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MAN

2009 Annual Report
MAN SE

At a glance

€ million	2009	2008	Change in %
Order intake	**9,860**	**14,033**	**– 30**
Germany	2,388	3,306	– 28
Other Countries	7,472	10,727	– 30
Revenue	**12,026**	**14,945**	**– 20**
Germany	2,750	3,704	– 26
Other Countries	9,276	11,241	– 17
Order backlog [1]	**7,422**	**10,416**	**– 29**
Headcount [1 2]	**47,743**	**51,321**	**– 7**
of which: subcontracted employees	1,643	2,197	– 25
Germany	26,768	28,753	– 7
Other Countries	20,975	22,568	– 7
			Change € million
Operating profit/(loss)	504	1,729	– 1,225
Earning effects of purchase price allocations	– 62	–	– 62
Gains/losses from nonrecurring items	– 656	– 106	– 550
Earnings before tax (EBT)	– 331	1,643	– 1,974
Net income/(loss)	– 258	1,247	– 1,505
Income from discontinued operations, net of tax	126	92	34
Earnings per share from continuing operations in €	– 2.69	7.76	– 10.45
Earnings per share from continuing operations excluding effects of purchase price allocations and nonrecurring items in €	1.47	8.12	– 6.65
Dividend per share in € [3]	0.25	2.00	– 1.75
ROS in %	4.2	11.6	–
ROCE in %	7.9	40.2	–
(MVA)	– 206	1,377	– 1,583
Capital expenditures	2,303	873	1,430
Depreciation, amortization, and impairment of noncurrent assets	804	324	480
R&D expenditures	504	493	11
Cash earnings	396	1,619	– 1,223
Net cash provided by operating activities	1,462	137	1,325
Net cash used in investing activities	– 2,584	– 707	– 1,877
Free cash flow	– 1,122	– 570	– 552
of which: acquisitions and divestments	– 2,249	–	– 2,249
Cash and cash equivalents [1]	502	105	397
Net financial debt [1]	– 2,634	– 1,631	– 1,003
Total equity [1]	5,129	5,396	– 267

[1] As of December 31, 2009 vs. December 31, 2008

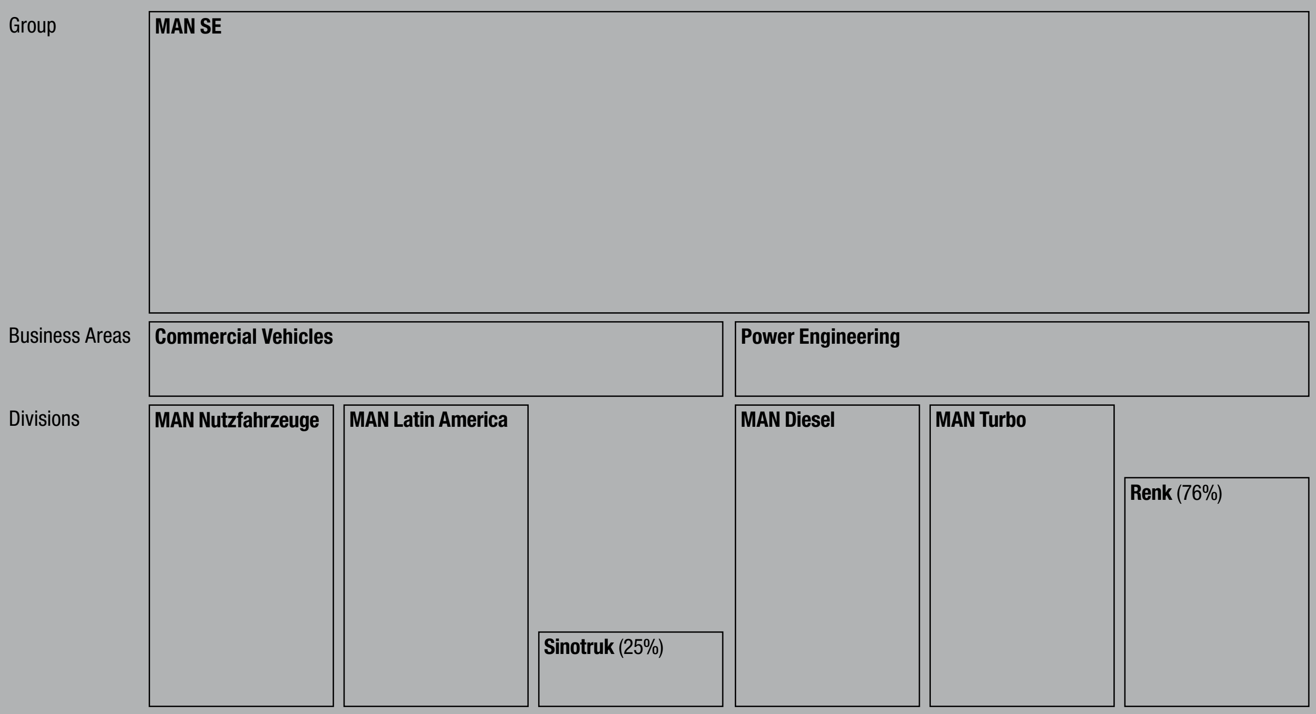
[2] including subcontracted employees

[3] 2009: proposed dividend

The order situation, revenue, earnings, and cash flow do not include any Q1/2009 figures for MAN Latin America.

The MAN Group

The MAN Group is one of Europe's leading industrial players in transport-related engineering, with revenue of approximately €12 billion in 2009. As a supplier of trucks, buses, diesel engines, turbo machines, and special gear units, MAN employs approximately 47,700 people worldwide. Its divisions hold leading positions in their respective markets. MAN SE, Munich, is listed in the DAX equity index, which comprises Germany's thirty leading stock corporations.



Commercial Vehicles

MAN Nutzfahrzeuge

is the largest MAN Group company and is a leading supplier of commercial vehicles and transportation solutions.
- Trucks from 7.5 to 44 t for all uses
- Buses for scheduled services through to luxury travel
- End-to-end vehicle services

€ million		
	2009	2008
Order intake	5,224	9,130
Revenue	6,395	10,610
Operating profit/(loss)	– 91	1,062
Headcount (as of Dec. 31) [1]	31,519	36,251
ROS (%)	– 1.4	10.0

[1] including subcontracted employees

MAN Latin America

is the largest truck manufacturer in Latin America. It leads the truck market in Brazil and is a leading supplier of commercial vehicles and bus chassis for growth markets, with one of the most advanced production facilities worldwide for trucks and buses.
- Trucks from 5 to 31 t for all uses
- Bus chassis from 8 to 18 t for all uses

€ million		
	2009	2008
Order intake	1,412	–
Revenue	1,412	–
Operating profit/(loss)	142	–
Headcount (as of Dec. 31) [1]	1,510	–
ROS (%)	10.1	–

[1] including subcontracted employees

Power Engineering

MAN Diesel

is the global market leader in two-stroke marine engines and a world-leading provider of large-bore, four-stroke diesel engines.
- Two-stroke diesel engines for marine and power plant applications
- Four-stroke diesel engines for marine propulsion systems, onboard power generation, and power plants
- Turnkey power stations
- Combustion ignition and spark-ignited engines
- Exhaust-gas turbochargers and propulsion systems
- MAN Diesel PrimeServ: worldwide after-sales services

€ million		
	2009	2008
Order intake	1,899	3,089
Revenue	2,411	2,542
Operating profit/(loss)	342	390
Headcount (as of Dec. 31) [1]	7,715	7,986
ROS (%)	14.2	15.4

[1] including subcontracted employees

MAN Turbo

is a global leader in manufacturing thermal turbomachines with production plants in Germany, Switzerland, Italy, and China.
- Comprehensive product range of compressor, turbines, and chemical reactors
- Engineering, manufacture, installation, and servicing of complete machinery trains and complexes for the oil and gas sector, primary materials and processing industry, and for power generation
- Testing centers for individual machines and complete machine units weighing up to 1,000 t

€ million		
	2009	2008
Order intake	1,038	1,426
Revenue	1,386	1,328
Operating profit/(loss)	158	148
Headcount (as of Dec. 31) [1]	4,796	4,493
ROS (%)	11.4	11.1

[1] including subcontracted employees

Renk

is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems and has production facilities in Germany, Switzerland, France, and the United States.
- Global market leader in vehicle transmissions for medium and heavy tracked vehicles
- Special gear units for specialist marine and stationary applications
- Standard gear units, primarily for merchant shipping and industrial applications
- Slide bearings and industrial couplings
- Turnkey testing systems for the automotive, rail, and aviation industries

Mio €		
	2009	2008
Order intake	294	443
Revenue	474	527
Operating profit/(loss)	66	80
Headcount (as of Dec. 31) [1]	1,903	2,041
ROS (%)	13.9	15.1

[1] including subcontracted employees

Introduction
Weathering the crisis

Performance

MAN generated revenue of €12.0 billion (– 20%) in difficult economic conditions. At €504 million (€1,729 million), operating profit reached a respectable level. This corresponds to a return on sales (ROS) of 4.2% (11.6%). At €9.9 billion (– 30%), order intake primarily reflects the economic trend in the commercial vehicle and shipbuilding industries.

Strategic course

The integration of MAN Latin America into the Group and the equity interest acquired in Chinese commercial vehicles manufacturer Sinotruk were important steps taken as part of the BRIC strategy to leverage further international growth potential. The merger of MAN Diesel and MAN Turbo, prepared in 2009 and set for the first half of 2010, offers growth and cost synergies in the Power Engineering business area. This clearly focuses MAN on the growth sectors of transportation and energy.

Compliance

A final report and an administrative fine brought the investigations into violations of compliance rules to a close. A central Compliance function at MAN will ensure clear rules and their implementation throughout the Group.

Outlook for 2010

While stable development is expected in the Commercial Vehicles business area, MAN Diesel & Turbo and Renk will see a moderate decline in revenue. MAN will introduce further measures with a view to enhancing efficiency and cutting costs in the long term. In 2010 the MAN truck brand will be launched in Latin America and a new truck brand introduced in China. The record-breaking order for MAN Diesel & Turbo in Brazil will ensure good capacity utilization and strengthens our rising market position in the power plant business.

00 Contents

Cover

I Heading

II At a glance

III The MAN Group

V Six-year overview

VII Contact information

01
To the Shareholders
Pages 04–21

06 Letter to the shareholders
08 Report of the Supervisory Board
12 MAN's shares
14 Corporate governance

02
The World of MAN
Pages 22–51

24 MAN in figures & sites
26 Management Board
28 Strategy & strength
30 MAN SE annual review
32 Commercial Vehicles – Brazil
36 Commercial Vehicles – Transport efficiency
40 Power Engineering – Solar energy
44 Power Engineering – The Green Ship of the Future
48 Power Engineering – Energy from cooking oil

03
Group Management Report
Pages 52–99

04
Consolidated Financial Statements
Pages 100–157

05
Further Information
Pages 158–172

160 Supervisory Board – Memberships in other governing bodies
162 Supervisory Board Committees of MAN AG
162 Supervisory Board Committees of MAN SE
163 Executive Board – Memberships in other governing bodies
164 Executive and Management Boards of Group companies
166 Select consolidated companies
168 Glossary
170 Index
172 Financial diary

01
To the Shareholders

01
To the Shareholders

Pages 04–21

06 Letter to the shareholders
08 Report of the Supervisory Board
12 MAN's shares
14 Corporate governance

Growth drivers from the BRIC states

The BRIC states have long been indispensable to the global economy. Hardly surprising, considering that the club of four—namely Brazil, Russia, India and China—together accounts for 15 percent of the world's economic output. Especially China and India got off to a flying start in 2009, with GDP growth of 7.7 and 5.9 percent, respectively. In comparison, it shrank by 3.9 percent in the G7 nations.

Source: Goldman Sachs

To the Shareholders
Letter to the shareholders

Dear Shareholders,

Germany's economy experienced an extraordinary year in 2009. Businesses around the world were severely hit by the financial and economic crisis, particularly in the transportation industry. As a result, MAN also had a very difficult year. The European market for commercial vehicles alone halved in 2009. At the same time, and in the face of all these challenges, it proved quite apparent that MAN is indeed a resilient and stable company. The Power Engineering business area, namely MAN Diesel and MAN Turbo, proved a strong counterbalance to the Commercial Vehicles business area. The relatively stable trend in South America also proved important to the Group, with MAN Latin America making a valuable contribution to the Company's success.

MAN generated revenue of €12 billion in full-year 2009 (-20%) though MAN Nutzfahrzeuge in particular suffered a drop of 40% to €6.4 billion. Beginning with the second quarter of 2009, MAN Latin America contributed €1.4 billion. At MAN Diesel and MAN Turbo, revenue remained at almost the same level year-on-year. Both companies are benefitting from a high order backlog. However, order intake also declined in these divisions. Order intake in the MAN Group as a whole amounted to €9.9 billion (-30%).

Even in this critical year, MAN achieved a respectable return on sales (ROS) of 4.2% and an operating profit of €504 million. MAN Diesel and MAN Turbo saw excellent returns of 14.2% and 11.4% respectively. Yet it must also be noted that the global Commercial Vehicles business area generated an operating profit in 2009. This was due to MAN Latin America's contribution as well as energetic cost saving measures at MAN Nutzfahrzeuge taking effect. The MAN Group also maintained a healthy financing structure, even during the recession, and rapidly adapted its cost structure to the situation at hand.

Investigations into violations of compliance rules were an additional challenge for MAN in 2009. The authorities' investigations were consistently supported by the Company from the very onset and were brought to a close in December by a final report and an administrative fine on MAN Group companies. MAN immediately took action. Compliance is one of the top responsibilities for all managers and employees and remains so, making it an integral part of the corporate culture. This is also supported by MAN's zero tolerance of violations and by the clear rules in place that must be observed.

2009 was also a year in which the course was set for further international growth. In this regard, the integration of MAN Latin America has already advanced far, enabling us to grow even more. In China, MAN acquired a stake in Sinotruk, the market leader for heavy trucks. This enables us to leverage additional market potential in the world's largest national commercial vehicles market.

»In the face of all these challenges, it proved quite apparent that MAN is indeed a resilient and stable company.«

»The MAN Group also maintained a healthy financing structure, even during the recession, and rapidly adapted its cost structure to the situation at hand.«

Dr.-Ing. Georg Pachta-Reyhofen
CEO of MAN SE and
MAN Nutzfahrzeuge AG

We have been operating the MAN Diesel and MAN Turbo divisions as a single company since the beginning of 2010, with the aim of benefiting from growth and cost synergies on the basis of new product packages as well as in the after-sales business. It is also essential to take advantage of opportunities in energy generation—such as in the power plant business or the exploitation of both conventional and alternative energy sources. Through all this we will continue to pursue our goal of achieving profitable growth and creating sustainable value on the basis of technological leadership. The Executive Board that was newly constituted in 2009 will continue to consistently follow this course.

Even though 2010 will not be a year of economic upturn in the traditional sense, a certain stabilization can be expected. While we have the worst behind us in MAN Nutzfahrzeuge's case, the Power Engineering business area will have to cope with a slight decline in both revenue and order intake. Nevertheless, the new MAN Diesel & Turbo company is likely to once again clearly surpass the target return of 8.5%. We also expect very healthy figures for MAN Latin America.

Even though the MAN Group's business performance may only improve a little overall, we will continue to lay the foundations for further growth on the international markets by systematically developing the strategic measures that we have already introduced and offer you, our shareholders, stable and predictable performance. The transportation and energy markets will present us with new challenges. MAN possesses an outstanding knowledge of technology and the markets, as well as the necessary experience and the resources to seize the opportunities therein and thus create sustainable value.

Dr.-Ing. Georg Pachta-Reyhofen
CEO of the MAN Group

To the Shareholders
Report of the Supervisory Board

Dear Shareholders,

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

The Executive Board provided the Supervisory Board with regular, timely, and comprehensive information, in both written and verbal form, on the development of the business, relevant business events, corporate planning, and deviations in the course of business from forecasts as well as their causes. For example, we focused in detail on the effects of the global financial crisis on MAN's divisions and corporate planning.
The Executive Board also reported to the Supervisory Board on the MAN Group's strategy and the implementation of strategic plans.
The Supervisory Board was involved in an advisory capacity in all matters and decisions of major importance to the MAN Group.

During my regular discussions with the Chairman of the Executive Board outside the Supervisory Board meetings, I also obtained information on matters and issues relevant to the Company, such as the development of the business, strategic projects, and risk management including compliance issues (see below).

