**	**14.5**	**195.9**
Exchange rate effects	1.0	6.8	0.1	7.9
Changes in consolidated group	0.0	37.7	0.0	37.7
Additions	0.0	5.5	1.0	6.5
Transfer	0.0	1.5	0.0	1.5
Disposals	0.0	-0.8	0.0	-0.8
Acquisition and manufacturing costs of 12/31/2015	**44.7**	**188.4**	**15.6**	**248.7**
Accumulated depreciations of 1/1/2015	**0.0**	**68.2**	**11.5**	**79.7**
Exchange rate effects	0.0	0.8	0.0	0.8
Changes in consolidated group	0.0	1.6	0.0	1.6
Additions	0.0	12.2	0.9	13.1
Transfer	0.0	0.0	0.0	0.0
Reversals of write-downs	0.0	0.0	0.0	0.0
Disposals	0.0	-0.6	0.0	-0.6
Accumulated depreciations of 12/31/2015	**0.0**	**82.2**	**12.4**	**94.6**
Carrying amount as at 12/31/2015	**44.7**	**106.2**	**3.2**	**154.1**

EUR million	Goodwill	Patents, licenses, software and similar rights and values	Development costs	Total
Acquisition and manufacturing costs of 1/1/2014	**42.2**	**114.4**	**13.3**	**169.9**
Exchange rate effects	1.4	8.2	0.0	9.6
Changes in consolidated group	0.1	13.3	0.0	13.4
Additions	0.0	2.3	1.1	3.4
Transfer	0.0	1.0	0.0	1.0
Disposals	0.1	-1.5	0.0	-1.4
Acquisition and manufacturing costs of 12/31/2014	**43.7**	**137.7**	**14.4**	**195.8**
Accumulated depreciations of 1/1/2014	**0.0**	**60.6**	**10.3**	**70.9**
Exchange rate effects	0.0	1.2	0.0	1.2
Changes in consolidated group	0.0	0.0	0.0	0.0
Additions	0.0	7.8	1.2	9.0
Transfer	0.0	0.0	0.0	0.0
Reversals of write-downs	0.0	0.0	0.0	0.0
Disposals	0.0	-1.5	0.0	-1.5
Accumulated depreciations of 12/31/2014	**0.0**	**68.2**	**11.5**	**79.7**
Carrying amount as at 12/31/2014	**43.7**	**69.5**	**2.9**	**116.1**

The intangible assets include customer relationships in the amount of EUR 69.9 million (previous year EUR 39.0 million), which have a remaining usage period of between 12 and 19 years.

Goodwill

The good will from capital consolidation or the individual balance sheets is reported as follows:

EUR million	12/31/2015	12/31/2014	1/1/2014
MANN+HUMMEL Innenraumfilter GmbH & Co. KG	7.7	7.7	7.7
MANN+HUMMEL Purolator Filters LLC	6.6	5.9	5.2
Fluid Brasil Sistemas e Tecnologia Ltda	15.0	15.0	15.0
MICRODYN-NADIR Singapore Pte. Ltd.	6.2	6.2	6.2
MANN+HUMMEL KOREA CO. LTD	9.3	8.9	8.2
	44.7	**43.7**	**42.3**

Key parameters of the impairment test were:

EUR million	2015		2014		1/1/2014	
	Growth	Weighted capital costs	Growth	Weighted capital costs	Growth	Weighted capital costs
MANN+HUMMEL Innenraumfilter GmbH & Co. KG	6.0	0.5	5.7	0.5	6.6	1.0
MANN+HUMMEL Purolator Filters LLC	6.0	0.5	6.3	0.5	6.1	1.0
Fluid Brasil Sistemas e Tecnologia Ltda	10.4	2.0	8.3	2.0	9.1	2.0
MICRODYN-NADIR Singapore Pte. Ltd.	8.3	1.0	6.6	0.6	7.4	1.0
MANN+HUMMEL KOREA CO. LTD	6.8	0.5	6.9	1.2	7.5	0.7

18. Tangible assets

EUR million	Land and buildings	Land and buildings finance leases	Technical Equipment, plant and machinery	Other equipment, operational and office equipment	Down payments made and facilities under construction	Total
Acquisition and manufacturing costs of 1/1/2015	**397.1**	**8.4**	**984.2**	**160.2**	**75.1**	**1,625.0**
Exchange rate effects	7.1	0.3	10.4	-1.6	0.5	16.7
Changes in consolidated group	11.8	0.0	10.9	5.4	0.3	28.5
Additions	7.3	0.0	35.4	12.2	84.7	139.6
Transfer	6.5	0.0	43.6	7.8	-59.4	-1.5
Disposals	-9.5	0.0	-26.9	-9.9	-2.5	-48.7
Acquisition and manufacturing costs of 12/31/2015	**420.4**	**8.8**	**1,057.7**	**174.1**	**98.6**	**1,759.5**
Accumulated depreciations of 1/1/2015	**144.7**	**3.8**	**650.7**	**103.0**	**0.0**	**902.2**
Exchange rate effects	1.1	0.0	4.2	-1.0	0.0	4.3
Changes in consolidated group	4.9	0.0	10.1	5.1	0.0	20.1
Additions	14.5	0.3	61.0	15.2	0.0	91.0
Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Reversals of write-downs	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	-4.0	0.0	-19.9	-8.7	0.0	-32.6
Accumulated depreciations of 12/31/2015	**161.2**	**4.2**	**706.1**	**113.5**	**0.0**	**985.0**
Carrying amount as at 12/31/2015	**259.2**	**4.6**	**351.6**	**60.6**	**98.6**	**774.5**

EUR million	Land and buildings	Land and buildings finance lease	Technical Equipment, plant and machinery	Other equipment, operational and office equipment	Down payments made and facilities under construction	Total
Acquisition and manufacturing costs of 1/1/2014	**353.5**	**8.1**	**873.0**	**151.9**	**86.4**	**1,472.9**
Exchange rate effects	12.6	0.3	25.5	2.2	2.5	43.1
Changes in consolidated group	12.4	0.0	3.8	0.4	0.3	16.9
Additions	16.8	0.0	47.4	13.0	63.8	141.0
Transfer	13.7	0.0	54.9	6.8	-76.4	-1.0
Disposals	11.8	0.0	20.4	14.2	1.6	47.9
Acquisition and manufacturing costs of 12/31/2014	**397.1**	**8.4**	**984.2**	**160.2**	**75.1**	**1,625.0**
Accumulated depreciations of 1/1/2014	**137.2**	**3.5**	**600.7**	**100.5**	**0.0**	**841.9**
Exchange rate effects	2.3	0.0	13.0	1.3	0.0	16.7
Changes in consolidated group	1.2	0.0	1.4	0.2	0.0	2.8
Additions	11.6	0.3	52.8	14.4	0.0	79.1
Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Reversals of write-downs	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	7.6	0.0	17.1	13.5	0.0	38.2
Accumulated depreciations of 12/31/2014	**144.7**	**3.8**	**650.7**	**103.0**	**0.0**	**902.2**
Carrying amount as at 12/31/2014	**252.5**	**4.6**	**333.5**	**57.2**	**75.1**	**722.8**

The tangible assets includes leased land plots and properties in the amount of EUR 4.6 million (previous year EUR 4.6 million, 1/1/2014 EUR 4 million) that are to attributed to the MANN+HUMMEL Group as the commercial owner (financial lease) due to the design of the lease agreements. The lease agreements partly include purchase rights.

The tangible assets include operation and business equipment in the amount of EUR 1.8 million (previous year EUR 0.2 million, 1/1/2014 EUR 0 million), which were classified as financial leases. These are industrial trucks that were capitalized in fiscal year 2015.

The disclosures for the minimum lease payments of the relevant lease agreements result as follows:

EUR million	12/31/2015	12/31/2014
Sum of the future minimum lease payments		
due within one year	0.3	0.3
due between one and five years	6.4	4.0
due after more than five years	0.5	2.2
	7.2	**6.5**
Interest share included in the future minimum lease payments		
due within one year	0.1	0.1
due between one and five years	0.9	0.8
due after more than five years	0.0	0.1
	1.0	**1.0**
Cash value of the future minimum lease payments		
due within one year	0.2	0.2
due between one and five years	5.5	3.1
due after more than five years	0.5	2.2
	6.2	**5.5**

As at 1/1/2014, the sum of the future minimum lease payments was EUR 7.2 million, the interest share included therein is EUR 1.2 million. The cash value as at 1/1/2014 is EUR 6.0 million.

19. Investments in associates

The MANN+HUMMEL Group holds a share of 30% in ABC S.A., Cordoba, Argentina. The pro rata annual profit made up by the MANN+HUMMEL Group is EUR 0.5 million (previous year EUR 0.5 million).

20. Long-term financial assets

EUR million	12/31/2015	12/31/2014	1/1/2014
Securities	26.6	25.2	83.5
Other holdings	2.7	31.3	28.1
	29.3	**56.5**	**111.6**

The assets of the special fund are largely recognized in the long-term financial assets without change on the previous year. In 2014, the shares in the Vokes Group, consolidated from 2015, are recognized in the investments.