The Supervisory Board held five regular meetings and one constituent meeting in fiscal 2009. Average attendance at Supervisory Board meetings was 97%. All members were present at more than half of the meetings.
In two cases, resolutions on urgent matters were adopted in writing.

Committee structure and key areas of committee work
In 2009, the Company changed its legal form to a Societas Europaea (SE). The resulting changes to the Supervisory Board's composition are explained in detail below. The Supervisory Board of MAN AG and its committees were in office until the change of legal form became legally effective on May 19, 2009.

The **Standing Committee** established for MAN AG met only once in 2009 and dealt with the status of various strategically important transactions and the cost-saving program at MAN Nutzfahrzeuge, among other things.

MAN AG's **Executive Personnel Committee** held one final meeting in 2009 to discuss the reappointment of Executive Board members and the MAN Stock Program for Executive Board members.

The Committee members responsible for nominating Supervisory Board candidates met once as the **Nomination Committee** and discussed proposed candidates for the election of shareholder representatives to MAN SE's Supervisory Board.

There was again no need to convene a meeting of the **Mediation Committee** established for MAN AG pursuant to section 27(3) of the *Mitbestimmungsgesetz* (MitbestG—German Codetermination Act) during fiscal 2009. No Mediation Committee was formed for MAN SE.

An **Audit Committee** was established for MAN SE to continue the work of the MAN AG Audit Committee. The Company's change of legal form did not result in any fundamental changes in the Audit Committee's duties; we have therefore provided a summary of the Committee's work for the entire reporting period (see below).

MAN SE's Supervisory Board and its committees assumed their responsibilities when the change of legal form became legally effective on May 19, 2009.

MAN SE's Supervisory Board has established two committees featuring equal representation of shareholders and employees, with three representatives in each case: The **Presiding Committee** on the one hand, which combines the tasks of the Standing Committee and the Personnel and Nomination Committee of the former MAN AG, among other things, and the **Audit Committee** on the other.

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

At its constituent meeting on April 3, 2009, MAN SE's Supervisory Board elected me as its Chairman, Thomas Otto as its Deputy Chairman, and Dr.-Ing. Ekkehard D. Schulz as second Deputy Chairman.
A list of the members of the committees is provided on page 162.

Rupert Stadler is Chairman of the Audit Committee, and the Presiding Committee is always chaired by the Chairman of the Supervisory Board. At the Supervisory Board meetings, Mr. Stadler and I provided regular reports on the work of the committees.

The **Presiding Committee** of MAN SE's Supervisory Board met a total of three times in 2009.
It dealt with all the key issues to be discussed at the following Supervisory Board meetings and in particular prepared Supervisory Board resolutions.

The **Audit Committee** of MAN AG and MAN SE held a total of 12 meetings during the reporting period.
It dealt in detail with financial reporting issues, the annual financial statements of MAN AG and the MAN Group, and the audit reports submitted by the auditors.
The Committee also considered the engagement of the auditors for the audit of the annual financial statements for 2009, the areas of emphasis of the audit, and the statement regarding the auditors' independence in accordance with section 7.2.1 of the German Corporate Governance Code.
At the request of the Audit Committee, KPMG reviewed the MAN Group's interim financial statements as of June 30, 2009. This did not lead to any objections. The Committee discussed the findings of the review with the auditors in detail.
In 2009, the Audit Committee again addressed the audit plans for MAN's Corporate Audit department, risk management, and the MAN Group's risk position. It also examined the optimization of the internal control system.
The Committee regularly discussed the quarterly financial reports with the Executive Board prior to their issue.

The Audit Committee regularly discussed current business developments in the MAN Group, the status of the cost-saving program at MAN Nutzfahrzeuge, the status of corporate planning, financing issues, and commercial matters relating to upcoming Supervisory Board resolutions on major transactions.

Compliance was a key focus of the Audit Committee's work. The Committee provided continuous and intensive support for the equally extensive and complex internal investigations to clarify the allegations of corruption made against MAN governing bodies and MAN employees (see below). The Audit Committee also examined measures to improve the compliance system within the MAN Group.

Issues addressed by the full Supervisory Board
The main topics discussed regularly by the full Supervisory Board were the development of orders, revenue, earnings, and employment in the MAN Group, as well as key strategic projects such as investments and divestments.
The Supervisory Board focused especially strongly on compliance issues in light of current events. After the bribery allegations made by the public prosecution authorities against MAN governing bodies and MAN employees were announced in May 2009, the Supervisory Board immediately engaged the law firm of WilmerHale to conduct an independent investigation into the proper conduct of the business activities of the Company and its subgroups in light of the bribery allegations. In doing so, the Supervisory Board underlined the Company's intention to clarify the allegations of corruption rapidly and comprehensively. The engagement and the investigations by lawyers also focused on examining MAN's compliance organization and opportunities for improvement.
The lawyers reported to the Audit Committee, the Presiding Committee, and the full Supervisory Board regularly and in detail.

The following information relates to the Supervisory Board meetings held in 2009:
On **February 18, 2009**, the Supervisory Board of MAN AG primarily dealt with the 2008 annual financial statements, the current scenario and planning at MAN Nutzfahrzeuge, the change of legal form of MAN AG to an SE, issues to be discussed at the 2009 Annual General Meeting, and the extension of Executive Board appointments. The Executive Board also reported on the status of various strategic projects.
Our discussions on **April 3, 2009** focused mainly on business developments in the MAN Group, the status of the divestment of MAN Ferrostaal, and the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Brazil.
A further meeting was held on **April 3, 2009** to constitute MAN SE's Supervisory Board and to elect the members of MAN SE's Executive Board (see below).
On **July 8, 2009**, we mainly discussed the status of the investigations into the suspected instances of corruption, business developments in the MAN Group (in particular at MAN Nutzfahrzeuge), and strategic issues. Detailed discussions were held on the restructuring of the MAN Group's activities into the two business areas of Commercial Vehicles and Power Engineering, among other things. The Supervisory Board approved the strategically important acquisition of "25% plus one share" of the Chinese truck manufacturer Sinotruk on July 8, 2009.
On **October 8, 2009**, we again addressed in detail the compliance issues that had come to light. The Executive Board also presented the status of corporate planning to us. The Supervisory Board approved the contribution of MAN Nutzfahrzeuge AG's heavy special-purpose vehicles product area to a joint venture in which MAN Nutzfahrzeuge AG holds a 49% stake and Rheinmetall AG a 51% stake. In addition, on October 8 we resolved the engagement of KPMG to audit MAN SE's 2009 annual financial statements and risk early recognition system. Resolutions were also adopted on the amendments to our Rules of Procedure to reflect the requirements of the *Bilanzrechtsmodernisierungsgesetz* (BilMoG—German Accounting Law Modernization Act) and the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG—German Act on the Appropriateness of Executive Board Remuneration).

At our meeting on **December 11, 2009**, we focused on the results of the investigations into the suspected instances of corruption and the outcome of the resulting fine proceedings, as well as on the consequences of established compliance violations, in particular personnel consequences and the improvement of MAN's compliance system. On December 11, the Supervisory Board approved the increase of MAN's interest in Euro-Leasing GmbH by 25% to 50.1% during its discussions on strategically important projects. We also approved the exercise of the put option agreed with the International Petroleum Investment Company, Abu Dhabi, to sell MAN's remaining 30% stake in Ferrostaal AG. In addition, we resolved the terms for terminating Executive Board members' employment contracts and the appointment of new Executive Board members (see the Remuneration Report on page 18).

Corporate governance and Declaration of Conformity

In December 2009, the Executive and Supervisory Boards issued the annual Declaration of Conformity in accordance with section 161 of the *Aktiengesetz* (AktG—German Stock Corporation Act). This states that MAN SE complied with the recommendations of the German Corporate Governance Code during the reporting period in accordance with its Declaration of Conformity of December 2008 and will comply with the recommendations of the current version of the Code dated June 18, 2009, with one exception in respect of the severance payment cap in the event of early termination of Executive Board mandates without good cause. Further details can be found in the Declaration of Conformity published on the MAN Group's website at www.man.eu.

No conflicts of interest involving members of the Supervisory Board in accordance with section 5.5. of the German Corporate Governance Code occurred in the year under review.

Further information on corporate governance at MAN is available in our corporate governance report.

Audit of the 2009 annual and consolidated financial statements

On April 3, 2009, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) as the auditors for fiscal 2009. The Supervisory Board followed the recommendations of the Audit Committee by issuing its audit engagement letter to KPMG and specifying the areas of emphasis of the audit.

The auditors issued an unqualified auditors' report on the annual financial statements of MAN SE prepared for fiscal 2009 in accordance with the provisions of the *Handelsgesetzbuch* (HGB—German Commercial Code) and on the management report.

MAN SE's risk management system was a further subject of the audits. KPMG established that the Executive Board had fulfilled its obligations under section 91(2) of the AktG.

In accordance with section 315a of the HGB, MAN SE's consolidated financial statements for 2009 were prepared on the basis of the International Financial Reporting Standards (IFRSs). The auditors also issued an unqualified auditors' report on the consolidated financial statements and the Group management report.

Among other things, KPMG examined the specified areas of emphasis of the audit for the reporting period, such as the status of the optimization of the Group's internal control system.

The audit reports by KPMG and the financial statement documents were received by the members of the Supervisory Board in good time and discussed at both the Supervisory Board's financial statements meeting on February 12, 2010, and the Audit Committee's preceding financial statements meeting. The auditors participated in the discussions on the annual and consolidated financial statements that were held in both bodies. They reported on the material findings of their audits and were available to answer any further questions and provide additional information to the Audit Committee and the Supervisory Board.

On completion of our own examination of the annual financial statements, the consolidated financial statements, and the management reports for MAN SE and the Group, we approved the findings of the audit by the auditors and, in accordance with the Audit Committee's recommendation, the annual and consolidated financial statements. No objections were raised. The annual financial statements are thus adopted. Following detailed discussion of matters such as the MAN Group's financial and investment planning, we endorsed the Executive Board's proposal on the appropriation of the net retained profits.

Substantial changes in the composition of the Supervisory Board and Executive Board

The divestment of Ferrostaal led to personnel changes in the first quarter of the year under review. Jürgen Hahn, Chairman of the Works Council of MAN Ferrostaal AG, left the Supervisory Board following the completion of the sale of 70% of the shares of MAN Ferrostaal AG to the International Petroleum Investment Company (IPIC), Abu Dhabi, on March 25, 2009. We would like to thank Mr. Hahn for his many years of constructive work on the Supervisory Board. Also on March 25, 2009, Dr. Matthias Mitscherlich, who was responsible for Industrial Services as Chairman of the Executive Board of MAN Ferrostaal AG, left MAN AG's Executive Board. Dr. Mitscherlich successfully drove forward the Ferrostaal Group's focus on the large-scale facilities project business. We would like to thank him for his substantial contribution to the Company.

MAN AG's change of legal form to an SE resulted in significant personnel changes. Following a corresponding resolution by the 2009 Annual General Meeting, the change of legal form to "MAN SE" was completed on entry in the commercial register

on May 19, 2009. The mandates of MAN AG's Supervisory Board and Executive Board expired as of this date. At the same time, the Supervisory Board of MAN SE and the Executive Board appointed for MAN SE assumed their responsibilities on May 19, 2009.
The Supervisory Board was reduced from 20 to 16 members, while maintaining equal representation of shareholders and employees.

Dr.-Ing. Uwe Hansult, Dr. phil. Klaus Heimann, Dr. jur. Thomas Kremer, Wilfrid Loos, and Stephan Schaller left the Supervisory Board following the change of legal form. Dr. jur. Kremer was elected as an alternate member.
We would like to thank all the former members of MAN's Supervisory Board for their hard work for the benefit of the Company and its employees.

For the first time, the elections of the employee representatives to the Supervisory Board included not only the MAN Group's German locations, but also its other European sites due to the Group's new legal form. As a result, Marek Berdychowski, Works Council member at MAN Bus Sp.z.o.o., Poland, and Erich Schwarz, Chairman of the Central Works Council of MAN Nutzfahrzeuge Österreich AG, were elected to MAN SE's Supervisory Board for the first time.

The employee representatives who were already members of MAN AG's Supervisory Board, Detlef Dirks, Jürgen Dorn, Jürgen Kerner, Gerhard Kreutzer, Nicola Lopopolo, and Thomas Otto, as well as the shareholder representatives Prof. Dr. rer. pol. Renate Köcher and Michael Behrendt, Dr. jur. Heiner Hasford, Dipl.-Kfm. Stefan Ropers, Dr.-Ing. E.h. Rudolf Rupprecht, Dr.-Ing. Ekkehard D. Schulz, Rupert Stadler, and I myself were appointed to MAN SE's Supervisory Board.
The term of office of the current first Supervisory Board of MAN SE expires at the end of the second Annual General Meeting of the Company after the change of legal form.

The members of MAN AG's Executive Board, Dipl.-Ing. Håkan Samuelsson (Chairman), Prof. Dr. h. c. Karlheinz Hornung, Dr.-Ing. Pachta-Reyhofen, and Dipl.-Ökonom Anton Weinmann were appointed as members of MAN SE's Executive Board at the constituent meeting of the Supervisory Board on April 3, 2009.
Jörg Schwitalla, who was not a member of MAN AG's Executive Board, was appointed as a member of the Executive Board and as Arbeitsdirektor (member responsible for employee relations) of MAN SE effective May 19, 2009. This appointment reflects the growing importance of human resources management in an international group. Mr. Schwitalla had been the MAN Group's head of human resources since June 2006.

A fundamental reshuffle of the Executive Board took place in the fourth quarter of 2009. Effective November 23, 2009, Dipl.-Ing. Håkan Samuelsson stood down as a member and Chairman of the Company's Executive Board. On November 30, 2009, Dipl.-Ökonom Anton Weinmann resigned from his position on the Executive Board effective immediately. Prof. Dr. h. c. Karlheinz Hornung resigned from his position on the Executive Board effective December 11, 2009.
The Supervisory Board respects these decisions and approved the resignations. We would like to thank Mr. Samuelsson, who has played a key role in further developing the MAN Group and focusing it on its core competencies in recent years, and Prof. Dr. h. c. Hornung and Mr. Weinmann for their work at MAN. However, we have had to reserve the right to assert any claims for damages against the former Executive Board members.

To make a fresh start in terms of personnel, on December 11, 2009 the Supervisory Board appointed Dr.-Ing. Georg Pachta-Reyhofen as CEO of MAN SE effective January 1, 2010. Since this date, Dr.-Ing. Pachta-Reyhofen has also been a member and CEO as well as Arbeitsdirektor (member of the Executive Board responsible for employee relations) of MAN Nutzfahrzeuge AG.

In addition, on December 11, 2009, the Supervisory Board elected Klaus Stahlmann effective January 1, 2010, and Frank H. Lutz effective immediately as deputy members of MAN SE's Executive Board.
Mr. Lutz, who has been head of finance at MAN since November 1, 2006, is now also the member of MAN SE's Executive Board responsible for finance.
As Chairman of the Executive Board of the MAN Turbo AG subgroup, Mr. Stahlmann was already a member of MAN SE's Management Board. In January 2010, he also took over the offices of spokesman of the Executive Board and Arbeitsdirektor (member of the Executive Board responsible for employee relations) of MAN Diesel SE. Following the merger of MAN Diesel SE and MAN Turbo AG to form MAN Diesel & Turbo SE, Mr. Stahlmann will manage the merged company and represent the Power Engineering business area—which will be consolidated in this new company—on MAN SE's Executive Board.

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

Munich, February 12, 2010

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

To the Shareholders
MAN's shares

MAN Stock

MAN's stock performance was pleasing in 2009. MAN's stock was among the top performers in the DAX, generating a total return of around 47% in the course of the past year.

Key indicators for MAN common stock

€	2009	2008
Earnings per share [1]	– 2.69	7.76
Cash dividend per share [2]	0.25	2.00
Market capitalization (as of Dec. 31) [3] in million €	7,923	5,720
Closing price	54.44	38.72
High	61.23	110.91
Low	30.31	27.78
Dividend yield [4] in %	0.5	5.2
Total return [5] in %	46.6	– 64.5
Number in thousands [6]	140,974	140,974
DAX yield in %	23.9	– 40.4
DJ Euro Stoxx yield in %	27.6	– 44.6

[1] Earnings per share excluding nonrecurring items and the effects of purchase price allocations: €1.47

[2] 2009: proposed dividend

[3] Basis: 140,974,350 common shares and 6,065,650 preferred shares

[4] Cash dividend based on the closing price on December 31

[5] Assumes reinvestment of the cash dividend on the last trading day of the month in which the Annual General Meeting was held

[6] Common shares only

Source: Bloomberg

Strong year on the stock markets

Even though the global economy shrank overall in 2009, stock indices worldwide posted significant gains. This was mainly attributable to the fact that the global economic sentiment improved over the year. The economies in both Germany and the United States were able to emerge from the continued recession over the course of the year. The positive performance on the stock markets was further supported by the brightening of various early indicators. The ifo Institute, for example, reported in November that the euro zone had not seen as good a business climate since the second quarter of 2008.

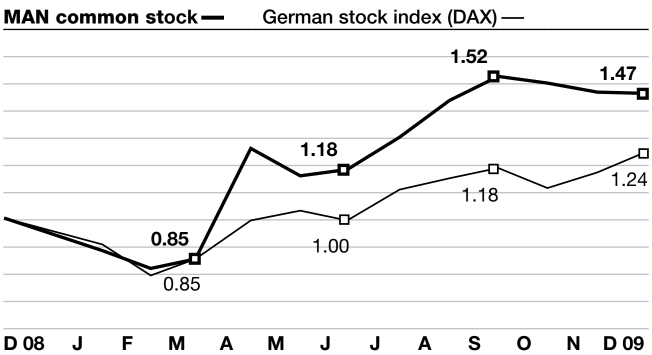
In this market environment, Germany's DAX stock index delivered an excellent performance throughout the year, finishing at 5,957 points and thus corresponding to an annual performance of approximately 24%.

Above-average performance of MAN's shares

MAN's common shares outperformed the DAX reference index in a setting where especially cyclical stocks increased sharply in anticipation of an economic recovery.

MAN common stock versus DAX
December 2008 to December 2009

Indexed values, December 30, 2008 = 1.00



From December 2008 to December 2009

Source: Bloomberg

Having started at a closing price of €38.72 on December 30, 2008, MAN common stock gained €15.72 (around 41%) over the period from January to December 2009, to reach €54.44 on December 30, 2009. The DAX, Germany's benchmark index, was only able to achieve a rise of around 24%, reaching 5,957 points on December 30, 2009.

MAN's market capitalization

Market capitalization was in keeping with the shares' good performance in fiscal 2009, increasing from around €6 billion to just short of €8 billion. According to the Deutsche Börse indexing system, in which only the free float of the company's most liquid share class is considered when calculating the market capitalization (in the case of the MAN common stock, this corresponds to a free float of 70.1%), MAN finished 25th on December 31, 2009, after ranking 26th the previous year.

At €13,226 million, the trading volume of MAN common stock was significantly less in the past fiscal year than in 2008 (€27,127 million). MAN finished 19th in the DAX ranking, after taking 20th place in the previous year.

Dividend

Under our flexible dividends policy, we are committed to distributing an appropriate proportion of the profits generated by the Company to our stockholders. The Executive and Supervisory Boards are therefore proposing to this year's Annual General Meeting to pay a dividend of €0.25 for fiscal 2009. Based on the closing price of the common stock as of December 30, 2009, (€54.44) this corresponds to a dividend yield of 0.5%.

International investor base

Stockholder analyses, which we perform periodically, help us to communicate effectively with our investors. In the most recent survey, conducted in the summer of 2009, MAN was able to identify more than 80% of the owners of its common and preferred stock.

According to this survey, foreign investors hold about 42% of the share capital. As in previous years, these investors are predominantly based in the United Kingdom and the United States. The largest single stockholder is Wolfsburg-based Volkswagen AG, which holds 29.9% of the voting rights of MAN SE.

Stockholder structure by country of domicile*

%

42 Foreign institutional shareholders

29 Volkswagen AG

19 Stockholders not subject to disclosure regulations

10 German institutional shareholders

* As of July 2009
Source: THOMSON REUTERS

The new investor relations factbook can be found at http://www.man.de/MAN/de/Investor_Relations/Finanzberichte_und_Praesentationen/Factbook/

MAN Factbook

Our investor relations work is committed to providing all stockholders and the interested public with comprehensive, real-time information. In 2009 we published the MAN Factbook, a comprehensive information resource for the interested public. This publication includes facts on the strategy, products, markets and innovations of the various divisions as well as on MAN's stock and key financial figures.

Basic information about MAN stock

MAN SE shares are traded on Xetra, the German electronic stock exchange trading platform, as well as on all seven German stock exchanges. MAN SE's share capital consists of 147,040,000 no-par shares, of which 140,974,350 (96%) are common stock and 6,065,650 (4%) are preferred stock.
MAN is a member of the German DAX benchmark index, which measures the performance of the economy's top 30 companies and thus tracks the blue-chip market segment.
MAN stock is listed in other prominent stock market indices, including the HDax, CDax, Div-Dax, Dow Jones Stoxx, Dow Jones Stoxx Industrial, Dow Jones Euro Stoxx and Dow Jones Euro Stoxx Industrial. More information about MAN stock and MAN's investor relations activities is available at **www.man.eu/investors**, or via e-mail by contacting **investor.relations@man.eu.** You can also contact us anytime by telephone at +49 89 36098-334.

	ISIN Code	WKN	Reuters Code	Bloomberg Code
Common Stock	DE0005937007	593700	**Xetra trading** MANG.DE	**Xetra trading** MAN GY
			Frankfurt Exchange MANG.F	**Frankfurt Exch.** MAN GR
Preferred Stock	DE0005937031	593703	**Xetra trading** MANG_p.DE	**Xetra trading** MAN3 GY
			Frankfurt Exchange MANG_p.F	**Frankfurt Exch.** MAN3 GR
MAN Financial Services plc bond	XS0181879650	A0AART	0#DE018187965=	**Xetra trading** MANAG Corp
MAN SE 2013 bond	XS0429607640	A0ZQPG	0#DE042960764=	**Xetra trading** MANAG Corp
MAN SE 2016 bond	XS0429612566	A0ZQPH	0#DE042961256=	**Xetra trading** MANAG Corp

To the Shareholders
Corporate governance

Corporate management and supervision at MAN is focused on ensuring the continuation of the Company and sustained value creation in line with the principles of the social market economy.

The Group's corporate governance system plays a key role in this. It is shaped by the applicable laws, in particular the provisions of German stock corporation law, by our Articles of Association and internal regulations, and by internationally and nationally recognized standards of good and responsible governance. The German Corporate Governance Code ("the Code") presents the statutory regulations for the governance of German stock corporations that apply to MAN and provides recommendations and suggestions for corporate governance in accordance with recognized standards. These were applicable to MAN as an *Aktiengesellschaft* (German stock corporation) until May 19, 2009 and continued to apply to MAN SE as a European company from the date on which MAN AG's change of legal form to a Societas Europaea ("SE") became effective after the approval of the Annual General Meeting on April 3, 2009 and entry in the commercial register.

These rules are supplemented by MAN's "Industrial Governance" management system, which defines the responsibilities for Group management by MAN SE and the responsibilities of the divisions. It is presented on our website at www.man.eu/MAN/en/Investor_Relations/Strategie/. The compliance and ethical guidelines that apply to the MAN Group are described in our Code of Conduct (available at www.man.eu/MAN/en/Unternehmen/Management). The Group's management principles are formalized in Group guidelines.

Corporate governance at MAN [1]

MAN's Executive Board and Supervisory Board have examined the Group's corporate governance system in detail. They are aware that good and transparent corporate governance that complies with both national and international standards is of central importance for the Company to ensure responsible, long-term management. In particular, MAN AG's change of legal form to an SE resulted in adjustments to reflect the rules applicable to an SE and to enhance the efficiency of the Supervisory Board's activities. Furthermore, the governing bodies focused on compliance with the German Corporate Governance Code, and especially the new requirements of the Code as amended on June 18, 2009.

Declaration of Conformity

In December 2009, the Executive and Supervisory Boards issued the following Declaration of Conformity:

"MAN SE (formerly MAN Aktiengesellschaft) complied with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with its Declaration of Conformity of December 2008 and will comply with the recommendations of the German Corporate Governance Code (the Code), as amended on June 18, 2009, with one exception: when concluding Executive Board contracts, a severance payment cap in the event of an Executive Board member's contract being terminated prematurely without good cause is agreed under the compensation system in place at MAN, as recommended in the Code. However, in view of the calculation method that applies at MAN, it may exceed a severance payment cap calculated in accordance with section 4.2.3 of the Code in exceptional cases; such cases were not foreseeable in the past but can be expected given current developments. MAN SE wishes to retain the calculation method used to date, which is based on the average remuneration of the last three years, due to the evening-out effect in the event of extraordinary developments.

[1] Also the corporate governance report of the Executive and Supervisory Boards in accordance with section 3.10 of the German Corporate Governance Code as per June 18, 2009.

In line with the new recommendation under section 3.8 of the Code, a deductible is to be agreed for Supervisory Board members, as is already the case for the Executive Board, in the D&O policy soon due for renewal.
The recommendation that members of the Supervisory Board do not exercise a directorship or similar function for important competitors of the Company (section 5.4.2 of the Code) is also complied with. No member exercises a directorship or similar function at Scania, which MAN considers to be an important competitor. MAN does not consider Volkswagen AG (where Prof. Dr. Ferdinand K. Piëch is Chairman of the Supervisory Board) or Volkswagen AG's subsidiary Audi AG (where Rupert Stadler is Chief Executive Officer) to be important competitors."

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

We comment in more detail in the following on the key recommendations and suggestions contained in the Code, with particular reference to the changes. We also explain the departure from one of the Code's recommendations that is disclosed in our Declaration of Conformity and the departure from the Code's suggestions relating to the Supervisory Board's remuneration.

Promoting transparency and shareholders' rights
The information we provide through our website (www.man.eu/MAN/en/Investor_Relations), financial publications, and capital market conferences enables our German and international shareholders as well as other interested parties to build an accurate and up-to-date picture of our Company and gain an insight into our corporate governance practices.

On its website, MAN also publishes without delay annual reports, interim reports, and a financial calendar showing all upcoming events (section 6.3 of the Code), as well as the annual document it is required to prepare under section 10 of the *Wertpapierprospektgesetz* (WpPG—German Securities Prospectus Act), summarizing all the relevant information disclosed by the Company during the past calendar year.

In keeping with the principle of equal treatment, we are committed to providing all our Company's shareholders with equal access to information.

Annual General Meeting
The Annual General Meeting is the platform where MAN shareholders can exercise their voting rights, obtain information, and engage in a dialog with the Executive and Supervisory Boards.

In organizing and conducting its Annual General Meeting, MAN aims to provide all shareholders with prompt, comprehensive, and effective information both before and during the event. We also wish to make it easy for them to register for the Annual General Meeting and exercise their rights. Consequently, we do not limit ourselves to publishing the invitation to the Annual General Meeting as required by law, but also make all reports and documents relating to the Annual General Meeting accessible to our shareholders and all other interested parties via the MAN website. In addition, we e-mail the documents to interested shareholders and other parties if we have their consent to do so, or post them on our website for download.

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

To enable all shareholders to follow the Annual General Meeting, the entire event is broadcast live on the Internet.

Executive Board and Supervisory Board
In accordance with the law governing German stock corporations, MAN AG had a two-tier structure comprising an Executive Board and a Supervisory Board. These governing bodies were retained when the Company became an SE. Both governing bodies work closely together to the benefit of the Company and seek to achieve a sustained increase in enterprise value for its shareholders.

The Executive Board, which currently comprises four members, is responsible for performing managerial and operational tasks. Its responsibilities extend in particular to the Group's strategic focus, which it agrees with the Supervisory Board. The Executive Board is also responsible for target-driven, active management and the central financing of the Group, the development and deployment of managers, and the preparation of quarterly and annual financial statements. In addition, it ensures compliance with legislation, official regulations, and internal guidelines. The various tasks are allocated to the individual Executive Board functions in accordance with the list of responsibilities. The full Executive Board addresses all key decisions and measures; the Executive Board's Rules of Procedure define the decisions and measures that require the approval of the full Executive Board. Meetings of the full Executive Board are held at least once a month and additionally as needed. The Executive Board reports to the Supervisory Board. It consults the Supervisory Board on decisions of fundamental importance. The Executive Board also ensures open and transparent corporate communications. The Supervisory Board has an oversight and advisory role. Important transactions require the Supervisory Board's approval.

MAN AG's Supervisory Board comprised ten shareholder representatives and ten employee representatives in accordance with the provisions of German stock corporation and co-determination law. Their responsibilities and mandates ended on May 19, 2009 when the Company's change of legal form to an SE became effective. The new, sixteen-member Supervisory Board of MAN SE, which comprises an equal number of shareholder and employee representatives, assumed responsibility for MAN SE on May 19, 2009. The shareholder representatives were elected by the Annual General Meeting in accordance with the resolution on the change of legal form adopted by the Annual General Meeting on April 3, 2009, and the employee representatives were appointed under the agreement with the employees' Special Negotiating Body. Please refer to the Report of the Supervisory Board and the Notes to the Annual Financial Statements for further information on the composition of the Supervisory Board of MAN AG and MAN SE, its committees and duties, and its cooperation with the Executive Board.

No member of the Supervisory Board exercised or exercises a directorship or similar function or performs advisory tasks for important competitors of MAN. More specifically, as explained in the Declaration of Conformity of December 2009, no member exercises a directorship or similar function at MAN's important competitor Scania. Rather, this is only the case at its majority shareholder, Volkswagen AG (where Prof. Dr. Piëch is Chairman of the Supervisory Board, and Rupert Stadler has been a member of the Board of Management since January 1, 2010), and at Volkswagen AG's subsidiary Audi AG (where Rupert Stadler is Chief Executive Officer), which MAN does not consider to be important competitors. Furthermore, in his role as "Spokesman of the Brand Board of Management of Volkswagen AG Nutzfahrzeuge," Mr. Stephan Schaller, who left the Supervisory Board when MAN AG changed its legal form to an SE, did not exercise a directorship function at Volkswagen AG.

MAN also complies with the Code's recommendation that no more than two former members of the Executive Board be members of the Supervisory Board; there is currently one former member of the Executive Board on the Supervisory Board.

No conflicts of interest were reported by members of either the Executive or Supervisory Board during the reporting period. In this context, it should be noted that the action brought to contest the election of Prof. Dr. Piëch and Mr. Schaller to the Supervisory Board by the 2007 Annual General Meeting, which was based on alleged general conflicts of interest affecting both individuals, among other things, was dismissed by the responsible Munich Regional Court. The judgment was affirmed in the second instance by the Munich Higher Regional Court; the appeal lodged with the *Bundesgerichtshof* (German Federal Supreme Court) against denial of leave to appeal on points of law was rejected during the reporting period, which means that the decision by the Munich Regional Court is final and absolute.

MAN complied with the age limit set by the Supervisory Board for members of the Executive Board, which stipulates retirement from office at the age of 62 with the option for an extension up to a maximum age of 65 years. It also complied with the standard age limit of 70 years set for members of the Supervisory Board. Only the chairman of the Supervisory Board and an additional Supervisory Board member have exceeded 70 years of age. The age limit set and the correctness of the elections to the Supervisory Board at the 2007 Annual General Meeting were confirmed by the above-mentioned court rulings.

There were no advisory or other contracts for services or work between the Company and its board members during the reporting period. The Supervisory Board approved the secondary activities of Executive Board members only to the extent that these involved serving on other companies' supervisory boards or management activities at Group companies.

The Company has taken out D&O (directors' and officers' liability insurance) coverage with a reasonable deductible for members of the Executive and Supervisory Boards. Effective January 1, 2010, this insurance was adjusted to reflect the new requirements of the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG—German Act on the Appropriateness of Executive Board Remuneration) dated July 31, 2009 and of the German Corporate Governance Code with regard to the minimum deductible.

Compliance/risk management

The Code highlights compliance with existing laws and internal company guidelines as a key management and supervisory task. The Executive Board therefore continues to regularly enhance the existing compliance system and ensure its implementation.