21. Other assets

EUR million	12/31/2015			12/31/2014		
	Total	Of which long-term	Of which short-term	Total	Of which long-term	Of which short-term
Other assets	49.7	7.3	42.4	52.8	12.2	40.7
Deferred income	6.7	0.1	6.7	5.7	0.1	5.5
Other	1.7	0.0	1.7	0.8	0.0	0.8
	58.2	**7.4**	**50.8**	**59.3**	**12.3**	**47.0**

As at 1/1/2014, other assets in the amount of EUR 49.3 million existed (of which EUR 37.4 million short term), deferred income of EUR 5.1 million (of which EUR 5.0 million short term) and other in the amount of EUR 0.6 million (of which EUR 0.6 million short term).

The other assets contain predominantly sales tax refund entitlements and down payments made. The other assets do not contain any overdue amounts that are not impairments.

22. Inventories

EUR million	12/31/2015	12/31/2014	1/1/2014
Raw materials, consumables and supplies	115.5	113.3	100.4
Unfinished products	57.7	54.9	58.6
Finished products and goods	170.1	155.0	144.3
Down payments made	3.4	8.0	5.7
	346.7	**331.3**	**309.0**

The impairments in the inventories amount for fiscal year 2015 to EUR 1.4 million (previous year: fall by EUR 0.8 million).

23. Trade receivables

The trade receivables have the following age structure:

EUR million	Carrying amount	Of which short-term	Neither impaired nor overdue	Not impaired or overdue since			
				1 to 30 days	31 to 60 days	61 to 360 days	more than 360 days
12/31/2015	438.9	438.2	406.3	18.3	5.0	7.8	1.5
12/31/2014	396.4	395.5	377.2	8.7	3.2	6.5	0.8
1/1/2014	359.9	359.9	336.1	12.6	4.4	5.3	1.4

For agreed payment plans with customers, these receivables, inasmuch observed, are reported neither as impaired nor as overdue. The impairments on short- and long-term trade receivables developed as follows:

EUR million	2015	2014
Carrying amount as at 1/1/	**3.6**	**3.1**
Exchange rate effects	0.1	0.1
Additions	2.0	0.9
Consumption	-0.6	-0.4
Reversals	-0.3	-0.1
Carrying amount as at 12/31/	**4.8**	**3.6**

The gross value of the impaired trade receivables is EUR 4.8 million (previous year EUR 3.7 million, 1/1/2014 EUR 3.6 million). As regards the neither impaired nor defaulting inventory of trade receivables, there are no indications that the debtors will not fulfill their payment obligations.

24. Short-term financial assets

EUR million	12/31/2015	12/31/2014	1/1/2014
Derivatives	36.4	2.0	1.4
Receivables and loans	51.9	44.5	25.3
Securities	123.9	226.3	106.9
	212.2	**272.7**	**133.6**

The financial assets do not contain any overdue amounts that are impaired.

25. Impairment tests

The annual recovery audits of the goodwill resulted, as in the previous year, in no impairments.

For the calculation of the impairment tests, assumptions were made about the sales performance, among other things. The average sales increases assumed over the three-year detailed planning period were between 2.6% and 26.5% (previous year 3.0% to 19.4%). The high growth rates relate to the water area and were caused by catch-up effects after a restructuring.

26. Shareholders' equity

Subscribed capital

The subscribed capital stands unchanged at EUR 92.7 million as at the fiscal year-end. The subscribed capital is broken down into 6 business units as at December 31, 2015 without change. All shares are fully paid up.

Capital reserves

The capital reserves stand unchanged at EUR 83.5 million as at the fiscal year-end. The capital reserves contain the premiums from the issue of share.

Revenue reserves

The revenue reserves contain the legal provisions of the parent as well as the accumulated results of the companies included in the consolidated financial statements, unless they were distributed. Further components are the reserves from the first-time adoption of IFRS and the accumulated foreign currency translation differences, which were reclassified at the time of switching to IFRS.

Accumulated other equity

The accumulated other equity includes the following components that are described below:

Difference from foreign currency translation

The item contains the differences from the foreign currency translation directly in equity of financial statements of foreign subsidiaries (non-eurozone) from the time of the first-time adoption of IFRS.

Fair value measurement of securities and cash flow hedges

This item includes the effects of measuring directly in equity financial instruments after tax.

Actuarial profits and losses

This item contains the actuarial profits and losses from pension obligations after tax recognized directly in equity.

Deferred taxes on items of equity capital recognized directly in equity

EUR million	2015			2014		
	Before income taxes	Income taxes	After taxes	Before income taxes	Income taxes	After taxes
Difference from foreign currency translation	14.3	0.0	14.3	36.5	0.0	36.5
Fair value measurement of securities	1.2	-0.3	0.9	1.1	-0.3	0.8
Fair value measurement of cash flow hedges	27.7	-7.8	19.8	0.0	0.0	0.0
Actuarial profits and losses	8.7	-2.5	6.2	-71.1	19.8	-51.3
The result	**51.9**	**-10.6**	**41.2**	**-33.5**	**19.5**	**-14.0**

Dividend

As dividend for the 2015 fiscal year, the shareholders of the parent are proposed EUR 6.2 million (per share EUR 0.07). A dividend of EUR 6.2 million (per share EUR 0.07) was paid out for 2014 during the fiscal year.

27. Capital management disclosures

The Group management pursues primarily the aim of ensuring stable equity capital circumstances to support the continuation of the business activities and maintain the benefit of the shareholders. The balance sheet equity capital is used to determine the equity ratio. Due to the promissory note issued in anticipation of the purchase of the Affinia Group, the equity ratio dropped in the past fiscal year. Without the promissory note, the equity ratio would have been 35.5% as at December 31, 2015.

	12/31/2015	12/31/2014
Shareholders' equity in EUR million	948.5	881.1
Shareholders' equity in %	25.1	36.2

The MANN+HUMMEL Group is not subject to any charter-like but contractual capital requirements.
We refer to the content of item 28 of the notes.

28. Financial liabilities

EUR million	Carrying amount as at 12/31/2015			Carrying amount as at 12/31/2014		
	Total	Of which long term	Of which short-term	Total	Of which long term	Of which short-term
Other liabilities banks	1,504.5	1,421.6	82.9	378.9	357.0	21.9
Bonds	98.0	98.0	0.0	97.9	97.9	0.0
Payables from finance leasing	6.2	6.0	0.2	5.5	5.3	0.2
Derivative financial instruments	10.8	0.0	10.8	2.5	0.0	2.5
Other	46.4	0.0	46.4	35.9	0.0	35.9
	1,665.9	**1,525.6**	**140.3**	**520.7**	**460.2**	**60.5**

As at 1/1/2014, liabilities to banks existed in the amount of EUR 264.4 million (of which EUR 17.2 million short term), liabilities from financial leases in the amount of EUR 5.9 million (of which EUR 0.2 million short term) as well as derivative financial instruments in the amount of EUR 1.1 million (if which EUR 1.1 million short term) and other in the amount of EUR 31.6 million (of which EUR 31.6 million short term).

The others consist largely of customer bonuses and exchange rate liabilities.

The repayment rates of the long-term loans are reported in the short-term financial debts. Furthermore, the liabilities that server short-term financing are recognized in this item The country-specific interest rate on these short-term loans ranges from 0.15% (previous year 0.15%) to 12.5% (previous year 12.5%).

The country-specific interest rate on the loans recognized in the long-term financial liabilities ranges from 1.19% (previous year 1.08%) to 5.26% (previous year 5.26%). Slightly more than half of the loans has a fixed interest rate. The loans are predominantly due at the end of the term. The loan agreements partly include an obligation to observe a financial covenant, whose violation would constitute a breach of the loan agreement. This is the degree of debt that is defined as the ratio of the net financial position to the EBITDA. A change to the degree of debt has an impact on the risk premium to be newly defined annually for some of the loans. The agreed condition was fulfilled in the 2015 fiscal year.

29. Other liabilities

EUR million	Carrying amount as at 12/31/2015			Carrying amount as at 12/31/2014		
	Total	Of which long term	Of which short-term	Total	Of which long term	Of which short-term
Staff liabilities	64.0	0.6	63.4	61.4	0.7	60.7
Down payments received	9.8	0.0	9.8	10.0	0.0	10.0
Taxes	20.7	0.0	20.7	23.5	0.0	23.5
Other	37.5	1.0	36.5	29.3	2.7	26.6
	132.0	**1.6**	**130.4**	**124.2**	**3.4**	**120.8**

As at 1/1/2014, staff liabilities existed in the amount of EUR 64.1 million (of which EUR 61.1 million short term), down payments received in the amount of EUR 6.7 million (of which EUR 6.7 million short term), other tax liabilities in the amount of EUR 10.7 million (of which EUR 10.7 million short term) and other liabilities in the amount of EUR 28.1 million (of which EUR 24.2 million short term).

The other tax liabilities largely contain sales tax liabilities. Other liabilities contain, among other things, outstanding charges, accrued liabilities for legal and proceedings costs as well as license and commission liabilities.

30. Other provisions

EUR million	Carrying amount as at 12/31/2015			Carrying amount as at 12/31/2014		
	Total	Of which long term	Of which short-term	Total	Of which long term	Of which short-term
Liabilities from the operating area	61.8	1.5	60.3	61.2	1.8	59.4
Liabilities from the staff area	52.4	42.9	9.5	23.4	15.7	7.7
Other liabilities	10.2	0.9	9.3	10.5	0.7	9.8
	124.4	**45.3**	**79.1**	**95.1**	**18.2**	**76.9**

As at 1/1/2014, liabilities from the operating area in the amount of EUR 62.5 million existed (of which EUR 60.8 million short term), liabilities from the staff area of EUR 24.0 million (of which EUR 7.7 million short term) and other in the amount of EUR 7.8 million (of which EUR 7.1 million short term).

EUR million	1/1/2015	Exchange rate effects	Addition	Changes in consolidated group	Accrued interest	Transfer	Offsetting Plan assets	Con-sumption	Reversal	12/31/2015
Liabilities from the operating area	61.2	0.1	41.4	0.3	0.0	0.1	0.0	-34.4	-6.9	61.8
Liabilities from the staff area	23.4	-0.6	42.8	0.3	0.7	-0.1	1.0	-14.9	-0.2	52.4
Other liabilities	10.5	-0.1	7.0	0.0	0.0	0.0	0.0	-7.2	0.0	10.2
	95.1	**-0.6**	**91.2**	**0.6**	**0.7**	**0.0**	**1.0**	**-56.5**	**-7.1**	**124.4**

EUR million	1/1/2014	Exchange rate effects	Addition	Changes in consolidated group	Accrued interest	Transfer	Offsetting Plan assets	Con-sumption	Reversal	12/31/2014
Liabilities from the operating area	62.5	0.9	31.6	0.0	0.0	0.0	0.0	-29.3	-4.5	61.2
Liabilities from the staff area	24.0	0.1	11.4	0.0	0.8	0.0	0.0	-11.8	-1.1	23.4
Other liabilities	7.8	0.3	6.6	0.0	0.0	0.0	0.0	-4.2	0.0	10.5
	94.3	**1.3**	**49.6**	**0.0**	**0.8**	**0.0**	**0.0**	**-45.3**	**-5.6**	**95.1**

The provisions for obligations from the operating area predominantly include provisions for warranty obligations and for potential losses from delivery obligations as well as to a small degree provisions for proceedings risks.

The liabilities from the staff area largely contain profit sharing, restructuring measures, old-age part-time working hours agreements and anniversary expenses. The provisions for restructuring measures contain above all expenses for severance payments, which will be incurred within the framework of site closures and relocations. According to IAS 37.72 et seq., the requirements for the formation of a provision for restructuring costs (i.e. existence of a corresponding restructuring plan) are given.

The other liabilities include other individual risks and uncertain liabilities.

The short-term liabilities are expected to be consumed over the period of the next 12 months.

Usage of about 40% of the long-term liabilities from the operating area is expected within the coming five years. Furthermore, about 85% of the reserves in long-term liabilities from the staff area and about 100% of the reserves in other long-term liabilities will likely be used over the coming five years.

31. Provisions for pensions

Provisions for pensions are formed for liabilities from entitlements and from current benefits and former employees of the MANN+HUMMEL Group as well as their survivors. According to legal, economic and tax circumstances of the relevant country, there are different systems of old age provisions that are based on the duration of employment and remuneration as a rule Contribution- and benefit-oriented provision systems must be distinguished for occupational pension provision.

For defined contribution plans, the MANN+HUMMEL Group does not enter into any obligations in addition to the payment of contributions to purpose-bound funds or private pension providers.

For defined benefit plans, the obligation of the MANN+HUMMEL Group is to fulfill the promised benefits to active and former employees, while provision- and fund-financed pension systems are distinguished.

Approx. 98% of the defined benefit obligations of the MANN+HUMMEL Group are based on pension plans for the active and former employees of the German locations. The active employees were and are given indirect pension promises in different pension schemes. Depending on the type of the pension scheme, the promises stipulate old-age, incapacity for work and widow/widower pensions, the payment of a promised lump sum or benefits in the form of a lump sum with an annuity option. The amount of the benefits depends, in particular, on the salary and length of service of the employee.

There are no legal or regulatory minimum endowment obligations in Germany.

The main risks for the company are in the actuarial parameters, in particular the interest rate and the pension trend, the risk of long life expectancy and the development of the general cost of living (inflation).

The changes to the cash value of the defined benefit obligation and the fair value of the fund asset can be based on actuarial profits and losses. Their causes can, among other things, be changes to the calculation parameters, amendments to the articles of association regarding the risk procedure of the pension obligations and deviations between the actual and the expected income from the fund assets.

The amount of the pension obligations (entitlement cash value of the pension promises or defined benefit obligation) was calculated using actuarial methods, for which the estimates are unavoidable. In addition to the assumptions on life expectancy, fluctuation, the following assumptions have a major impact on the amount of the liability:

in %	2015	2014	2013
Discount factor	2.15	2.00	3.30
Pensions dynamics	1.48	1.48	1.48
Pay rises	3.00	3.00	3.00

The assumptions on life expectancy are based on the Heubeck mortality tables.

In the fund-financed pension system, the pension obligations resulting from projected benefit obligation method are offset against the fund assets measured at fair value. If the pension obligations exceed the fund assets, a liability item results that is recognized in the provisions for pensions.

The pension promises have the following financing status:

EUR million	12/31/2015	12/31/2014	1/1/2014
Cash value of the provision-financed pension entitlements	402	407.7	336.9
Cash value of the fund-financed pension entitlements	43.2	39.6	34.4
Benefit cash value of the fund-financed pension entitlements	445.2	447.3	371.3
Fund assets	27.9	24.9	23.9
Net liabilities	417.3	422.4	347.4

The fund assets consist of the following:

EUR million	12/31/2015	12/31/2014	1/1/2014
Cash	1.6	1.7	2.3
Securities	18.1	16.1	14.9
Shareholders' equity instruments	3.5	3.3	4.1
Debt instruments	5.8	5.3	4.6
Fund shares	8.8	7.5	6.2
Other	8.2	7.2	6.7
	27.9	**24.9**	**23.9**

The securities are rated at prices listed in active markets.

The balance sheet performance of the projected benefit obligation of the pension promises and the fair value of the fund assets is as follows:

EUR million	2015	2014
Initial inventory of defined benefit obligations (DBO)	**447.3**	**371.3**
+/- Exchange rate effects from abroad	0.9	1.2
+ Company acquisitions	0.9	0.0
+ Current service costs	12.5	9.6
+ Past service costs to be calculated	0.0	1.2
+ Interest expense	9.5	12.5
- Settlements/curtailments	0.0	-0.5
+/- Actuarial gains and losses from the change to demographic assumptions	0.0	-0.1
+/- Actuarial gains and losses from the change to financial assumptions	-8.7	70.4
+/- Actuarial gains and losses from experience-based adjustments	-0.2	0.9
+ Contributions from the participants of the plan	0.0	0.0
- Pension payments made	-17.0	-19.2
+/- Other changes	0.0	0.0
End inventory of defined benefit obligations (DBO) as at 12/31/	**445.2**	**447.3**
Initial inventory of fair value of fund assets	**24.9**	**23.9**
+/- Exchange rate effects from abroad	0.8	1.0
- Settlements/curtailments	0.0	0.0
+ Expected income from the fund assets	0.7	1.0
+/- Actuarial gains and losses from the change to financial assumptions	-0.3	0.0
+ Contributions made by the participants of the plan	0.1	0.0
+ Contributions made by the employee to the plan	2.8	2.0
- Pension payments made	-1.1	-3.0
- Affects of the asset ceiling	0.0	0.0
+/- Other changes	0.0	0.0
Fair value of fund assets as at 12/31/	**27.9**	**24.9**
Provisions for pensions as at 1/1/	**422.4**	**347.4**
Provisions for pensions as at 12/31/	**417.3**	**422.4**

Expenses recognized in income result from the pension obligations in the amount of EUR 21.3 million (previous year EUR 21.8 million), which consist of the following components:

EUR million	2015	2014
Current service costs	12.5	9.6
Past service costs to be calculated	0.0	1.2
Settlements and curtailments	0.0	-0.5
Accrued interest of the net liabilities	8.8	11.6
	21.3	**21.8**

With the exception of the interest portions, all components of the pension expenses recognized in income are included in the functional areas.

The actuarial profits (losses) in the amount of EUR 8.6 million (previous year EUR -71.3 million) are recognized directly in the accumulated other equity.

In reality, the fund assets posted a profit of EUR 0.3 million (previous year EUR 1.2 million). The difference between the actual and the expected income of the external pension fund is recognized in equity within the framework of the actuarial profits and losses.

The contributions to external pension funds will be EUR 1.5 million in the following year, according to the best estimates. The estimate in the previous year for the 2015 fiscal year amounted to EUR 1.3 million.