It is supported in this by the Chief Compliance Officer (CCO) and the Compliance Board, which includes the CCO, the heads of MAN SE's key functions, and the compliance officers of the subgroups. Significant measures in the reporting period entailed continuing employee training, especially in anticorruption, and in antitrust compliance issues, reviewing the implementation of compliance guidelines by external lawyers and the internal audit function, as well as clarifying and addressing suspicious cases. A particular focus was the clarification of bribery allegations that arose in connection with the preliminary investigation by the Munich Public Prosecution Office (I) and the subsequently initiated special investigations by lawyers engaged by MAN. Please refer to the detailed disclosures in the Management Report on the clarification of the bribery allegations and on the compliance system and its enhancement, as well as the information provided in the Report of the Supervisory Board.

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

Reportable securities transactions
Section 15a of the *Wertpapierhandelsgesetz* (WpHG—German Securities Trading Act) requires individuals with management tasks and certain related parties to report dealings in MAN shares and related financial instruments to the issuer and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin—German Federal Financial Supervisory Authority). No transactions were reported in 2009. Any disclosures are published on the Company's website at www.man.eu/MAN/en/Investor_Relations/Corporate_Governance/Meldepflichtige_Wertpapiergeschaefte/.

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

Financial reporting
The year-end consolidated financial statements of the MAN Group are prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRSs), while the single-entity financial statements of MAN SE are prepared in accordance with the *Handelsgesetzbuch* (HGB—German Commercial Code). The financial statements are examined and approved by the Supervisory Board. All deadlines for the publication of financial statements and interim reports were met during the reporting period. In accordance with the new recommendation in section 7.1.2 of the Code as amended in 2008, the Audit Committee discusses MAN's half-yearly and quarterly financial reports with the Executive Board prior to their issue.

Audit of the financial statements
In the reporting period, the Supervisory Board proposed KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, (KPMG) as auditors of the financial statements. The Annual General Meeting endorsed its proposal. In 2009, KPMG again provided MAN's Audit Committee with confirmation of its independence. It was also agreed that the Chairman of the Audit Committee would be immediately informed of any grounds for disqualifying the auditors or questioning their impartiality that might occur during the audit, unless such grounds could be immediately eliminated.

Remuneration report for fiscal year 2009 [2]

Executive Board remuneration in 2009
In fiscal 2009, changes were made with regard to the responsibility for determining Executive Board remuneration. Following MAN AG's change of legal form to a Societas Europaea (SE) on May 19, 2009, this responsibility—which was previously held by the Personnel and Nomination Committee—was assigned to the newly created Presiding Committee of the Supervisory Board. The full Supervisory Board assumed responsibility for determining the total remuneration of the Executive Board when the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG—German Act on the Appropriateness of Executive Board Remuneration) came into force on July 31, 2009. Supervisory Board resolutions are now prepared and proposed by the Presiding Committee. The corresponding amendments were made to the Supervisory Board's Rules of Procedure. As before, the full Supervisory Board regularly discusses the structure of the Executive Board remuneration system based on the Presiding Committee's proposals. It also resolves and regularly reviews the remuneration system in accordance with the recommendation in the German Corporate Governance Code that

[2] The remuneration report is part of the Group management report in accordance with section 315 of the HGB.

was slightly modified in 2009 (section 4.2.2). The next review of the remuneration system, in particular with regard to the new statutory requirements under the VorstAG, will take place in spring 2010.

The Supervisory Board's objective and duty is to set remuneration at an appropriate amount. The criteria for doing so include in particular the tasks of the respective Executive Board member, his personal performance, the economic situation, the performance and outlook of the Company and how customary the remuneration is when measured against its peer group, as well as the remuneration structure that applies to other areas of MAN.

Remuneration structure and components in 2009
The remuneration of Executive Board members comprises fixed salary payments and non-cash benefits, pension and other benefit contributions, and performance-related components. The variable performance-related components comprise annual components linked to business performance and long-term incentive components that entail an element of risk.

• The fixed remuneration is paid as a monthly salary. In addition, Executive Board members receive non-cash benefits that primarily comprise the provision of a company car and driver, and the payment of insurance premiums. The fixed remuneration is reviewed on a regular basis and adjusted where necessary.

• In accordance with the applicable bonus guidelines, the annual performance-related bonus is linked to MAN value added. This is calculated as operating profit minus the cost of capital employed. The cost of capital is the minimum return investors expect to receive on equity and debt employed. A weighted average cost of capital (WACC) is calculated; for equity, it is the rate of return on long-term, risk-free securities plus a specific risk premium, and for debt, it is the rate of return for risk-free securities plus a risk premium for long-term corporate securities. It is currently set at 11% before tax.

The Executive Board is not entitled to a bonus unless profit exceeds the cost of capital. The amount of the bonus is based on the extent to which a value added target previously set by the Supervisory Board is attained or exceeded. It is capped at an amount also set by the Supervisory Board. Two-thirds of the bonus is paid as a cash bonus. One third must be used in the same way as under the MAN Stock Program (see below), with 50% invested in MAN shares. The shares are subject to a two-year lock-up.

• Since 2005, the component linked to long-term business performance has been awarded through the MAN Stock Program. Under this program, Executive Board members receive cash payments of 50% of their fixed remuneration, which are taxable annually. Half of the payment must be invested in MAN SE common shares. These are purchased and held in safekeeping centrally by MAN SE on behalf of and for the account of Executive Board members. Purchased shares may be freely disposed of after a lock-up period of three years. During the vesting period, the shares may not be sold, pledged, or hedged. If an Executive Board member retires or departs from the MAN Group, the lock-up period ends no later than one year after the date of departure.

• The Executive Board members' benefit entitlements comprise retirement, disability, and survivors' benefits. Entitlements to such benefits are accumulated under a defined contribution system, with the value of benefits dependent upon the performance of certain fund indices. Each year, MAN SE contributes an amount equal to 20% of an Executive Board member's fixed remuneration and the bonus paid to that member in the previous year into an MAN fund. Executive Board members may elect to make additional contributions out of their gross salary. Contributions and the returns thereon are held in individual capital accounts. The rate of return on the accumulated capital account balance depends upon the performance of selected capital market indices, which are weighted according to an Executive Board member's age. Contributions, the returns thereon, and any additional returns earned by the fund together constitute the total amount of capital available. At retirement, the beneficiary may take the balance of the capital account, or at a minimum the total amount of the contributions, as a lump-sum payment, in installments, or as an annuity. In the event of disability or death, the beneficiary is paid the accumulated account balance, or at a minimum four times the fixed annual remuneration and bonus.

Executive Board members' remuneration in 2009
The remuneration awarded to active members of the Executive Board for their services in fiscal 2009 totaled €4,270 thousand plus €1,437 thousand for pensions (previous year: €13,523 thousand plus €1,321 thousand for pensions). Please see Note 33 to the Consolidated Financial Statements for details of the Executive Board members' individual remuneration, broken down into fixed, performance-related, and long-term incentive components.

A total of €21,064 thousand related to severance payments made or approved in respect of former Executive Board members. These payments are also described in detail in the abovementioned Note to the Consolidated Financial Statements.

Special contract provisions
Under a provision that has been in effect since 2007, an Executive Board member receives his fixed remuneration, bonus, insurance premiums, and contributions to the pension system until the end of his normal term of office, but for no more than two years, in the event of the early termination of his contract without good cause and at the instigation of the Company. Income from his activities elsewhere is offset and the basis for calculating the amount of the contributions to the pension system reduced accordingly. MAN uses an Executive Board member's average remuneration in the past three years as a basis for calculating the remuneration components that constitute his severance payment on leaving his position. However, this calculation method could lead to the severance payment cap calculated in accordance with section 4.2.3 of the Code being exceeded in exceptional cases; such cases were not foreseeable in the past but cannot be ruled out given current developments. The departure from the recommendation relating to the severance payment cap under section 4.2.3 of the Code is disclosed and justified in the Declaration of Conformity dated December 2009.

If a contract is terminated at the instigation of an Executive Board member (a member may do so, without having to cite his reasons, by giving 18 months' notice), remuneration is awarded only up until the end of the period of notice. There are no special change-of-control provisions in place.

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

The annual remuneration comprises the following components:

• basic (fixed) remuneration of €35,000;

• variable remuneration (bonus). This is based on actual earnings per share as reported in the consolidated financial statements. The variable remuneration is €175 for every €0.01 by which earnings per share exceeds €0.50. It is capped at twice the basic remuneration.

Additional remuneration is paid to the chairman and deputy chairman of the Supervisory Board as well as to the chairmen and members of the Supervisory Board committees. The Supervisory Board chairman receives double and his deputy one and a half times the fixed and variable remuneration. Members of the Standing Committee, the Audit Committee, and the Personnel and Nomination Committee—or, after MAN AG's change of legal form to an SE, members of the Presiding Committee of the Supervisory Board and the Audit Committee—each receive an additional 50% and the chairman of the respective committee an additional 100% of the basic remuneration.

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

Supervisory Board remuneration does not include a component linked to long-term business performance, as it is almost impossible to measure the Supervisory Board members' individual contribution to the Company's long-term performance. The Company does not, therefore, follow the suggestion in section 5.4.6 of the Code.

The remuneration for the first Supervisory Board of MAN SE will be paid pro rata from May 19, 2009 in accordance with the Articles of Association; in line with the view taken in some of the legal literature, this remuneration is subject to the approval of the Annual General Meeting, which will be sought as a precautionary measure at the 2011 Annual General Meeting when the Supervisory Board's first term of office ends as defined by the Articles of Association.

Supervisory Board remuneration in 2009
The remuneration payable to the members of the Supervisory Board in 2009 totaled €941 thousand (previous year: €2,628 thousand). In addition, members of MAN AG's or MAN SE's Supervisory Board received remuneration totaling €39 thousand (previous year: €58 thousand) for serving on supervisory boards at Group companies in fiscal 2009. Please see Note 34 to the Consolidated Financial Statements for a breakdown of the individual remuneration of the Supervisory Board members in 2009.

Additional information
In the reporting period, Supervisory Board members did not receive any additional remuneration or awards for personal services, particularly advisory or intermediary services.

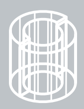
Former Supervisory Board members who left the Board prior to January 1, 2009 do not receive any remuneration.

02
The World of MAN

02
The World of MAN

Pages 22–51

24 MAN in figures & sites
26 Management Board
28 Strategy & strength
30 MAN SE annual review
32 Commercial Vehicles – Brazil
36 Commercial Vehicles – Transport efficiency
40 Power Engineering – Solar energy
44 Power Engineering – The Green Ship of the Future
48 Power Engineering – Energy from cooking oil