The pension payments up until 2115 are as follows:

EUR million	2015	2014
within the next fiscal year	16.5	15.9
between 2 and 5 fiscal years	75.0	71.5
between 5 and 10 fiscal years	116.2	112.1
due after more than 10 years	1,199.0	1,266.4

During calculation, the actual pension payments were presented and not only the pension components earned, i.e. the pension components to be allocated in the future have also already been considered. It was also assumed that the number of active employees remains unchanged. The same parameters were used for the other calculations assumptions as used for determining the defined benefits obligation.

The average term of the defined benefits obligations ranges between 6 and 18 years.

The effect of a change to the key assumptions on the defined benefits obligation is presented below:

12/31/2015 EUR million	Change to pension entitlement cash value
Discount factor	
– 0.25% - points	16.8
+ 0.25% - points	-15.9
Pensions dynamics	
– 0.25% - points	-0.7
+ 0.25% - points	0.7
Life expectancy	
– 1 year	-11.7
+ 1 year	11.7

The pension obligations were newly determined for the sensitivity analysis. In this process, it was assumed that the other factors remain unchanged. When calculating the sensitivity of life expectancy, it was assumed that the average life expectancy of a 65-year-old person is shortened or extended by one year.

Notes to the consolidated cash flow statement

32. General

The consolidated cash flow statement indicates how the fund of the MANN+HUMMEL Group has changed through cash inflows and outflows over the fiscal year. Payment flows from current business activities and from investment and financing activities are distinguished. The MANN+HUMMEL Group generated an operational cash flow in the amount of EUR 218.0 million in the past fiscal year, an increase on the previous year of EUR 28.9 million or 15.3%.

Investments were financed completely with the operational cash flow. The cash flow from investment activities amounted to EUR 116.1 million (previous year EUR 155.1 million) and was therefore EUR 39.0 million or 25.2% down on the previous year.

A promissory note loan in the amount of EUR 1,100 million was taken out with respect to the acquisition of the Affinia Group. The money will remain invested until the day the purchase price is paid in 2016. As such, there is a concentration as regards a contractor, as 68% of the cash holdings is invested with a bank. The cash funds therefore increased disproportionately and extraordinarily in the year under review from EUR 361.8 million to EUR 1,617.7 million.

In the year under review, the MANN+HUMMEL Group has at its disposal credit lines worth EUR 142.2 million (previous year EUR 121.6 million), which were not utilized in the amount of EUR 124.1 million (previous year EUR 108.7 million) as at the end of the fiscal year.

The fund considered in the consolidated cash flow statement includes cash recognized in the consolidated balance sheet, i.e. cash in hand and balances with banks, inasmuch as the Group can dispose of these freely.

The cash flows from investment and financing activities were determined on a payment basis. By contrast, cash flow from operating activities is derived indirectly from the net profit or loss before income tax.

Dividends received and interest are allocated to the cash flow from investment activities. Interest and transaction costs paid to raise financial debt are reported in the cash flow from financial activities. To this end, the result of the relevant period before income tax in the cash flow from the current business activities is corrected accordingly.

Within the framework of the indirect determination, the changes to balance sheet items considered are adjusted for effects from foreign currency translation and from changes to the consolidated group in connection with the current business activities. The changes to the relevant balance sheet item can therefore not be aligned with the corresponding values on the basis of the consolidated balance sheet published.

Other disclosures

33. Contingent liabilities

For the contingent liabilities applied below at nominal rates, no provisions were formed because the likelihood of them being used is considered to be small:

EUR million	12/31/2015	12/31/2014
Guarantees	115.7	100.9
Other	0.2	0.2
	115.9	**101.1**

The sureties are due in full within one year on being claimed. Other contingent liabilities relate predominantly to potential liabilities from the staff area

34. Other financial liabilities

In addition to liabilities, provisions and contingent liabilities, other financial liabilities exist, in particular from tenancy and lease agreements, from initiated investment plans and acquisition agreements.

EUR million	12/31/2015	12/31/2014
Renting and leasing	57.7	46.7
Purchase obligations	45.4	35.0
	103.1	**81.7**

The purchase obligation is EUR 25.8 million (previous year EUR 24.4 million) for inventories and EUR 19.5 million (previous year EUR 10.6 million) for tangible assets.

The sum of future minimum lease payments from non-cancelable tenancy agreements and operating lease consists of the following by due dates:

EUR million	12/31/2015	12/31/2014
Nominal sum of the future minimum lease payments		
due within one year	17.5	10.7
due between one and five years	23.0	17.0
due after more than five years	17.2	19.0
	57.7	**46.7**

The key tenancy agreements relate to production, warehouse and office buildings as well as land plots with terms of up to 30 years. Some agreements contain price adjustment clauses that specify fixed percentage increase annually. Some agreements contain extension options, automatic agreement extensions or purchase options.

Other lease agreements relate to the vehicle fleet, machines, hardware and software as well as other tools and equipment with terms of up to five years. For some of these agreements, extension options or automatic agreement extensions as well as options to purchase the rental properties at the end of the agreement term at market value exist. The lease rates are partly linked to the service used.

35. Legal disputes

The MANN+HUMMEL Group is confronted with claims and court proceedings within the framework of its usual business activities, which relate largely to labor law, product liability and warranty law, tax law and to intellectual property. Provisions for such cases are formed in which it is likely that an obligation exists that arose from an event in the past, that can be reliably estimated and whose fulfillment will likely result in the outflow of resources with a commercial benefit. For all legal disputes pending as at December 31, 2015, a provision of EUR 2 million was formed. The Management Board of the MANN+HUMMEL Group believes that the outcome of all claims and proceedings brought against the MANN+HUMMEL Group, both individually and in aggregate, will not have any major detrimental impact on the business activities, the asset position, results from operations and the cash flow. The results of currently pending or future proceedings are nevertheless not foreseeable, for which reason expenses may be incurred due to court or official rulings or under agreement of settlements that are not or not fully covered by insurance and that may have major impacts on the business of the MANN+HUMMEL Group or its results.

36. Disclosures on financial instruments

Carrying amounts of the financial instruments by categories

The balance sheet items for financial instruments are broken down into classes and categories. The carrying amounts for each category and class and the fair value for each class are presented in the following table:

12/31/2015 EUR million	Carrying amount	Carry amount balance sheet in accordance with IAS 39 (Amortized) acquisition costs	Fair value recognized directly in equity	Fair value recognized in income	Fair value
ASSETS					
Loans and receivables (LaR)					
Cash and short-term deposits	1,617.7	1,617.7	0.0	0.0	1,617.7
Trade receivables	438.9	438.9	0.0	0.0	438.9
Other financial assets	51.9	51.9	0.0	0.0	51.9
Financial assets available for sale (AfS)					
Holdings	2.7	2.7	0.0	0.0	2.7
Securities	150.5	0.0	150.5	0.0	150.5
Financial assets held for trading (FAHfT)					
Derivative financial instruments	1.9	0.0	0.0	1.9	1.9
Derivative financial instruments with a hedge relationship (n.a)	34.5	0.0	34.5	0.0	34.5
LIABILITIES					
Financial liabilities at cost (FLAC)					
Trade payables	376.7	376.7	0.0	0.0	376.7
Other liabilities banks	1,504.5	1,504.5	0.0	0.0	1,432.1
Other financial liabilities	144.3	144.3	0.0	0.0	176.2
Payables from finance leasing (n.a.)	6.2	6.2	0.0	0.0	4.6
Derivative financial instruments (FLAFVTPL)	10.5	0.0	0.0	10.5	10.5
Derivative financial instruments with a hedge relationship (n.a)	0.3	0.0	0.3	0.0	0.3

		Carry amount balance sheet in accordance with IAS 39			
12/31/2014 **EUR million**	**Carrying amount**	(Amortized) acquisition costs	Fair value recognized directly in equity	Fair value recognized in income	**Fair value**
ASSETS					
Loans and receivables (LaR)					
Cash and short-term deposits	361.8	361.8	0.0	0.0	361.8
Trade receivables	396.4	396.4	0.0	0.0	396.4
Other financial assets	44.5	44.5	0.0	0.0	44.5
Financial assets available for sale (AfS)					
Holdings	31.3	31.3	0.0	0.0	31.3
Securities	251.5	0.0	251.5	0.0	251.5
Financial assets held for trading (FAHfT)					
Derivative financial instruments	2.0	0.0	0.0	2.0	2.0
LIABILITIES					
Financial liabilities at cost (FLAC)					
Trade payables	323.1	323.1	0.0	0.0	323.1
Other liabilities banks	379.0	379.0	0.0	0.0	311.8
Other financial liabilities	133.7	133.7	0.0	0.0	171.0
Payables from finance leasing (n.a.)	5.5	5.5	0.0	0.0	3.7
Derivative financial instruments (FLAFVTPL)	2.5	0.0	0.0	2.5	2.5

1/1/2014 EUR million	Carrying amount	Carry amount balance sheet in accordance with IAS 39 (Amortized) acquisition costs	Fair value recognized directly in equity	Fair value recognized in income	Fair value
ASSETS					
Loans and receivables (LaR)					
Cash and short-term deposits	221.8	221.8	0.0	0.0	221.8
Trade receivables	359.9	359.9	0.0	0.0	359.9
Other financial assets	25.3	25.3	0.0	0.0	25.3
Financial assets available for sale (AfS)					
Holdings	28.1	28.1	0.0	0.0	28.1
Securities	190.4	0.0	190.4	0.0	190.4
Financial assets held for trading (FAHfT)					
Derivative financial instruments without hedge relationship	1.4	0.0	0.0	1.4	1.4
LIABILITIES					
Financial liabilities at cost (FLAC)					
Trade payables	294.3	294.3	0.0	0.0	294.3
Other liabilities banks	264.3	264.3	0.0	0.0	198.3
Other financial liabilities	31.7	31.7	0.0	0.0	31.7
Payables from finance leasing (n.a.)	6.0	6.0	0.0	0.0	4.1
Derivative financial instruments (FLAFVTPL)	1.0	0.0	0.0	1.0	1.0

The fair values of the financial assets and liabilities are assigned to the three levels of the fair value hierarchy depending on the input parameters used for measurement. The rating and requirement to make reclassifications are audited on the balance sheet date. Level 1 includes the financial instruments for which prices listed on active markets are available for identical assets and liabilities. An assignment to level 2 takes place if input parameters are used for the measurement of the financial instruments that can be observed directly (for instance prices) or indirectly (derived from prices for instance) in the market. Financial instruments whose measurement is based on information that cannot be observed in the market are recognized in level 3.

Due to the short-term maturities of cash and cash equivalents, receivables and other short-term financial assets, their carrying amount generally corresponds to nearly the fair value at the end of the reporting period.

The market values of the long-term financial assets, trade receivables, liabilities to banks and other financial liabilities were calculated using the present value techniques. The future payments were discounted with the current maturity-congruent risk-free interest rates, plus a standard market credit risk surcharge. The allocation is made to level 2.

Financial liabilities from financial lease agreements are applied in observance of the contractual agreed interest rate. The fair value was determined in observance of the standard market interest rate (level 2).

The fair values of the financial instruments measured at fair value are allocated to the three levels of the fair value hierarchy as follows:

EUR million	12/31/2015			
	Level 1	Level 2	Level 3	Total
Assets				
Securities				
Shares	42.7	0.0	0.0	42.7
Bonds	77.7	3.5	0.0	81.2
Fund shares	26.6	0.0	0.0	26.6
Alternative investments				
Derivative financial instruments	0.9	1.2	34.3	36.4
Liabilities				
Derivative financial instruments	0.3	2.0	8.5	10.8

EUR million	12/31/2014			
	Level 1	Level 2	Level 3	Total
Assets				
Securities				
Shares	16.9	0.0	0.0	16.9
Bonds	202.7	0.0	6.7	209.4
Fund shares	25.1	0.0	0.0	25.1
Alternative investments				
Derivative financial instruments	1.3	0.7	0.0	2.0
Liabilities				
Derivative financial instruments	0.2	2.4	0.0	2.6

EUR million	1/1/2014			
	Level 1	Level 2	Level 3	Total
Assets				
Securities				
Shares	12.2	0.0	0.0	12.2
Bonds	64.7	0.0	0.0	64.7
Fund shares	83.5	0.0	0.0	83.5
Alternative investments	30.0	0.0	0.0	30.0
Derivative financial instruments	0.2	1.2	0.0	1.4
Liabilities				
Derivative financial instruments	0.2	0.8	0.0	1.0

The fair values of the financial instruments measured at amortized cost are allocated to the three levels of the fair value hierarchy as follows:

EUR million	**12/31/2015**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Holdings	0.0	0.0	2.7	2.7
Liabilities				
Other liabilities banks	0.0	1,432.1	0.0	1,432.1
Payables from finance leasing	0.0	4.6	0.0	4.6

EUR million	**12/31/2014**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Holdings	0.0	0.0	31.3	31.3
Liabilities				
Other liabilities banks	0.0	311.8	0.0	311.8
Payables from finance leasing	0.0	3.7	0.0	3.7

EUR million	**1/1/2014**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Holdings	0.0	0.0	28.1	28.1
Liabilities				
Other liabilities banks	0.0	198.3	0.0	198.3
Payables from finance leasing	0.0	4.1	0.0	4.1

For level 1 securities, the fair value of the directly listed price on a market active at all times is applied. An active market is either the stock exchange of the relevant country or a comparable trading platform, where the liquidity and transparency of the underlying assets are given. An active market is characterized by the fact that largely homogenous assets are traded at publicly accessible prices and buyers and sellers willing to conclude an agreement can be found at all times as a rule, for instance securities and commodities exchanges.

Financial instruments whose prices can be derived or modeled using parameters observable in the market are rated as level 2. Observable interest rates, exchange rates or comparable instruments are stated here as examples. Interest-bearing securities with moderately time-delayed direct price listing are also included in level 2.

Level 3 securities are variable-interest-bearing fixed-income bonds and derivatives whose liquidity was not given on the due date in the public market and are for that reason allocated to level 3. The market values of level 3 securities are determined on the basis of currently available information from fund managers. A significant change to the interest rate and the associated change to market prices would influence the fair value of these securities.

The performance of the securities, holdings and derivatives allocated to level 3 of the fair value hierarchy is presented in the following table:

EUR million	2015	2014
Last revised 1/1/	38.8	28.1
Fair value changes recognized directly in equity	25.8	0.0
Price gains / losses	0.0	0.0
Purchases	0.0	29.9
Sales	-6.7	0.0
Changes to the consolidated group	-28.6	-26.7
Restructuring in level 3	0.0	6.7
Last revised 12/31/	28.5	38.0

Other profits and losses are recognized in other financial income and financial expenses.

Derivative financial instruments in level 1 are tradable derivatives, such as futures. Their fair value corresponds to the value on the traded futures exchange.

The level 2 derivative financial instruments are non-tradable derivatives. The determination of the fair values is carried out on the basis of prices of permitted stock exchanges discounted on the remaining maturity (exchange rates, interest rates and commodities price indices).

As regards the hedging of a considerable portion of the purchase price of the Affinia Group (underlying transaction) against currency fluctuations, the MANN+HUMMEL Group concluded several transaction-based futures contracts. Due to the linking of the futures contracts to the coming about of the underlying transaction, these contracts were classified as level 3. The fair value of these futures contracts is determined from the two components of a premium to be paid when the underlying transaction materializes and the market value of the forward contract. The value of the premium was determined from the futures price seen in the market at the time of conclusion and the offer price on maturity of the underlying transaction agreed with the contractor. The premium is capitalized and subsequently written off. The market value of the futures contract was determined by market standards from parameters observable in the market

Net profits and losses by measurement categories

EUR million	Total net profits and losses
2015	
Loans and receivables	1.7
Financial assets available for sale	
valued at fair value	1.6
valued at amortized costs	1.1
Financial instruments valued at fair value directly in equity	-2.0
Financial assets held for trading	-6.3
Financial liabilities at cost	-41.3
2014	
Loans and receivables	-2.7
Financial assets available for sale	
valued at fair value	4.2
valued at amortized costs	2.3
Financial instruments valued at fair value directly in equity	-2.9
Financial assets held for trading	1.8
Financial liabilities at cost	-18.2

Other net profits and losses of loans and receivables largely include currency gains and losses from foreign currency receivables and income from dissolutions of impairments on trade receivables.

Other net profits and losses in the financial assets available for sale measurement category are the offsetting of the realized profits and losses from the disposal of such assets, reduced by the unrealized changes already recognized for this in the equity capital, and the unrealized profits or losses of the existing assets recognized in equity capital in the current fiscal year. This also includes the currency profits and losses.

Other net profits and losses in the financial assets available for sale (measured at cost) measurement category include predominantly book profits and losses from the disposal of investees and dividend income from investees.

Other net profits and losses of the financial assets recognized at fair value with the corresponding impact on income measurement category are report, in particular, the unrealized price profits and losses from securities of this category and the currency profits and losses.

Other net profits and losses of financial assets held for trading contain above all currency profits and losses as well as unrealized income and expenses from the measurement of derivative instruments.

Other net profits and losses from the “Financial liabilities at cost” evaluation category contain above all currency profits and losses from foreign currency liabilities, income from the derecognition of liabilities and interest expenses.

The changes to the previous year result largely from the raising of foreign capital in connection with the acquisition of the Affinia Group.

The value changes of the categorized financial assets available for sale, which were recognized directly in equity, amount to EUR 1.2 million before taxes in 2015 (2014: EUR 1.1 million).

Reclassifications in the consolidated profit and loss statement were made in the current year in the amount of EUR 1.4 million (2014: EUR 0.0 million).

The interest result for financial assets and financial liabilities not valued at fair value directly in equity amounted to EUR 0.1 million in 2015 (2014: EUR 0.0 million).