Germany
+6.9%
Growth

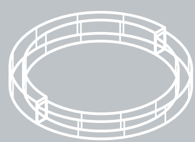
2007
22,247
Megawatts

2008
23,903
Megawatts

Spain
+9.5%
Growth

2007
15,145
Megawatts

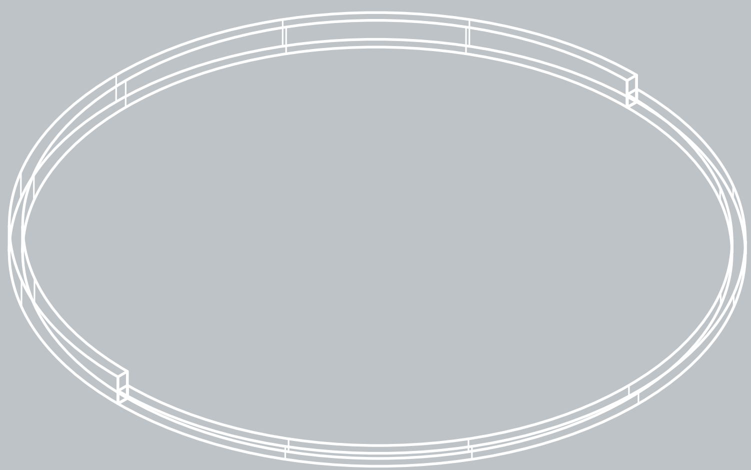
2008
16,740
Megawatts



India
+22.1%
Growth

2007
7,850
Megawatts

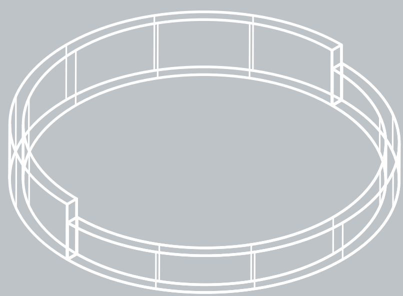
2008
9,587
Megawatts



China
+106.5%
Growth

2007
5,912
Megawatts

2008
12,210
Megawatts



US
+49.4%
Growth

2007
16,819
Megawatts

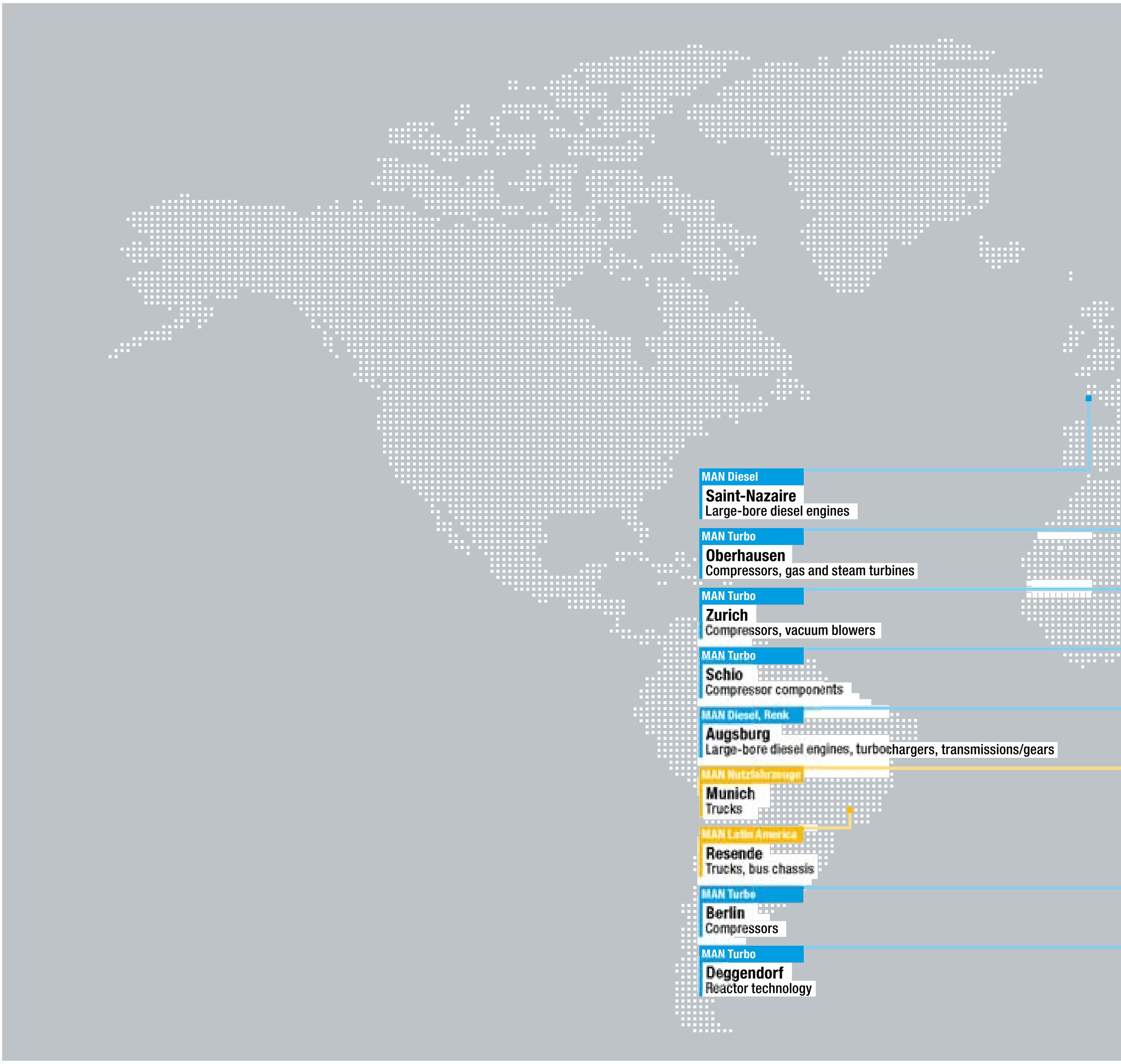
2008
25,170
Megawatts

The top five on the global market for wind power

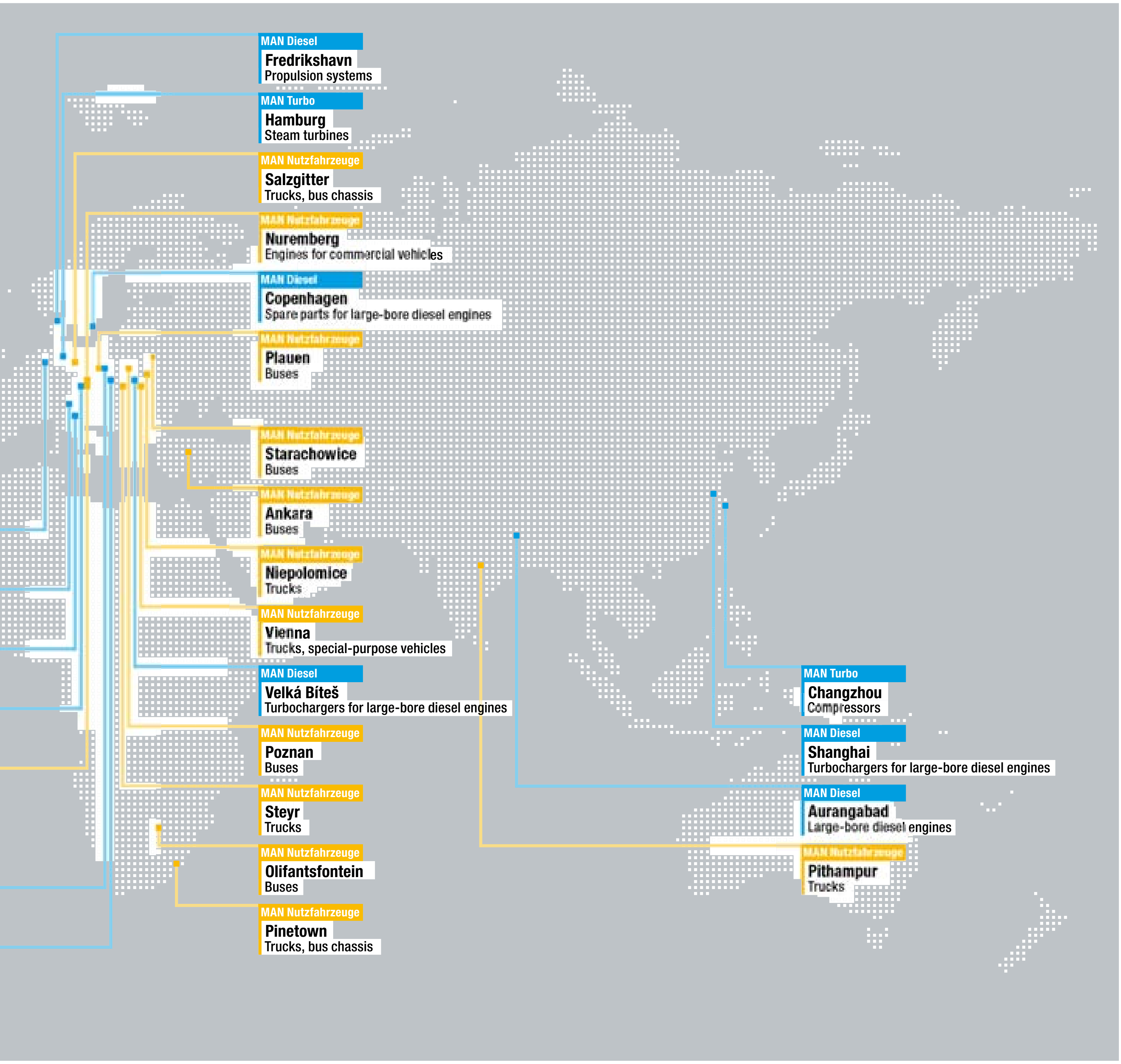
For years, wind power has been the most rapidly growing source of energy. China's hunger for energy has given a particularly powerful boost to the industry. In 2008, wind farms supplied 12,210 megawatts to the Chinese national grid, an increase of more than 106 percent compared to the previous year. The economic powerhouse is hoping to increase its wind power production by more than ten times by 2020.

Source: WWEA

The World of MAN
MAN in figures & sites



47,700 Employees	28 Production sites	150 Countries	98 Nations
MAN SE employs about 47,700 people around the globe.	The MAN Group runs more than 28 production sites in 11 countries all over the world.	The Company's products are available through importers and direct distributors in 150 countries.	People hailing from 98 nations work for the company.



Commercial Vehicles
Power Engineering

The World of MAN
Management Board

Jörg Schwitalla
Chief Human Resources Officer of
MAN SE, Age 48

Antonio R. Cortes
President of MAN Latin America,
Age 54

Dr.-Ing. Georg Pachta-Reyhofen
CEO of MAN SE and of
MAN Nutzfahrzeuge AG, Age 54

Frank H. Lutz
Chief Financial Officer of
MAN SE, Age 41

Dipl.-Wirtsch.-Ing. Klaus Stahlmann
Spokesman of the Executive Board of
MAN Diesel & Turbo, Age 49

The World of MAN
Strategy & strength

Internationality and Growth

With its focus on transportation and energy, MAN is one of the leading engineering companies in Europe. The MAN divisions operate in 150 countries and are among the top three providers in their respective markets. The focus for growth lies on the BRIC countries.

We are represented by our own subsidiaries in the countries listed in silver.

Afghanistan, Albania, Algeria, Andorra, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bhutan, Bolivia, Bosnia-Herzegovina, Botswana, Brazil, Brunei, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Cape Verde, the Central African Republic, Chad, Chile, China, Columbia, the Comoros, Congo, the Cook Islands, Costa Rica, Croatia, Cuba, Cyprus, the Czech Republic, Denmark, Djibouti, Dominica, Dominican Republic, East Timor, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Greenland, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, the Ivory Coast, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Kuwait, Kyrgyzstan, Laos, Latvia, Lesotho, Lebanon, Liberia, Libya, Liechtenstein, Lithuania, Luxembourg, Macedonia, Madagascar, Malawi, Malaysia, the Maldives, Mali, Malta, the Marshall Islands, Morocco, Mauritania, Mauritius, Mexico, Micronesia, Moldavia, Monaco, Mongolia, Montenegro, Mozambique, Myanmar (Burma), Namibia, Nauru, Nepal, the Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Niue, North Korea, Norway, Oman, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, the Philippines, Pitcairn Islands, Poland, Portugal, Qatar, Réunion, Romania, Russia, Rwanda, Samoa, San Marino, São Tomé and Príncipe, Saudi Arabia, Senegal, Serbia, the Seychelles, Sierra Leone, Singapore, Slovakia, Slovenia, Somalia, the Solomon Islands, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, South Africa, South Korea, Sudan, Suriname, Swaziland, Sweden, Switzerland, Syria, Tajikistan, Tanzania, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, United Arab Emirates, United Kingdom, Uruguay, United States, Uzbekistan, Vanuatu, Vatican City, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe

= 55
countries

Technology Leadership

MAN is among the technology leaders in its respective markets. To reinforce these leading positions, we are continuously investing in research and development. We not only focus on minimal fuel consumption and low emissions to ensure that the use of our products conserves resources, but also on high quality and operational reliability, thus: the most efficient operation possible over the entire life cycle.

Sustainable Value Creation

Sustainability is a integral part of the MAN corporate strategy. For new products, a high degree of effectiveness and efficient use of natural resources have the highest priority. The same applies when we design processes and create value with our employees.

Focused Structure

MAN concentrates on fields of business with high production: commercial vehicles, turbo machinery, diesel engines and gears. In this regard, the focus of the company is on market segments with sustainable and global opportunities for growth in the fields of commercial vehicles and power engineering.

Industrial Governance

The Industrial Governance System is the MAN Group's management system. It controls how duties and responsibilities are distributed between the headquarters of the MAN Group and the divisions. This allows us to strike a reasonable balance between decentralized operational functions and central strategic management, as well as a modern leadership culture. This is based on a foundation of mutually shared fundamental values for MAN's brand name and culture.

The World of MAN
MAN SE annual review

A look back at 2009

2009 was dominated by two issues for the MAN Group: While the difficult business situation in transportation resulted in sharply declining orders for MAN Nutzfahrzeuge and MAN Diesel's marine business, the Company also had to deal with investigations by public prosecution authorities into allegations of hidden commission payments.

Munich's Schwabing district is home to MAN's Corporate Center. Featuring granite, glass and light metal, the curved facade houses modern and pleasant office space for the roughly 200 employees working there.

1st quarter

Acquisition of Brazilian truck and bus operations completed
MAN completes the acquisition of VW Truck & Bus. MAN's Latin American activities are now integrated in a new division called MAN Latin America, directed by former President Roberto Cortes. As a result, MAN assumes a leading position in the Brazilian commercial vehicles market.

Sale of majority stake in MAN Ferrostaal
The International Petroleum Investment Company (IPIC) of Abu Dhabi becomes the new majority shareholder in MAN Ferrostaal by acquiring 70% of the shares; MAN retains a 30% stake. The transaction comprises all business units and subsidiaries of MAN Ferrostaal.

2nd quarter

Jörg Schwitalla new Executive Board member responsible for employee relations
The Supervisory Board of the MAN Group appoints Jörg Schwitalla to the MAN SE Executive Board and nominates him the new Executive Board member responsible for employee relations (*Arbeitsdirektor*). The creation of this new Executive Board post reflects the growing significance of HR management and the Company's increasing internationalization. At the same time, Dr. Mathias Mitscherlich, CEO of MAN Ferrostaal AG, leaves the MAN Executive Board following the sale of a majority stake in the company.

MAN's 2009 Annual General Meeting
In spite of the economic downturn, MAN's then CEO, Håkan Samuelsson, announces an operating profit at the 2009 AGM in Munich. At the same time he warns shareholders of a difficult year, especially for the truck market, and informs them of cost-cutting measures taken in response to this.

MAN becomes a European Company
Following entry in the Commercial Register, MAN begins trading under the name MAN SE with effect from May 19, 2009 — showing that it sees itself as an international group. The change of legal form was approved by the Annual General Meeting. The Supervisory Board for the SE was also elected at the same time.

New Corporate Center
After a rebuilding project lasting three years, MAN SE opens its new corporate headquarters in Munich. Guests on this celebratory occasion include Bavaria's Economic Affairs Minister Martin Zeil and Christian Ude, the Mayor of the City of Munich.

Public Prosecutor's investigations
The Munich offices of MAN's Corporate Center and MAN Nutzfahrzeuge AG, as well as branches of MAN Truck & Bus Deutschland are searched by Munich Public Prosecution Office (I) in the course of preliminary investigations. According to the public prosecution office, there are grounds to suspect that hidden commission was paid in Germany and in other countries between 2002 and 2005 in connection with sales of commercial vehicles.

Eyecatchers at the Fenatran transport fair in São Paulo:
The trucks used to launch the MAN brand in Brazil

3rd quarter

Five-point program to counter corruption

Following the approval of the Supervisory Board, MAN launches a program for immediate action to clarify allegations of bribery and to better counter corruption:

1. The public prosecution authorities will be informed in the event of any future compliance cases.
2. Review and strengthening of the compliance organization.
3. Recruitment of additional staff for the internal audit function.
4. Review of organizational structure of and processes in commercial vehicles sales.
5. Dialog with anti-corruption experts at non-governmental organizations (NGOs).

Strategic partnership with Sinotruk

MAN SE's acquisition of 25% plus one share in the Chinese truck manufacturer Sinotruk (Hong Kong) Limited is completed. This move awards MAN a prominent and long-term presence in one of the world's largest and continuously expanding truck markets. As part of the agreement, MAN licenses its TGA truck engine, chassis and axles technologies to Sinotruk. The common goal is the development of a new series of heavy trucks.

4th quarter

MAN trucks in Brazil

The MAN truck brand is officially launched at the Fenatran International Transport Industry Trade Show in São Paulo. Trucks of the TGS and TGX series will now be built at the plant in Resende, Brazil. Equipped with more powerful engines, they complement MAN Latin America's existing truck range.

Changes in the MAN SE Executive Board

Dr.-Ing. Georg Pachta-Reyhofen is appointed as the Company's new CEO, effective as of January 1, 2010. He also takes over the reins of MAN Nutzfahrzeuge at the same time as CEO and the Executive Board member responsible for employee relations. The Supervisory Board also appoints Klaus Stahlmann and Frank H. Lutz to the Executive Board of MAN SE as deputy members, with Frank H. Lutz assuming responsibility for finance. Klaus Stahlmann succeeds Dr. Pachta-Reyhofen as the new Executive Board Spokesman and the Executive Board member responsible for employee relations at MAN Diesel SE. He is also to lead the merged MAN Diesel & Turbo SE.

New Compliance function

With effect from January 1, 2010, MAN sets up a new Compliance function under the direction of Olaf Schneider. As Chief Compliance Officer, the 38-year-old legal expert will set up the new function with his own team and be responsible for the compliance organization of the entire MAN Group worldwide. The function falls under the responsibility of the CEO in the organizational hierarchy.

Investigations concluded

Administrative orders imposing fines totaling €150.6 million are issued to MAN Nutzfahrzeuge AG and MAN Turbo AG. The Executive Board of MAN SE accepts this decision as well as the payment of back taxes of around €20 million agreed with the German tax authorities. This officially concludes the investigations by the public prosecution authorities against MAN SE. MAN's full willingness to cooperate with the public prosecution authorities and its own internal investigations play a major role in bringing the matter to a close quickly.

MAN Diesel and MAN Turbo merge

The MAN Group combines the engine and power plant expertise of the Diesel Engines business with the compressor and turbine technology of the Turbomachinery business to form a strong Power Engineering unit: Effective January 1, 2010, MAN Diesel SE and MAN Turbo AG are set to merge to form the new MAN Diesel & Turbo division. By bundling the complementary product ranges, the amalgamated company aims to generate additional growth, optimize costs and strengthen its position in its respective market segments.

Piggyback; a Constellation, two Workers and a Delivery make their way along the RJ 159 highway in southeastern Brazil to the store. The heavy trucks are the flagships from MAN Latin America's truck and bus plant in Resende.

Commercial Vehicles
Production of the future

Produced in collaboration: suppliers contribute their expertise directly to manufacturing.

Suppliers and MAN employees work hand in glove. In Resende, they have created one of the most innovative vehicle production lines worldwide.

Resende | MAN Latin America | Truck and Bus Manufacturing

The assembly line is operating at full capacity. Performance figures are in line with targets from the testing station. Such harmony is the result of an exceptional production system: In the MAN Latin America plant, bus chassis and trucks are produced in cooperation with seven supplier operations. In Resende, a city in southeastern Brazil, 4,700 employees and workers come together every day. Only the company logo on their shirt pockets indicates that they work for different, rather than the same, companies. Whether chassis, engines or interiors, they assemble their various components directly on the assembly line. In 2009, about 46,300 vehicles were produced in this manner.

Resende, with its first-class, heavy-duty vehicles, serves one of the fastest-growing markets for trucks and buses worldwide: South America. Brazil alone is the sixth-largest truck market in the world. Here, the MAN company leads the truck market, enjoying a share of more than 30 percent.

The South American customer primarily demands three types of trucks: the flexible Delivery for the distribution of goods, the middleweight Worker and the largest of the trio, the Constellation heavy-duty truck for long-distance hauling. The trucks have been perfectly adapted to the local demands with refined details and are particularly resistant to stress. Special reinforcement of the chassis, brakes, suspension and steering axles are a must, given the often challenging street conditions. The chassis for city and charter buses are also adapted to the special requirements of local customers.

Following assembly in a division-of-labor model, the truck is driven to quality control, located in its own testing warehouse, where it must demonstrate its entire range of capabilities at full throttle. And as merely flexing muscle isn't everything in South America, this is followed by a cold shower—a rain test—at the next station. Once the windows and doors are tight, it's off to the obstacle test course at the plant's own testing grounds, where handling is inspected on bends, during braking and at high speed. When it has passed every test, the road to the customer is cleared for the Constellation and its siblings.

Technology of the future

“Charge the hose line!” sounds the command on the Expo grounds in Hanover: The new TGM fire engine proves its qualitities to the Bemerode Volunteer Fire Service in a fire drill. What makes it special? The TGM engine fulfills the strictest environmental standards—without any further additives.

Commercial Vehicles
Technology of the future

Ready for action: Service technicians hand the new fire engine over to the Bemerode Volunteer Fire Service at the new delivery center of MAN Truck & Bus in Hanover-Langenhagen.

Hanover | MAN Nutzfahrzeuge | Engine Technology The eyes of Fire Chief Daniel Moser light up in the MAN Truck & Bus delivery center. The new TGM 18.290 is the pride and joy of the Bemerode Volunteer Fire Service in the county of Hanover. In making their selection, he and his firefighters placed great value on the performance and transport efficiency of their new fire engine. They found what they were looking for at MAN Nutzfahrzeuge: The company had further improved its engines and its innovative exhaust systems. In the TGM and TGL series, the degree of effectiveness of the diesel engine has been increased, with reduced particulate combustion ensuring economical fuel consumption. This was made possible through cooled exhaust gas recirculation, oxidation catalyzers and two-stage turbocharging with intercooling. With those systems, not only do the engines comply with the legal thresholds according to Euro 5, but also fulfill the still stricter voluntary EEV environmental standard.

The first training run is a great day for Fire Chief Moser. On practice grounds close to the former Expo grounds, Moser and his team are testing the fire-engine-red 18-ton vehicle for all it has got. “It actually handles like a limousine,” raves the 32-year-old. The 6.9-liter, high-tech engine revs up with its two-stage turbocharger. To Moser, the automatic clutch is not an end in itself. “The driver can focus completely on the often difficult traffic and terrain conditions when in action.” Such as pointing the water cannon at a forest fire somewhere in the Lüneburg Heath while the vehicle is moving. With its technology, the fire engine of the Bemerode Fire Service accommodates the extreme demands of its use. Not just because its water tank holds a possibly record-breaking 5,000 liters, which provides the firefighters with maximum flexibility, but also because the TGM Common Rail engines do not require AdBlue, and thus can do without the cumbersome additive tank for the synthetic urea. This makes room for special additional systems, such as a water spraying system at the front and under the vehicle. “This means that we can even drive over burning grassland if necessary,” explains Moser.

“Saving fuel and reducing emissions is a question of cost effectiveness and environmental compatibility for the Bemerode Fire Service,” says Moser. “Ultimately, it is the technology and efficiency of a fire engine that matter to us for this reason.” As he arrives with his TGM at the practice field, blue lights illuminate the asphalt, the night resounds with shouted commands and firefighters jump into position. “Charge the hose line!” resounds from all water hoses. Today, it is only an exercise, but the new TGM has already proven itself to be the new shining star of the Bemerode Fire Service.

Cutting-edge technology provides top-level performance and environmental compatability.

Solution of the future

Mounting of the 7,296 parabolic reflectors on the elevated plateau of Guadix near Granada, Spain, is progressing well. Once the third power plant, Andasol 3, is connected to the grid, it will be the largest parabolic trough power plant in the world. Steam turbines from MAN Turbo in Oberhausen will drive the Andasol 3 generators.

Power Engineering
Solution of the future

Both the high- and low-pressure turbines for use in the Andasol 3 solar energy power plant are built at MAN Turbo in Oberhausen. The entire turbine set will then be delivered directly to the power plant near Granada by ship and truck.

Bright ideas: Andasol 3 will supply up to 200,000 people with solar energy.

Oberhausen | MAN Turbo | Renewable Energy The technological colossus measures eight meters long, four meters wide, almost five meters tall and weighs a considerable 160 tons. At MAN Turbo in Oberhausen, a high-performance turbine providing almost 50 megawatts is under construction for the new Andasol 3 parabolic trough power plant. It is set to be used more than 2,000 kilometers to the south, near the Spanish city of Granada. “We have developed and optimized the dual-housed machinery train especially for solar energy usage in Spain. The result is a significantly increased degree of efficiency,” says MAN project manager Ralf Hommers.

Until the turbines are running, work is proceeding at full speed at the Solar Millennium AG power plant compound in southern Spain. The elevated plateau of Guadix is actually an inhospitable place. No trees, no shrubs; only hot air wafting over the dry steppes. Here, in the province of Granada, the sun shines 3,000 hours a year. Due to its searing power, it drove life from the high plateau in the Sierra Nevada foothills centuries ago. Now, the sun is bringing it back. With Andasol 1–3, the largest solar energy power plant in the world is emerging—a gleaming landscape of reflectors as far as the eye can see. Spread over an area of roughly 200 soccer fields, it will ultimately generate 150 megawatts of power. The Spanish government wants to use it to cover the summer peaks, when the entire country turns the air conditioning up against the summer heat.

Andasol 1 and 2 have been operating gradually since mid 2009. Tractors have ceaselessly carried 12-meter-long, pre-assembled collector elements on flatbeds for construction of the third power plant, where workers arranged them in parallel rows with millimeter-precise accuracy. After all, not one sunbeam ought to go astray.

Parabolic trough power plants use simple physics to generate energy: The convex reflectors, made of an especially developed glass, guide the radiated energy of the sun to the absorber tubes, where it heats heat-resistant synthetic thermal oil to temperatures exceeding 400 degrees Celsius. A pumping system then carries the oil to a heat exchanger in the centrally located generating unit. The steam generated here drives a generator via a steam turbine, which generates the electrical power. And, it even does this at night, or when the sun doesn’t shine for several hours, because a portion of the thermal energy is stored intermittently in huge tanks of liquid salt. The stored heat can be used up to 7.5 hours after it was fed into the system. With capacities such as these, the environmentally friendly solar energy of Andasol 3 will be sufficient for up to 200,000 people.


6
NOELL
SWL-50t

Concept of the future

During container handling in Spain's Algeciras, cargo must move quickly on the *Alexander Mærsk*, as time is money and costs control shipping traffic. Fuel consumption and emissions are therefore becoming increasingly important for ship owners, scientists and development engineers.

Power Engineering
Concept of the future

Retrofitting during ongoing operation: The service technicians of MAN Diesel transform the *Alexander Mærsk* container ship into the Green Ship of the Future by installing an exhaust gas recirculation system.

New environmental concepts make shipping by sea a greener choice.

Algeciras | MAN Diesel | Ship Engines As the containers from the *Alexander Mærsk* are loaded in Spanish Algeciras, Caspar Sörensen and his colleague, Henrick Petersen, are already working in the ship's engine room. The MAN Diesel engineers are equipping the vessel with an exhaust gas recirculation (EGR) system using the latest Green Ship technology—while it is up and running. In the engine room, it is hot, noisy and, most of all, terribly cramped.

They had already successfully installed the prototype of the environmentally friendly technology into a research engine back in Copenhagen. On board, however, everything must be adapted individually. For this reason, a customized workshop container is on deck, where the MAN technicians can saw, drill and forge as needed. Everything is precisely fitted to the engine room of the *Alexander Mærsk*.

Moving as quickly and inexpensively as possible from one port to the next is not all for the *Alexander Mærsk*. The 155-meter-long, 25-meter-wide container ship is also on an environmental course. The AP Møller-Mærsk shipping company and MAN Diesel are implementing the first formidable goals of Denmark's sea initiative, The Green Ship of the Future. In cooperation with 15 additional project partners in the business and scientific community, they intend to reduce environmentally damaging emissions using cooperative research and development. "With this project, we can, for example, reduce the emission of nitrogen oxide by up to 80 percent," says Asish Arul, who is responsible for maritime technology and innovation at the AP Møller-Mærsk shipping company.

Increasing energy efficiency and reducing emissions is one issue at hand. How the engines are treated also has a significant impact, however. For this reason, captains and ship engineers are trained in special naval training programs for the efficient usage of the onboard technology. For Arul, one thing is clear: "Ships are a climate-friendly means of transportation, but with The Green Ship of the Future, we are even going one step further."

It may resemble a ship anchored in the twilight, but the gloomy outline of the neighbouring Tux mountain range serves as a reminder that the sleek block heating power plant of the Fritzens purification plant in Austria is a long way from the sea.

Power Engineering
Idea of the future

Nature and technology unite in the Alps to extract energy from waste material.

MAN Diesel technicians are using an unusual fuel at the block heating power plant of Fritzens' purification plant. They filter the wastewater from 16 communities utilizing used cooking oil, thereby creating a small energy miracle.

Fritzens | MAN Diesel | Power Plant Technology As if it were docked in a port, the outline of the block heating power plant for Fritzens purification plant of the wastewater association of Hall in Tyrol is modeled on the shape of a ship. The bow points upstream towards the mountains. Thick noise-reducing glass opens the façade at the stern.

"You have a fantastic view of the technology from the outside, and one of Mother Nature on the inside," enthuses Nikolaus Pfurtscheller, who is responsible for the energy supply and the support of the MAN engine. For him, nature and technology are not just exquisitely connected via architecture, but also through a very special energy design. In place of fossil fuels, used fryer grease and remnants from frying drive a 1.1-megawatt strong MAN large-bore diesel engine in the block heating power plant.

The fact that grease is a sticky business was painfully obvious to the operators of the filtration plant, which filters 18.5 million liters of wastewater for the 16 surrounding communities every day. The cooking grease and grease remnants contained within the wastewater constantly created high costs in the past. Mostly, they were dumped down the drain because of thoughtlessness and had to be laboriously removed by the filtration plant. "Extracting energy from a problematic material was the solution," says Claus Collin, sales director at MAN Diesel. "Large engines, which are also used for ship propulsion, allow for the highly efficient power production using fryer grease."

And this fuel is right on their doorstep. The plant operators, along with the local waste management groups, collected the grease remnants from companies, restaurants, hotels, and even directly from homes. Everyone is happy to help now that the grease is being used to generate energy rather than ending up as waste. The engine heat dries the sludge and keeps the digestion tower at operating temperature. And the generated power supplies not only the whole plant, but in addition offers benefits through the addition of six million kilowatt-hours of eco-energy to the public power grid. "Therefore, the plant is completely self-sufficient in terms of energetic standing and the entire added value remains regional," says Collin. "The ship engine running in the Alps has proven itself a sweeping success."

03
Management Report

03
Group Management Report
for the fiscal year from January 1 to December 31, 2009
page 52–99

54 **Highlights 2009**

55 **The MAN Group: Business activities and strategy**
55 The MAN Group
55 Overview of the business areas
56 The MAN Group's strategy and strengths
58 Acquisitions and divestments

59 **Business developments and results of operations in 2009**
59 Economic environment
59 Significant decline in business
59 Order situation
61 Operating profit
62 Income statement
63 Reconciliation to profit for the period (net income)
64 Financial control system and value management

67 **Financial position**
67 Priniciples and objectives of financial management
67 Cash flow
69 MAN Group funding
70 Asset and capital structure
70 Share capital, authorized and contingent capital, purchase of own shares
71 Disclosures in accordance with sections 289(4) and 315(4) of the *Handelsgesetzbuch* (HGB—German Commercial Code) and explanatory report in accordance with section 176(1) sentence 1 of the *Aktiengesetz* (AktG—German Stock Corporation Act)

74 **Research and development**

76 **Capital expenditures**

77 **Purchasing**

78 **Employees**

80 **Sustainability management**

81 **The divisions in detail**
81 MAN Nutzfahrzeuge
83 MAN Latin America
84 MAN Diesel
87 MAN Turbo
88 Others/Consolidation
89 Financial statements of MAN SE

90 **Risk report and outlook**
90 Risk management
91 Accounting-related risk management system and internal control system
92 Opportunities and risks
95 Assessment of the Group's risk position
97 Compliance system
97 Events after the reporting period
98 Outlook

Group Management Report
Highlights 2009

Strong cash flow from operating activities despite decline in earnings

- At €9.9 billion, order intake significantly lower than the previous year (–30%)
- Revenue declines to €12.0 billion (–20%) in a difficult economic environment
- At €504 million, operating profit in line with expectations (previous year: €1,729 million)
- Return on sales (ROS): 4.2% (previous year: 11.6%); return on capital employed (ROCE): 7.9% (previous year: 40.2%)
- Losses from nonrecurring items (€656 million) lead to net loss for the year
- Improvement in cash flow from operating activities (€1,462 million; previous year: €137 million)
- Earnings per share from continuing operations €–2.69, excluding losses from nonrecurring items and effects of purchase price allocations €1.47
- Proposed dividend of €0.25 per share (previous year: €2.00) appropriate in light of the current situation

Focus on transportation and energy

- Integration of MAN Latin America, launch of MAN truck brand in Latin America
- Equity interest acquired in Chinese commercial vehicles manufacturer Sinotruk as part of BRIC strategy
- Preparations for the merger of MAN Diesel and MAN Turbo completed

Outlook for 2010

- Stable Commercial Vehicles business area
- Moderate decline in revenue expected at MAN Diesel & Turbo and Renk
- MAN will continue to systematically drive forward the implementation of cost-cutting and efficiency-enhancement measures in all divisions
- Launch of a new truck brand in China

Group Management Report
The MAN Group: Business activities and strategy

The MAN Group

Today, the MAN Group's focus on transport-related engineering makes it one of Europe's leading engineering players. MAN Aktiengesellschaft became a Societas Europaea (SE) in 2009 and now operates as MAN SE. The sale of a majority interest in MAN Ferrostaal AG in the first quarter of 2009 completed the focusing process on MAN's defined core areas, and the acquisition of MAN Latin America in 2009 significantly strengthened the Commercial Vehicles business area in one of the BRIC countries.

MAN companies rank in the top three in their respective markets. The Group has approximately 47,700 employees in 150 countries. The MAN divisions are MAN Nutzfahrzeuge, MAN Latin America, MAN Diesel, MAN Turbo, and Renk. The MAN Group is headed by MAN SE, which is the Group's Corporate Center. In 2009, the MAN Group generated revenue of €12.0 billion and operating profit of €504 million.

Overview of the business areas

Commercial Vehicles business area
MAN Nutzfahrzeuge is one of Europe's leading manufacturers of commercial vehicles, with production facilities in four European countries and in India. Its products range from trucks with a total weight of 7.5 to 60 t for short- and long-haul transportation, trucks for military and public-sector uses, through buses and coaches, to combustion ignition and spark-ignited engines for vehicles. MAN Finance International GmbH, Munich, (MFI) offers financing solutions, in particular leases, to commercial vehicle customers. These activities are supported by an international sales and service network. MAN Nutzfahrzeuge's revenue amounted to €6.4 billion and its operating loss was €91 million.

Furthermore, the acquisition of MAN Latin America in the first quarter of 2009 gives the MAN Group a leading position in the commercial vehicle market in the BRIC countries—a long-term growth region. MAN Latin America has produced trucks and buses in Resende since 1996. The company is Brazil's largest truck manufacturer and the country's market leader for trucks with a gross vehicle weight (GVW) of more than 5 t. Its vehicles are sold in Latin America and Africa in particular, and it delivered around 47,000 trucks and buses in full-year 2009. MAN Latin America has a nationwide sales and service network in Brazil and its neighboring countries. A total of around 4,500 staff work for MAN Latin America and its partner suppliers at the Resende plant, which has a modular production system. The company's revenue amounted to €1.4 billion in the period from April to December, and its operating profit was €142 million.

In the second half of 2009, MAN SE and Sinotruk Ltd., Hong Kong/China, signed an agreement on a long-term strategic partnership under which MAN, as a strategic investor, acquired an interest in Sinotruk of 25% plus one share. This move is a further step in the systematic implementation of MAN's BRIC strategy. The partnership combines the progressive technology and expertise offered by MAN with Sinotruk's existing production facilities, local knowledge, and extensive sales network in China. As part of the agreement, MAN is licensing to Sinotruk its TGA truck technology, including engines, vehicle chassis, and axles as the basis for producing a new heavy truck series.

Power Engineering business area
MAN Diesel is one of the world's leading developers and manufacturers of large-bore diesel engines, mainly for marine applications, but also for stationary use. The company commands a strong market position in both the development of two-stroke diesel engines for propulsion systems in large ships and in the manufacture of four-stroke diesel engines built into smaller vessels and as engines for electricity generation at power plants. While the two-stroke engines are built by licensees, MAN Diesel manufactures most of its four-stroke engines at its facilities in Germany and France. The company's revenue amounted to €2.4 billion, and its operating profit was €342 million.

MAN Turbo is a manufacturer of turbo compressors, industrial turbines, and chemical reactor systems. This division offers a complete range of turbo machinery for various industries such as oil and gas, refineries, and chemicals, as well as for the production of industrial gases and electricity. Its product range is supported by a comprehensive after-sales service. MAN Turbo generated total revenue of €1.4 billion and operating profit of €158 million.