Offsetting of financial assets and liabilities

Below are the financial assets and liabilities, the settlement agreements, claimable global settlement agreements and similar agreements:

EUR million	12/31/2015		
	Gross amount	Offsetting	Net amount
Trade receivables (short term)	445.3	7.1	438.2
Trade payables	383.8	7.1	376.7

EUR million	12/31/2014		
	Gross amount	Offsetting	Net amount
Trade receivables (short term)	403.2	6.8	396.4
Trade payables	329.9	6.8	323.1

EUR million	1/1/2014		
	Gross amount	Offsetting	Net amount
Trade receivables (short term)	365.3	5.4	359.9
Trade payables	299.7	5.4	294.3

37. Risks from financial instruments

Management of financial risks

The risk management of the MANN+HUMMEL AG Group covers, among other things, the contractor and default risks with customers, banks and suppliers, liquidity and interest rate change risks and currency risks.

The measurement of the price risk from securities and the currency risk is carried out on the basis of a value-at-risk analysis. The value at risk specifies exclusively the potential risk of loss that is not exceeded with a set likelihood within a defined period (holding period). However, the method does not provide any information on the time of occurrence or the expected amount of loss in the event that the value at risk is exceeded. As a result, the actual performance may differ from the result of the value-at-risk analysis.

The companies of the MANN+HUMMEL Group assure their interest rate change and currency risks at market-compliant terms either via the cash management of the MANN+HUMMEL Group or directly with banks. Original transactions, such as loans with long-term fixed interest rate, but also - in particular in the currency area - derivative financial instruments with plain vanilla character. They conclude exclusively to hedge existing underlying transactions or planned transactions.
The risk positions of the cash management are hedged externally at banks with impeccable credit ratings, taking into account set risk limits. Hedging transactions are concluded in accordance with policies applicable across the Group and in accordance with the regulations applicable for banks to conduct trading.

Default and contractor risk

The default risk is the risk that contracting parties fail to fulfill their payment obligations in the area of cash investments, financial assets and the trade receivables.

To reduce the contractor risk for cash investments, all financial transactions are only conducted with top-rate credit rating within the framework of defined limits.

In the event of the contractor defaulting, the financial assets of the Group result in a maximum default risk in the amount of the carrying amount of the corresponding balance sheet item without taking into account collaterals received (plus the maximum utilization for any financial guarantees and credit promises for third parties).

To reduce the default risk, the credit rating of the customers with whom the transactions were concluded on a loan basis and our receivables are subjected to an ongoing audit. Default risks are selectively reduced with corresponding hedging instruments, such as trade credit insurances. The carrying amount of the trade receivables covered by the trade credit insurances is EUR 7.5 million (previous year EUR 6.0 million).

Liquidity risk

The liquidity risk describes the risk that a company cannot fulfill its financial liabilities on maturity. At MANN+HUMMEL, major liquidity matters and developments are regularly discussed in a 12-month liquidity planning. The subsidiaries are included in a central financing of the Group. For all potential fluctuations, the company holds reserve liquidity of several hundred million euros, which is also available to cover M&A activities.

The maturity structure of the repayments and interest payments for the financial liabilities and trade payables is presented in the following table:

EUR million	Carrying amount as at 12/31/2015			Cash outflows
	Total	2016	2017 to 2021	2022 et seqq.
Other liabilities toward banks	1,504.5	100.2	762.2	822.8
Payables from finance leasing	6.2	1.0	5.0	0.5
Derivative financial instruments	10.8	-8.1	31.5	24.3
Other financial liabilities	144.5	49.7	13.0	145.5
Trade payables	376.7	376.4	0.3	0.0
	2,042.7	**519.2**	**812.0**	**993.1**

EUR million	Carrying amount as at 12/31/2014			Cash outflows
	Total	2015	2016 to 2020	2021 et seqq.
Other liabilities toward banks	378.9	24.6	256.1	142.7
Payables from finance leasing	5.5	0.7	2.9	2.2
Derivative financial instruments	2.5	3.1	0.0	0.0
Other financial liabilities	133.8	39.1	13.0	148.8
Trade payables	323.1	322.8	0.3	0.0
	843.8	**390.3**	**272.3**	**293.7**

Price risk from securities

The price risk means the risk that the fair value of the securities drops.

Investments in securities are largely investments in interest-bearing securities, equities and fund units. A risk reduction follows from this risk reduction that is a requirement for a value increase that has as little fluctuation and is as continuous as possible.

The ultimate decision on the strategic asset allocation and the oversight of all investment results and risk budgets are taken with the special funds by an especially established committee (investment committee). The basis for the investment decisions of the external portfolio managers are the investment policies defined by the investor. When defining these policies, a solid issuer credit rating (minimum rating requirement), strong marketability of the securities and a broad industry diversification, among other things, are observed in order to achieve a further risk reduction.

The company receives a monthly report on the performance of the current market prices and of the individual asset classes. The performance is measured using, among other things, comparable values, key risk indicators and attribution and allocation analyses of the portfolio managers.

In addition to the qualitative diversification tools to reduce risk, such as diversification of investments in various asset classes, risk-driven design of the investment policies, analysis of the investment results and assessment of the changes in capital markets, quantitative control methods and investment styles are applied as a preference.

On the basis of a value-at-risk calculation, it can be assumed that with a likelihood of 99% with a holding period of 10 days, the market value reduction is no higher with the various fund providers than between EUR 1.0 and 3.2 million (previous year between EUR 0.5 and 1.3 million). The calculations were made on the basis of the assumption that asset allocation does not change and no additions are made during the year that would then need to be reallocated. The historical correlations of the relevant funds and securities were taken into account.

Currency risk

The currency risk means the risk that the fair values or future cash flows of monetary items are negatively affected due to exchange rate changes.

In the MANN+HUMMEL Group, hedging measures are conducted for planned foreign currency sales within defined maximum limits. To hedge prices, the net principle applies, i.e. the hedging is carried out for net items from reverse cash flows. Prices are mainly hedged via foreign exchange futures. Of the hedging volume, as at the end of the fiscal year 50% is made up by GBP, USD and CZK.

To hedge a significant proportion of the purchase price payment for the acquisition of the Affinia Group, MANN+HUMMEL has earmarked six so-called deal contingent forwards with a fair value as at December 31, 2015 of a total of EUR 30.0 million and an interest currency swap at a fair value as at December 31, 2015 of EUR -2.3 million as cash flow hedges. From this, EUR 27.7 million was recognized without affecting income in the other result. The acquisition price payment was made on May 4, 2016.

The MANN+HUMMEL Group makes transactions in different currencies due to its international setup.

At the MANN+HUMMEL Group, the value at risk is determined without change on the previous year on the basis of the variance-covariance method on the assumption of a confidence level of 95% with a holding period of 12 months.

As at the balance sheet date, a unilateral confidence level of 95%, a potential risk of loss of EUR 20.0 million with reference to the next 12 months is not exceeded. The determination was based on an average price volatility of 10.6%.

The maximum risk of loss is calculated from the average price volatility of the past twelve months with reference to the outstanding foreign currency item from the operating business. This results from the inventories of cash and loans in foreign currency on the due date, which are managed via cash flow management, and the net incoming and outgoing payments expected over the coming twelve months on the basis of the current corporate planning, taking into account the hedged inventories.

Raw materials price risk

At the MANN+HUMMEL Group, no derivative financial instruments are used to hedge against raw materials price risks. With long-term contracts, a selection of strategic, globally positioned suppliers and the monitoring of exchange rates, MANN+HUMMEL minimizes the existing risks.

Interest rate change risk

The interest rate change risk is the risk that the fair value or future cash flows of financial instruments fluctuate due to market interest rate changes.

An increase in the average interest rate on variable-interest-bearing financial liabilities by 50 basis points would have an effect on the net profit or loss before income tax of EUR -0.7 million (previous year EUR -0.1 million). In the event of a reduction by 50 basis points, the net profit or loss before income tax would rise by EUR 0.7 million (previous year EUR 0.1 million).

In the event of an increase in the average interest rate on variable-interest-bearing financial assets by 50 basis points, the net profit or loss before income tax would rise by EUR 4.3 (previous year EUR 1.2 million). A fall by 50 basis points would have an effect on the net profit or loss before income tax by EUR 0.0 million (previous year EUR 0.0 million).

The sensitivity analysis was prepared on the assumption that the amount of the loans from banks and cash investments as well as the ratio of fixed to variable interest remain unchanged.

38. Government grants

EUR 2.1 million (previous year EUR 3.9 million) in government grants was received in the fiscal year. This is broken down as follows

EUR million	2015	2014
Grants for investments	0.8	2.3
Cost subsidies	1.3	1.6

Grants for investments are largely received at various locations in the Czech Republic and Singapore.

Expense subsidies include largely discounts within the framework of creating new jobs at the service center, old-age part-time working hours contracts and state research grants.

The conditions required for the granting of cost subsidies are fulfilled.