In the first half of 2010, MAN Diesel and MAN Turbo will merge to form a single company, MAN Diesel & Turbo, in order to leverage additional growth potential in the energy generation segment by offering new product packages. The merger will also enable the two companies to achieve cost synergies by sharing their global sales, production, and service networks. Alongside the commercial vehicles business, it will strengthen the MAN Group's second pillar whose different economic cycle will help cushion the current difficult environment in the European commercial vehicles market. The entry of the merger of the two companies in the commercial register and therefore the beginning of their joint external presence is scheduled for early 2010.

The MAN Group's strategy and strengths

Overcoming the crisis
The MAN Group was unable to escape the effects of the global recession and the difficult market environment in 2009. Especially the first half of the year was dominated by an exceptionally sharp global economic downturn. MAN Nutzfahrzeuge in particular recorded a massive slump, while MAN Diesel, MAN Turbo, and Renk were hit less hard. The second half of 2009 saw the MAN Group's performance stabilize, albeit at a low level. The Group's cost-cutting measures and flexibilization of working hours bore fruit and cushioned the effects of the crisis.

Undeterred by the economic crisis, MAN continues to actively reshape its Group structure. One step toward this is the merger of MAN Diesel and MAN Turbo from 2010. This will make MAN more efficient and give it an even more powerful market presence by offering packaged solutions from Diesel Engines and Turbo Machinery.

Despite the difficult market environment, MAN is driving forward its strategy of significantly expanding its commercial vehicles business in the BRIC countries. A further strategic milestone is the Group's partnership with the Chinese truck manufacturer Sinotruk. The integration of MAN Latin America is also continuing steadily. This creates a broader base for MAN's international growth. The MAN Group will continue to actively leverage growth potential.

Focus on two strong business areas
Following the completion of the Group's focusing process, MAN's core business activities are in the Commercial Vehicles and Power Engineering business areas. In the long term, these areas will profit from the strong growth in emerging economies accompanied by increasing demand for transportation and energy.

MAN is a leading provider in the international commercial vehicles industry and offers products and services that are tailored to individual markets worldwide. MAN Nutzfahrzeuge is expanding from its core Western European market into selected growth markets of Eastern Europe and Asia. As the market leader for trucks in Brazil, MAN Latin America has state-of-the-art production facilities and an extensive sales and service network in the emerging Latin American markets. These two divisions enable the MAN Group to successfully cover both developed markets and industrializing economies by tailoring its products to market needs. The Group's stake in Sinotruk, the Chinese market leader for heavy trucks, also allows it to establish a long-term presence in China, the world's largest and fastest-growing commercial vehicles market.

In the Power Engineering business area, MAN Diesel is a leading global supplier of diesel engines for use in ships and power plants. MAN Turbo specializes in developing and constructing compressors as well as gas and steam turbines. The merger of the two companies will enable MAN to offer its customers new product packages such as turnkey DCC (diesel combined cycle) power plants or exhaust heat recovery systems for marine applications. This area is complemented by Renk, a globally recognized manufacturer of high-quality special gear units.

Profitable international growth
A key requirement for future profitable growth is the internationalization of the MAN Group. MAN is now represented in all international growth markets and pursues a comprehensive growth strategy that reflects the individual features of the various regions.

Western Europe is currently the largest market for MAN's premium products, especially in the commercial vehicles business. MAN has identified Eastern Europe, the Middle East, Latin America, and Asia as growth regions. The BRIC countries in particular (Brazil, Russia, India, and China) are future markets that are recording high growth rates and substantial pent-up demand in the Commercial Vehicles business area. That is why MAN is progressively strengthening its presence in this area. MAN Diesel & Turbo is focusing on expanding its service business and internationalizing its production system. Significantly strengthening the power plant business is another key area.

In addition to developing new sales markets, MAN is focusing on a logical division of labor as part of a globalized development and production environment. The Group's sites in Western Europe are instrumental in safeguarding MAN's technology leadership for the long term. The development of products tailored to market needs and the expertise at local production sites ensure MAN's market success in international growth regions.

Technology leadership

Technology leadership is a strategic success factor for MAN. Our continued ability to innovate and adapt over more than 250 years has made the Group a pioneer in the transportation and energy industry. MAN masters this role by identifying future requirements at an early stage and expertly transforming them into trailblazing solutions.

In markets such as Western Europe in particular, retaining MAN's leading position depends on focusing on its customers' needs on the one hand, and on maintaining and expanding its technological expertise and knowledge on the other. This will allow the Group to offer the premium products that are in demand in developed markets and that will ensure its success today and in future.

To be successful in emerging economies, MAN develops products and solutions that reflect the special needs of these markets. Expanding MAN's sales and production sites in growth markets also ensures that it is close to customers.

MAN aims to combine environmental and climate protection demands with economic requirements. Its goal is to be the most cost-effective provider over the entire lifecycle of a product and in terms of its costs for the environment and society. Technology leadership is a prerequisite for this ambitious objective.

Customer orientation

The MAN Group's business activities focus on the needs and expectations of its customers. The highest quality and thus reliability and cost-effectiveness are the goals it sets for all its products and services over their entire lifecycle. From the first contact onwards, MAN focuses on its customers' specific demands and develops solutions that are geared to their needs. Extensive one-stop finance packages are as much a part of MAN's offering as the highest level of global service, 24 hours a day.

Customer orientation works in two directions: For the customer, more specialized products mean less administration, greater investment security, and lower risk. And MAN believes that close customer contact is the key to continually improving its products and processes. The growing importance of the after-sales business also ensures a counterbalance in the heavily cyclical transportation market.

Adding long-term value

MAN is committed to sustainable corporate governance that entails comprehensive and strategic management of all economic, environmental, and social demands placed on the Company.

Profitability is the basic requirement for sustainable business activities. As a matter of course, MAN identifies future demands and uses them to develop a profitable business strategy that offers long-term added value for its stakeholders.

MAN is committed to responsible corporate governance and fair competition and aims to offer a compelling proposition in terms of quality and first-class products. Infringements of laws or compliance rules are not tolerated.

Protecting the environment and conserving natural resources are essential criteria for a successful long-term business. As a technology leader, MAN makes a positive contribution to the environment and society by developing environmentally- and climate-friendly products and production processes. Sustainable transportation and energy solutions that reconcile ecological and economic requirements are the key to a successful product policy for MAN.

MAN pursues a responsible human resources policy for its workforce that identifies and promotes individual potential. Employee representation, vocational training, continuing professional development, sustainable retirement provision, and profit sharing are examples of instruments that MAN has successfully used for a long time and is continuously developing. Compelling answers to new issues such as diversity management or how to reconcile work and family life offer new opportunities to attract and retain the highest performers.

MAN is particularly committed to training young people. Together with its partner universities—Munich and Dortmund Technical Universities—it is improving the interface between the academic and business worlds. In cooperation with both universities, MAN offers lectures series at the two institutions in which high-ranking executives from prominent companies pass on their knowledge to students.

MAN also sponsors students directly by providing scholarships. These relieve students' financial burden and allow them to better concentrate on their studies. Scholarship recipients are also invited to MAN events to help provide a focused transition to working life. In addition, MAN innovation projects teach students how to work independently on practical tasks in small groups.

To support MAN Nutzfahrzeuge's growth strategy, MAN expanded its product range to include vehicle rental and leasing at the beginning of 2008. At the time, MAN Finance International GmbH, Munich, acquired a 25.13% interest in EURO-Leasing GmbH, Sittensen (EURO-Leasing), as part of a capital increase. The stake in EURO-Leasing was increased to 50.13% as part of a capital increase (subscribed for by MAN Nutzfahrzeuge) at the end of December 2009. EURO-Leasing will be fully consolidated beginning January 1, 2010.

Acquisitions and divestments

The following major transactions were completed in fiscal 2009:

Acquisitions
On March 17, 2009, MAN completed the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda. (VW Truck & Bus), São Paulo/Brazil, from Volkswagen Aktiengesellschaft, Wolfsburg (Volkswagen AG). This acquisition gives MAN a leading position in the Brazilian commercial vehicles market. The company, which was consolidated as of March 31, 2009, is managed as "MAN Latin America." The preliminary cost of the acquisition (including cash acquired and liabilities assumed) amounts to €1,339 million. The company has been included in the consolidated income statement since April 1, 2009. Purchase price allocation has not yet been fully completed. Based on the preliminary purchase price allocation, €625 million was allocated to finite-lived intangible assets and €463 million was recognized as goodwill. The acquisition was initially financed via a syndicated loan by international banks. At the end of March 2009, MAN SE successfully placed a promissory note loan in the amount of €200 million to partially replace the syndicated loan. The Group received the proceeds of the issue on April 8, 2009. In addition, a bond with a total volume of €1.5 billion was successfully placed in the market in mid-May 2009, fully replacing the bridge finance.

The transaction to acquire 25% plus one share of the Chinese truck manufacturer Sinotruk for €567 million was completed on October 7, 2009. MAN is thus continuing to focus its international growth on the BRIC markets. As part of the agreement, MAN is licensing to Sinotruk its TGA truck technology, including engines, vehicle chassis, and axles. The common goal is to develop a new heavy truck series.

Divestments
On March 25, 2009, MAN transferred 70% of the shares of MAN Ferrostaal AG, Essen (Ferrostaal), to the International Petroleum Investment Company, Abu Dhabi/U.A.E. (IPIC). The price for 100% of the shares of Ferrostaal is approximately €700 million and is contingent on the option agreed by MAN and IPIC on the purchase and sale of the remaining shares. The sale of a majority interest in Ferrostaal to IPIC completes the process of focusing the MAN Group on the Commercial Vehicles and Power Engineering business areas. The contractually agreed put option for the remaining 30% interest in Ferrostaal was exercised at the beginning of 2010.

For further information on acquisitions and divestments, see the "Events after the reporting period" and the "Notes to the Consolidated Financial Statements."

Group Management Report
Business developments and results of operations in 2009

Economic environment

Fiscal 2009 was dominated by the worst recession in the post-war era. The international financial crisis led to a rapid economic slump in the industrialized countries. However, government stimulus programs and bank bailout measures took effect and eased the situation on the financial markets. Nevertheless, global gross domestic product (GDP) is expected to decline by 2.0% in 2009, compared with growth of 2.7% in 2008.

The United States of America recorded annualized growth of 2.2% in the third quarter after the downturn had only begun to ease there in Q2. Certain countries in the Middle East and in Eastern Europe were hit particularly hard by the economic crisis. Low commodity prices further exacerbated the situation, virtually paralyzing growth in 2009. However, the strongest impetus for the global economy came from Asia. China largely offset its low exports with government stimulus programs and is forecast to record 8.5% growth in 2009, as against 9.0% in 2008.

The recession in the euro zone also slowed significantly in the second quarter. With capital investments declining, public spending and consumer spending boosted by government programs prevented an even greater slump. The heavy economic downturn was followed by a slight recovery in output from the middle of the year onwards. In Germany, leading economic research institutes expect GDP to fall by 4.9% in 2009, compared with an increase of 1.3% in 2008. This is mainly due to lower exports and declining investments in machinery and equipment.

Significant decline in business

Business in 2009 declined significantly due to the difficult market environment. Order intake fell by 30% as a result of economic developments and the financial market crisis. Revenue was down by 20%, in particular because of the sharp decrease in the commercial vehicles business. In response, we adjusted our forecasts to reflect business developments. Operating profit declined by 71% to €504 million. As a result, the return on sales (ROS) fell from 11.6% to 4.2%.

Order situation

The economy in many regions was in recession in 2009. Transportation and energy—key sectors for MAN—remain affected by low industrial output and the drop in global trade. The slump in demand in the transportation sector was reflected in MAN's order intake and revenue in 2009. This factor together with order cancellations led to a reduction in the Group's order backlog at the end of the fiscal year.

Decline in order intake due to economic developments
Order intake fell in all divisions due to economic developments. The MAN Group recorded incoming orders of €9.9 billion in 2009, a decline of 30% on the previous year (€14.0 billion) to the 2004 level. Order intake was down by 43% at MAN Nutzfahrzeuge because of the ongoing economic situation. MAN Diesel also recorded a drop in incoming orders of 39% in 2009, while MAN Turbo saw orders decrease by 27%. Major orders received by the MAN Group more than halved to €0.8 billion due to economic factors (previous year: €1.8 billion).
The reduction in order intake was as pronounced in Germany as it was abroad. International orders declined by 30% to €7.5 billion as against the high prior-year level. Domestic orders were down by 28% to €2.4 billion. As in the previous year, the proportion of international orders amounted to 76%.

Orders in Europe almost halved compared with the previous year. The previously high-growth Asia region also recorded a 42% decline in orders to €1.6 billion, while the order intake in the Americas increased to €1.9 billion, due in particular to the acquisition of MAN Latin America at the beginning of 2009. Excluding MAN Latin America, orders in the Americas were down by 19% to €0.5 billion. As a result, the share of total order intake accounted for by the European markets fell from 70% to 58% in 2009. Nevertheless, Europe remains the MAN Group's most important region, followed by the Americas with a 20% share and Asia (16%).

Order intake by division

€ million

	2009	%	2008	%
MAN Nutzfahrzeuge	5,224	53	9,130	65
MAN Latin America	1,412	14	–	–
MAN Diesel	1,899	19	3,089	22
MAN Turbo	1,038	11	1,426	10
Others/consolidation	287	3	388	3
MAN Group	**9,860**	**100**	**14,033**	**100**

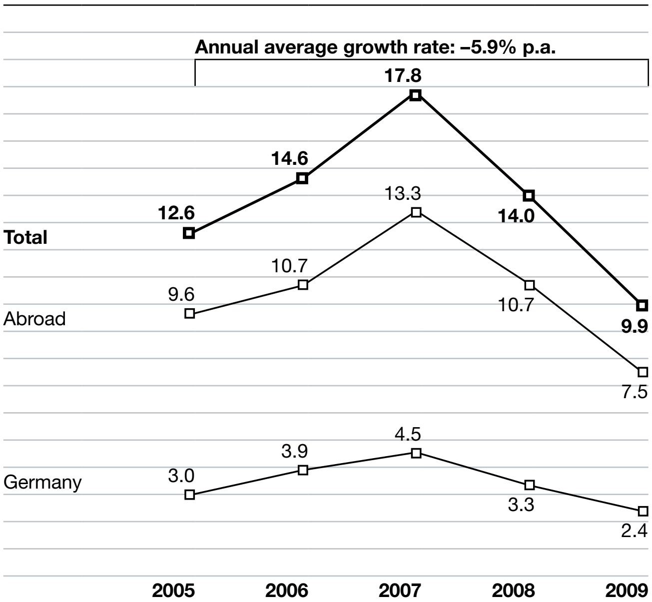
Order intake by region

€ million

	2009	%	2008	%
Federal Republic of Germany	2,388	24	3,306	24
Other EU countries	2,736	28	4,543	32
Other European countries	559	6	1,939	14
Asia	1,607	16	2,762	20
America	1,931	20	671	5
Africa	485	5	653	4
Australia and Oceania	154	1	159	1
MAN Group	**9,860**	**100**	**14,033**	**100**

Five-year order intake trend

€ billion



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

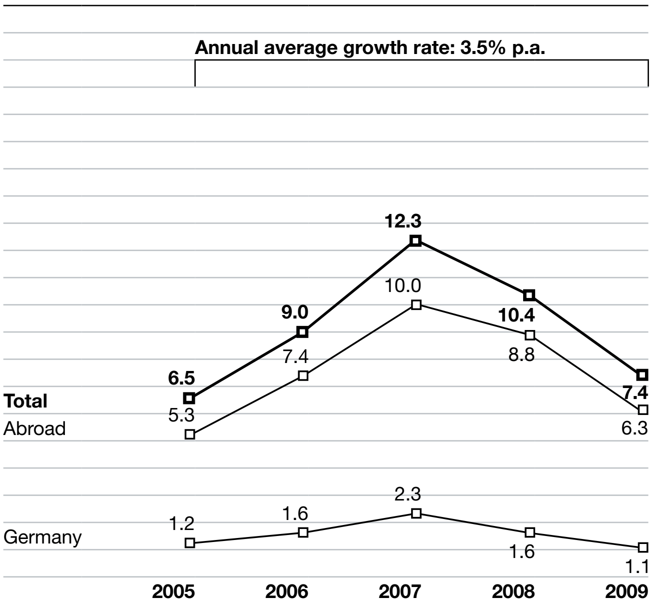
Substantial reduction in order backlog

Weak order intake that was significantly lower than revenue led to a sharp decline in the order backlog, which fell by 29% as against the previous year to €7.4 billion. This figure includes order cancellations.