39. Related party disclosures

Under IAS 24, persons or companies that control the MANN+HUMMEL Group or are controlled by it must be disclosed, unless they are already included in the consolidated financial statements as a consolidated company. Control is given if a shareholder holds more than half the voting rights or if it is possible under the articles of association or contractual agreement to control the financial and business policy of the management. In addition, the reporting obligation extends under IAS 24 to transactions with associated companies and holdings, in which the MANN+HUMMEL Group holds are least 20% and to transactions with persons who have a considerable influence on the financial and business policies, including close family members or intermediate companies. A major influence on the financial and business policy can hereby be based on a stake in the parent of 20% or more, sitting on the Management Board or supervisory board of the parent or holding another key role in the management. Accordingly, only the members of the Supervisory Board and the Management Board are close persons. There are no other close persons.

The Hummel Familien-Beteiligungsgesellschaft mbH&Co.KG and the Mann Familien-Beteiligungsgesellschaft mbH&Co. KG exercise a significant influence as related parties. Transactions with these shareholders are limited to the distribution to these companies by MANN+HUMMEL HOLDING GMBH of dividends for 2015 in the amount of EUR 6.15 million (previous year: EUR 6.15 million).

The transactions with related companies and the receivables and payables existing as at the balance sheet date result exclusively from the usual business activities and are the following:

EUR million	Associates	Other investees
2015		
Deliveries made and services provided		
Sale of goods	7.7	0.4
Services	0.0	0.1
Other services	0.0	0.2
Deliveries received and services procured		
Sale of goods	0.0	0.0
Services	0.0	0.1
Other services	0.0	2.1
Receivables	1.0	11.5
Liabilities	0.0	0.5
2014		
Deliveries made and services provided		
Sale of goods	6.5	0.5
Services	0.0	0.2
Other services	0.0	0.7
Deliveries received and services procured		
Sale of goods	0.0	0.0
Services	0.0	0.1
Other services	0.0	0.6
Receivables	1.0	19.1
Liabilities	0.0	0.4
1/1/2014		
Receivables	0.7	3.7
Liabilities	0.0	0.3

40. Remuneration of the Management and Supervisory boards

Management Board

Dipl.-Kfm. Alfred Weber, Stuttgart
Chairman

Dipl.-Kffr. Emese Weissenbacher,
Marbach (since 7/1/2015)

MBA/Dipl.-Wirtschaftsjur. Filiz Albrecht, Stuttgart
(since 1/1/2016)

Dipl. Ing. Kai Knickmann, Ludwigsburg
(since 3/1/2016)

Dipl. Ing. Steffen Schneider, Benningen
(since 3/1/2016)

Dipl.-Wirtsch.-Inf. (Univ.) Frank B. Jehle, Marbach
Vice-Chairman (until 12/31/2015)

Dipl.-Betriebsw. (FH) Manfred Wolf,
Ludwigsburg

MBA/Dipl.-Ing. Hansjörg Herrmann, Ruschweiler
(since 1/1/2016)

Dipl.-Kfm. Josef Parzhuber, Ilsfeld/Auenstein
(since 3/1/2016)

Supervisory Board

Thomas Fischer, Schalksmühle
Chairman

Christine Wagner, Reisbach
Vice-Chairman
Works Council Member Marklkofen (until 4/30/2016)

Prof. Dr.-Ing. Michael Bargende, Stuttgart
College Lecturer

Josef Bechtel, Ludwigsburg
Trade Union Secretary IG Metall,
Baden-Württemberg District Management

Walter Gehl, Frankfurt/Main

Konrad Ott, Ludwigsburg
1. Authorized representative of IG Metall,
Ludwigsburg

Dr. Gerhard Turner, Pliezhausen

Nico Wetterich, Föritz
Works Council Member Sonneberg

Bernhard Wimmer, Rimbach
Plant Head Marklkofen

Johannes Winklhofer, Stockdorf
Managing Partner
iwis Group

Jens Michael Hummel, Stuttgart
Diplom-Kaufmann

Joachim Grüdl, Bietigheim-Bissingen
Works Council Chairman Ludwigsburg

Johann Huber, Marklkofen
Works Council Member Marklkofen

From January 1, 2016, the group management functions are performed by MANN+HUMMEL International GmbH & Co. KG, for which reason no supervisory board need to be formed at MANN+HUMMEL HOLDING GmbH. Accordingly, the Supervisory Board of MANN+HUMMEL HOLDING GmbH was disbanded on February 21, 2016.

The current short-term salaries of the active members of the Management Board for the 2015 fiscal year are EUR 4.1 million (previous year EUR 3.8 million). The expenses for the pension entitlements of the active members of the Management Board earned in the current fiscal year amount to EUR 4.4 million (previous year EUR 3.8 million).

The salaries of former members of the Management Board and their survivors amount to EUR 0.7 million (previous year EUR 0.7). The provisions for pensions for former members of the Management Board and their survivors is EUR 10.0 million (previous year EUR 10.8 million).

The salaries of the Supervisory Board for the 2015 fiscal year amount to EUR 0.1 million (previous year EUR 0.1 million).

In addition, companies of the MANN+HUMMEL Group have not conducted any transactions subject to contributions with members of the Management Board or the Supervisory Board of the MANN+HUMMEL Group as well as other members of the management in key roles or with companies on whose management or supervisory committees these persons sit. This also applies to close family members of this group of persons.

41. Staff

The workforce at the MANN+HUMMEL Group was on annual average 16,607 (previous year 15,868), of whom 6,723 (previous year 6,721) are employees and 9,884 (previous year 9,147) wage earners.

42. Fees of the auditor

The fee of the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, reported in the consolidated financial statements is EUR 0.4 million (previous year EUR 0.2 million). And consists of auditing services EUR 0.3 million (previous year EUR 0.1 million) and other services EUR 0.1 million. (previous year EUR 0.2 million)

43. Indication of Section 264(3) HGB and Section 264b(3) HGB

The subsidiaries MANN+HUMMEL Auslandsbeteiligungsgesellschaft mbH, Ludwigsburg/Germany, MANN+HUMMEL Beteiligungs- und Verwaltungsgesellschaft mbH, Ludwigsburg/Germany, MANN+HUMMEL GmbH, Ludwigsburg/Germany, MANN+HUMMEL Inlandsbeteiligungsgesellschaft mbH, Ludwigsburg/Germany and MANN+HUMMEL AUTOMOTIVE GmbH, Bad Harzburg/Germany have utilized exemption from disclosure under Section 264(3) German Commercial Code. MANN+HUMMEL Vermögensverwaltung GmbH & Co. KG, Wülperode/Germany and MANN+HUMMEL Innenraumfilter GmbH & Co. KG, Himmelkron/Germany are also exempt from disclosure under Section 264b(3) German Commercial Code.

44. Events after the balance sheet date

Under the acquisition agreement of May 4, 2016, 100% of the Affinia Group Intermediate Holdings Inc., Gastonia, North Carolina (“Affinia”) was acquired. The filtration business of Affinia, known under the brands WIX Filters and FILTRON, specializes in the aftermarket business in oil, fuel, hydraulic and coolant filters. The competencies and client relationships of MANN+HUMMEL and the filter business of Affinia are complementary: with the two companies, the best filter solutions for on- and off-road as well as industrial applications are combined. Thanks to the takeover, MANN+HUMMEL now has access to new market segments such as the heavy duty sector in the USA and hydraulic filtration.

Affinia will be included in the consolidated financial statements for the first time in the 2016 fiscal year. The acquisition price will be paid in cash and in full in 2016. The final purchase price allocation will be made in the 2016 fiscal year or in 2017 at the latest. In the absence of any other available data, the following overview presents the preliminary price calculation using the previous carrying amounts.

EUR million	Previous carrying amount (US GAAP*)	Preliminary fair value
Cash	39.3	39.3
Trade receivables	86.1	86.1
Inventories	118.1	118.1
Intangible assets	38.6	38.6
Tangible assets	96.4	96.4
Financial assets	2.8	2.8
Other assets	17.8	17.8
Deferred tax assets	99.6	99.6
Financial debts	-635.5	-635.5
Trade payables	-87.6	-87.6
Other liabilities	-18.9	-18.9
Deferred income	-40.6	-40.6
Net assets acquired	**-283.8**	**-283.8**
Goodwill (not deductible for tax purposes		806.2
Purchase price		**522.5**

* Excluding Venezuela; US-GAAP values applied as IFRS values on a preliminary basis

MANN+HUMMEL expects that the goodwill actually acquired consists of the expected synergy potentials and the know-how of the employees. The following pro forma key financial indicators represent the consolidated sales and consolidate result of the MANN+HUMMEL Group in such a way as if Affinia had been acquired already at the start of the 2015 fiscal year.

EUR million	2015
Pro forma sales (Group)	3,856.90
Pro forma consolidated net income	64.8

As the acquisition did not take place in 2015 but in 2016, the determination of the 2015 pro forma values was based on simplifying assumptions. They relate to the financing costs, among other things. Furthermore, restructuring expenses of the Affinia Group were not to be determined during the determination of the pro format figures of 2015, as incurred before the company acquisition.

The pro forma parameters established are not necessarily indicators for a potential business performance if the company acquisition had been carried out at an earlier due date. It must be noted here that the actual short- and medium-term effects of the company acquisition on sales and income are not included in these results. In addition, the figures do not necessarily reflect the future performance.

Separately from the merger, the stay bonuses granted to the seller and the employees of Affinia in the amount of EUR 2.0 million are borne by the Affinia Group, which are recognized as expenses over the term of the agreement concluded, i.e. until 2017.

Within the framework of the rearrangement of the corporate structure, MANN+HUMMEL International GmbH & Co. KG was established on January 1, 2016 as the managing holding company. It holds 83.3% of the shares in MANN+HUMMEL HOLDING GMBH and accordingly, as the highest level parent company, will prepare the consolidated financial statements for the MANN+HUMMEL Group as of fiscal year 2016.

45. Share property list

Company name and domicile	Consolidation status[1]	Shares in the capital %
1. Subsidiaries		
Germany		
MANN+HUMMEL Beteiligungs- und Verwaltungsgesellschaft mbH, Ludwigsburg	V	100.0
MANN+HUMMEL Auslandsbeteiligungsgesellschaft mbH, Ludwigsburg	V	100.0
MANN+HUMMEL GmbH, Ludwigsburg	V	100.0
MANN+HUMMEL AUTOMOTIVE GmbH, Bad Harzburg	V	100.0
MANN+HUMMEL Innenraumfilter GmbH & Co. KG, Himmelkron	V	100.0
MANN+HUMMEL Innenraumfilter Verwaltungs GmbH, Himmelkron	V	100.0
MANN+HUMMEL Komplementär GmbH, Ludwigsburg	V	100.0
MANN+HUMMEL Vokes Air GmbH & Co. OHG, Sprockhövel	V	100.0
MANN+HUMMEL MRH Filter Beteiligungsgesellschaft mbH, Sprockhövel	V	100.0
MANN+HUMMEL Atex Filter Verwaltungsgesellschaft mbH, Sprockhövel	V	100.0
MN Beteiligungsgesellschaft mbH, Wiesbaden	N	100.0
MICRODYN-NADIR GmbH, Wiesbaden	N	100.0
Europe		
MANN+HUMMEL (UK) LTD., Wolverhampton / UK	V	100.0
MANN+HUMMEL FINANCE UK LTD., Wolverhampton / UK	V	100.0
INDUSTRIAL FILTERS LTD., Wolverhampton / UK	V	100.0
MANN+HUMMEL HYDROMATION N.V., Hasselt / Belgium	V	100.0
MANN+HUMMEL (CZ) s.r.o., Nová Ves / Czech Republic	V	100.0
MANN+HUMMEL Service s.r.o., Nová Ves / Czech Republic	V	100.0
MANN+HUMMEL Innenraumfilter s.r.o., Uherský Brod / Czech Republic	V	100.0
MANN+HUMMEL IBERICA S.A.U., Saragossa / Spain	V	100.0
MANN+HUMMEL FRANCE SAS, Laval / France	V	100.0
MANN+HUMMEL ITALIA S.r.l., Turin / Italy	V	100.0
MANN+HUMMEL OOO, Moscow / Russian Federation	V	100.0
MANN+HUMMEL Togliatti OOO, Togliatti / Russian Federation	V	100.0
MANN+HUMMEL BA J.S.C., Tesanj / Bosnia-Herzegovina	V	93.4
MANN VE HUMMEL FİLTRE SANAYİ VE TİCARET LİMİTED ŞİRKETİ, Istanbul / Turkey	V	100.0
MANN+HUMMEL Vokes Air SAS, Ozouer Le Voulgis / France	V	100.0
MANN+HUMMEL Vokes Air Treatment Holdings Ltd., Burnley / UK	V	100.0
MANN+HUMMEL Vokes-Air Limited, Burnley / UK	V	100.0
MANN+HUMMEL Vokes Air Filtration Ltd, Burnley / UK	V	100.0
MANN+HUMMEL Wheway Plc, Burnley / UK	V	100.0
MANN+HUMMEL Vokes Air S.r.L, Pioltello / Italy	V	100.0
MANN+HUMMEL, Vokes Air SL, Premià de Dalt Barcelona / Spain	V	100.0
MANN+HUMMEL Vokes Air BV, Ijsselstein / Netherlands	V	100.0
MANN+HUMMEL Vokes Air AS, Hvidovre / Denmark	V	100.0
MANN+HUMMEL Vokes Air AG, Uster / Switzerland	V	100.0
MANN+HUMMEL Vokes Air GmbH, Vösendorf / Austria	V	100.0
MANN+HUMMEL Vokes Air Holding AB, Svenljunga / Sweden	V	100.0

Company name and domicile	Consolidation status[1]	Shares in the capital %
America		
MANN+HUMMEL INC., Wilmington, DE / USA	V	100.0
MANN+HUMMEL USA, INC., Portage, MI / USA	V	100.0
MANN+HUMMEL Purolator Filters LLC, Fayetteville / USA	V	100.0
I2M LLC, Raleigh NC / USA	N	100.0
MANN+HUMMEL Canada Inc., Montreal / Canada	N	100.0
MICRODYN TECHNOLOGIES INC., Raleigh, NC / USA	N	100.0
MANN+HUMMEL MEXICO S.A. d. C. V., Santiago de Querétaro / Mexico	V	100.0
MANN+HUMMEL MEXICO SERVICIOS S.A. d. C.V., Santiago de Querétaro / Mexico	V	100.0
MANN+HUMMEL BRASIL LTDA., Indaiatuba / Brazil	V	100.0
Fluid Brasil Sistemas e Tecnologia Ltda., Jundiai / Brazil	V	100.0
MANN+HUMMEL ARGENTINA S.A., Buenos Aires / Argentina	V	100.0
Asia		
MANN+HUMMEL WATER SOLUTIONS HOLDING PTE. LTD., Singapore / Singapore	V	100.0
MANN+HUMMEL FILTER TECHNOLOGY (S.E.A.) PTE. LTD., Singapore / Singapore	V	100.0
MICRODYN-NADIR Singapore Pte. Ltd., Singapore / Singapore	V	100.0
MANN+HUMMEL Middle East FZE, Dubai / United Arab Emirates	V	100.0
MANN and HUMMEL Thailand Ltd., Bangkok / Thailand	V	100.0
MANN+HUMMEL KOREA CO. LTD., Wonju / South Korea	V	100.0
MANN+HUMMEL JAPAN LTD., Shin-Yokohama / Japan	V	100.0
MANN AND HUMMEL FILTER PRIVATE LTD., Bangalore / India	V	100.0
CHANGCHUN MANN+HUMMEL FAWER FILTER CO. LTD., Changchun / PR China	V	60.0
MANN+HUMMEL Filter (CHONGQING) CO., LTD., Chongqing / PR China	V	100.0
MANN+HUMMEL FILTER (SHANGHAI) CO. LTD., Shanghai / PR China	V	100.0
MANN+HUMMEL FILTER TRADING (SHANGHAI) CO. LTD., Shanghai / PR China	V	100.0
MANN+HUMMEL (CHINA) CO. LTD., Shanghai / PR China	V	100.0
MANN+HUMMEL FILTER (JINAN) CO. LTD., Jinan / PR China	V	100.0
MANN+HUMMEL Haoye Filter (Bengbu) Co., Ltd., Bengbu / PR China	V	100.0
MICRODYN-NADIR (Xiamen) Co., Ltd., Xiamen / PR China	N	65.0
Australia		
MANN AND HUMMEL AUSTRALIA (PTY) LTD., Arndell Park, NSW / Australia	N	100.0
2. Associates		
ABC S.A., Cordoba / Argentina	E	30.0

[1] V: Consolidated group; E: Retention at equity
N: no inclusion due to irrelevance in accordance with Section 296(2) HGB or Section 311(2) HGB

Ludwigsburg, June 15, 2016

MANN+HUMMEL HOLDING GmbH

The Management Board

Independent Auditor's Report

We have audited the consolidated financial statements prepared by MANN+HUMMEL HOLDING GMBH, Ludwigsburg, comprising the profit and loss statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and the notes to the consolidated financial statements, together with the Group status report for the fiscal year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the Group status report in accordance with IFRS as adopted by the EU, and the supplementary commercial regulations applicable under Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the company's management. Our responsibility is to evaluate the consolidated financial statements and the Group status report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) (Institute of Public Auditors in Germany). These 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 applicable financial reporting framework and in the Group status 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 status report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Group status report. We believe that our audit provides a reasonable basis for our evaluation.

Our audit has not led to any reservations.

In our evaluation, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, and the supplementary commercial regulations applicable under Section 315a (1) of the German Commercial Code (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 status report is consistent with the consolidated financial statements and, as a whole, provides a suitable view of the Group's position and suitably represents the opportunities and risks of future development.

Ludwigsburg, June 15, 2016

Ernst & Young GmbH
Auditors

Matischiok	**Ranger**
Auditor	Auditor

Imprint

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