The order backlog at MAN Nutzfahrzeuge decreased by 35% to €2.6 billion. Declines were also recorded by MAN Diesel (€3.0 billion; –27%) and MAN Turbo (€1.4 billion; –21%).

Five-year order backlog trend

€ billion



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

Decline in revenue in 2009

The MAN Group's revenue fell by 20% in 2009 to €12.0 billion. MAN Nutzfahrzeuge recorded the sharpest decline of 40% to €6.4 billion (previous year: €10.6 billion). In particular, the highest-volume segment—heavy trucks—saw a drop of 48%. Revenue from buses was down by 14% to €1.3 billion (previous year: €1.5 billion). MAN Latin America was included in the income statement from the beginning of the second quarter and generated corresponding revenue of €1.4 billion. MAN Diesel recorded a slight drop in revenue to €2.4 billion (–5%) in 2009, while MAN Turbo again increased its revenue by 4% to €1.4 billion.

Domestic revenue declined by 26% year-on-year to €2.7 billion. Approximately 80% of domestic revenue was accounted for by MAN Nutzfahrzeuge, which generates 34% of its revenue in Germany. Domestic revenue accounted for 8% of the revenue generated by MAN Diesel and for 17% of the revenue generated by MAN Turbo.

Revenue outside Germany decreased by 17% in 2009 to €9.3 billion. The proportion of total revenue generated abroad was 77% in 2009, compared with 75% in the previous year.

Revenue in the European markets fell by 33% in 2009 to €7.4 billion, while the proportion of total revenue generated in Europe amounted to 62%. MAN's Asian business recorded a 26% decline in revenue to €2.0 billion, accounting for 16% of total revenue. The share attributable to the Americas rose to 16% due to the acquisition of MAN Latin America at the beginning of 2009. Excluding MAN Latin America, revenue in the Americas was on a level with the previous year.

Despite the sharp economic slowdown in 2009, the MAN Group's revenue has increased by 21% in the past five years. During this period, revenue rose from €10.0 billion to €12.0 billion. This means that the MAN Group recorded average annual growth of 4.8% between 2005 and 2009.

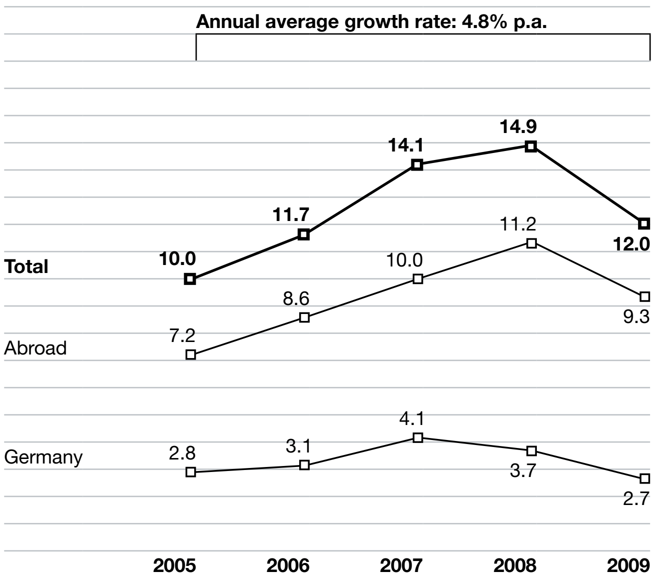
Revenue by division
€ million

	2009	%	2008	%
MAN Nutzfahrzeuge	6,395	53	10,610	71
MAN Latin America	1,412	12	–	–
MAN Diesel	2,411	20	2,542	17
MAN Turbo	1,386	12	1,328	9
Others/consolidation	422	3	465	3
MAN Group	**12,026**	**100**	**14,945**	**100**

Revenue by region
€ million

	2009	%	2008	%
Federal Republic of Germany	2,750	23	3,704	25
Other EU countries	3,812	32	5,593	37
Other European countries	854	7	1,748	12
Asia	1,973	16	2,651	18
America	1,945	16	518	3
Africa	571	5	594	4
Australia and Oceania	121	1	137	1
MAN Group	**12,026**	**100**	**14,945**	**100**

Five-year revenue trend
€ billion



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

Operating profit

The MAN Group generated an operating profit of €504 million in fiscal 2009. The year-on-year decline of 71% is due in particular to the heavy slump in the commercial vehicles business in Europe.

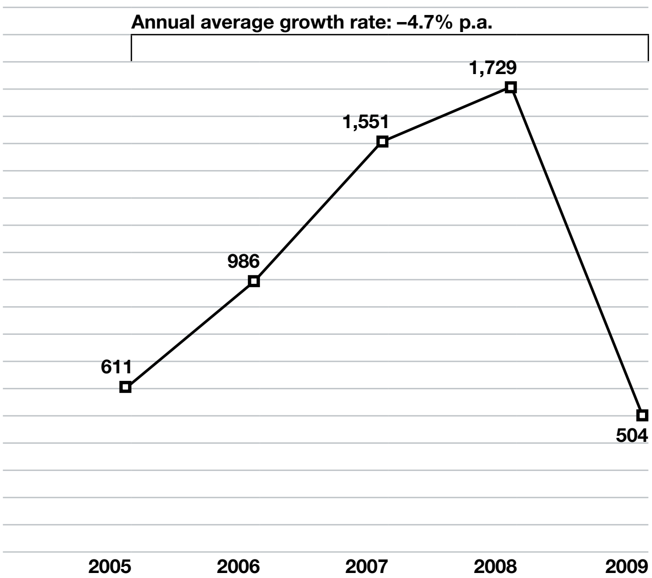
The Commercial Vehicles business area recorded an operating profit totaling €51 million in fiscal 2009. MAN Latin America contributed €142 million to this since the beginning of April. MAN Nutzfahrzeuge saw a significant drop from a profit of €1,062 million to a loss of €91 million. This was due in part to expenses of €42 million from the financing business that are mainly attributable to higher risk provisions. Operating profit at MAN Diesel fell by €48 million to €342 million (–12%). At €158 million, MAN Turbo again slightly exceeded the high prior-year level (7%). In addition to consolidation effects, the figure for Others/consolidation includes the results of the Renk industrial subsidiary, MAN SE, and its Shared Services companies as well as MAN's share of the net income/loss of Scania AB and manroland AG. The business volumes and earnings contributions of these investments declined in line with the general economic developments.

Operating profit/(loss) by division
€ million

	2009	2008
MAN Nutzfahrzeuge	–91	1,062
MAN Latin America	142	–
MAN Diesel	342	390
MAN Turbo	158	148
Others/consolidation	–47	129
MAN Group	**504**	**1,729**

While operating profit almost tripled in the period from 2005 to 2008 (from €611 million to €1,729 million), it fell by 71% in 2009 to €504 million. This represents a return to the 2004 level.

Five-year operating profit trend
€ million



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

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

Income statement

€ million

	2009	in %	2008	in %
Revenue	12,026	100.0	14,945	100.0
Cost of goods sold and services rendered*	–9,455	–78.6	–11,243	–75.2
Gross margin	2,571	21.4	3,702	24.8
Other operating income	532	4.4	401	2.7
Selling expenses**	–807	–6.7	–852	–5.7
General and administrative expenses**	–631	–5.2	–682	–4.6
Other operating expenses*	–1,091	–9.1	–929	–6.2
Income/loss from investments*	–70	–0.6	89	0.6
Operating profit	504	4.2	1,729	11.6

* 2009 excluding share of losses from nonrecurring items totaling €656 million (2008: share of losses from nonrecurring items totaling €106 million)

** 2009 excluding earnings effects from purchase price allocation totaling €–62 million

Revenue decreased by 20% year-on-year in 2009, and the cost of goods sold and services rendered declined by 16% in the same period. The gross margin fell from 25% to 21% due to high fixed costs. Selling expenses declined by 5% as against the prior-year period to €807 million. General and administrative expenses were also reduced by 7% to €631 million.

At €532 million, other operating income was well above the prior-year figure (€401 million). This contrasts with other operating expenses of €1,091 million excluding nonrecurring items (previous year: €929 million). The increase is due primarily to the addition of MAN Latin America. Expenses also rose as a result of risk provisions for receivables and inventories that were attributable to economic factors.

The decline in income from investments is due mainly to the absence of the dividend income of €57 million received in the previous year from MAN's interest in Scania and the one-time gain of €14 million from exchanging Scania B shares for Scania A shares. In addition, the share of net income of equity-method investments deteriorated by €83 million to a net loss of €66 million in 2009. This reflected in particular the €65 million decline in net income from manroland AG.

Reconciliation to profit for the period (net income)

€ million	2009	2008
Operating profit	**504**	**1,729**
Earnings effects from purchase price allocations	–62	–
Losses from nonrecurring items	–656	–106
Net interest income/(expense)	–117	20
Earnings before tax	**–331**	**1,643**
Income taxes	–53	–488
Income from discontinued operations, net of tax	126	92
Profit/loss for the period	**–258**	**1,247**
Earnings per share from continuing operations in €	–2.69	7.76
Dividend per share in €	0.25	2.00

The MAN Group's earnings before tax amounted to €–331 million in 2009 (previous year: €1,643 million). This figure includes the effects of the purchase price allocation performed as part of the acquisition of MAN Latin America, which amount to €–62 million since the acquisition at the end of March. To enhance long-term comparability, the effects of purchase price allocation are not included in operating profit.

In addition, several nonrecurring items led to gains or losses in 2009 that also did not affect operating profit. These mainly comprise write-downs of equity-method investments (€382 million), in particular Scania, whose values declined due to the economic outlook. Furthermore, losses from nonrecurring items include expenses relating to the investigations by the public prosecution authorities due to suspected unlawful commission payments. At the beginning of December, administrative fines totaling €150.6 million were imposed on MAN Nutzfahrzeuge and MAN Turbo. The investigations were able to be concluded rapidly because the Executive Board and Supervisory Board conducted a comprehensive internal clarification of the matter in close cooperation with the Public Prosecution Office. For information on the internal investigations by independent lawyers, auditors, and tax experts, please refer to the sections entitled "Compliance system" and to the "Notes to the Consolidated Financial Statements." The costs of the internal investigation are reflected in losses from nonrecurring items in the amount of €50 million. Provisions totaling €20 million were recognized for severance payments for former Executive Board members and senior managers. Losses from nonrecurring items were further impacted by restructuring expenses of €23 million at MAN Diesel as a consequence of the planned discontinuation of engine production at the Frederikshavn, Denmark, site. The discontinuation of engine production is scheduled for the second quarter of 2010 in order to adjust production capacity to the reduced demand. Otherwise, the item mainly comprises nonrecurring losses relating to the commercial vehicles market in Russia, which has come to almost a complete standstill. As a result, losses from nonrecurring items totaled €656 million in 2009.

In addition to interest on bank balances and bank liabilities, net interest expense of €117 million includes net interest on pensions. The deterioration in this line item of €137 million relates primarily to higher interest expenses due to the financing of the acquisition of MAN Latin America.

The MAN Group's tax expense fell by €435 million to €53 million due to earnings-related factors. This figure includes the tax arrears of around €20 million resulting from the agreement with the German tax authorities with regard to tax-critical payments that had been under investigation. The Group's tax rate was –16.0% (previous year: 29.7%) and is calculated from the tax rates of the German and foreign Group companies, prior-period income taxes, and tax-exempt income. The negative tax rate in 2009 is mainly attributable to the write-downs of investments that are not recognized for tax purposes.

Income from discontinued operations, net of tax, amounting to €126 million is primarily attributable to the sale of 70% of the shares of MAN Ferrostaal at the end of the first quarter. In the previous year, this item totaled €92 million after tax and mainly comprised the profit for the period generated by MAN Ferrostaal.

The MAN Group's loss for the period after tax was €258 million, down €1,505 million on the prior-year figure (profit for the period of €1,247 million). Earnings per share from continuing operations fell from €7.76 to €–2.69.

In view of the economic environment, the Executive Board and Supervisory Board of MAN SE will propose a dividend of €0.25 per share carrying dividend rights to the Annual General Meeting (previous year: €2.00).

Financial control system and value management

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

Target returns
MAN's average ROS target for 2009 was 8.5% over an economic cycle, and more than 22% for ROCE. Its ROS target of 8.5% applied to both the Group and all subgroups. In the Group, the bandwidth for the ROS target over an economic cycle was +/–2 percentage points for commercial vehicles and turbo machinery, and +/–4 percentage points for diesel engines due to the higher long-term volatility of the two-stroke license business.

Operating profit
The key measure for assessing and managing the performance of a division is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). When calculating operating profit, an adjustment is made for earnings effects from purchase price allocation and, in individual cases, nonrecurring items. These items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. In 2009, MAN recorded losses from nonrecurring items totaling €656 million, which are reflected in EBIT, but not in operating profit. In 2008, the Group's losses from nonrecurring items amounted to €106 million.

ROS

%	2009	2008
MAN Nutzfahrzeuge	–1.4	10.0
MAN Latin America	10.1	–
MAN Diesel	14.2	15.4
MAN Turbo	11.4	11.1
MAN Group	**4.2**	**11.6**

In 2009, the MAN Group generated a return on sales of 4.2% (previous year: 11.6%) in a difficult economic environment. Under these conditions, MAN Nutzfahrzeuge recorded an ROS of –1.4%, while MAN Latin America generated 10.1%. MAN Diesel achieved an outstanding return on sales of 14.2% and is the MAN Group's most profitable division. The ROS at MAN Turbo remained stable at 11.4% (previous year: 11.1%).

ROCE

€ million	2009	2008
Total equity	**5,129**	5,396
Pension obligations*	160	109
Financial liabilities*	3,270	1,755
	8,559	7,260
Volume not funded by equity of MAN Finance	–1,990	–2,339
Capital employed by the MAN Group at December 31	**6,569**	4,921
Annual average capital employed by the MAN Group	**6,639**	4,715
Operating profit **	**524**	1,896
ROCE in %	**7.9**	40.2

* Including discontinued operations

** Including operating profit attributable to discontinued operations of €20 million (previous year: €167 million)

The return on capital employed (ROCE) is the ratio of operating profit to annual average capital employed. The MAN Group's capital employed is derived from the capital side. It comprises the Group's total equity, pension provisions, and financial liabilities, less the financing business (leasing) not covered by the equity of MAN Finance. The earnings measure also includes the operating profit or loss of discontinued operations up to the date of disposal because these activities are also funded using Group capital. The year-on-year increase in capital employed is due mainly to the acquisition of MAN Latin America.

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

The MAN Group's ROCE was 7.9% in 2009, compared with 40.2% in the previous year.

WACC

The weighted average cost of capital (WACC) represents the minimum return expected by investors on the capital provided and for the investment risk. It is calculated as the weighted average cost of equity and debt. The cost of equity is determined on the basis of the capital asset pricing model (CAPM) using an interest rate for long-term, risk-free investments plus a premium for the specific investment risk. The cost of debt is also based on an interest rate for risk-free investments plus a risk premium for long-term investments in industrial corporations. MAN uses WACC together with other control parameters as a basis for setting ROCE requirements. Its target WACC is 11.0% before taxes.

MAN value added (MVA)

MVA is a financial measure that indicates whether the MAN Group has earned its cost of capital and additionally added value. It is calculated as the difference between operating profit and the cost of capital.

In 2009, the MAN Group generated MVA of €–206 million, compared with €1,377 million in 2008.

MVA by division
€ million

	Operating profit/(loss)		Average capital employed		MVA	
	2009	2008	**2009**	2008	**2009**	2008
MAN Nutzfahrzeuge	–91	1,062	2,995	2,812	–424	750
MAN Latin America	142	–	363	–	112	–
MAN Diesel	342	390	742	500	261	335
MAN Turbo	158	148	325	229	123	123
MAN Group*	**524**	**1,896**	**6,639**	**4,715**	**–206**	**1,377**

* Including operating profit attributable to discontinued operations of €20 million (previous year: €167 million)

** Due to different definitions of capital employed, the divisions do not add up to the MAN Group's total

The performance-related remuneration of managers is primarily determined by MVA and ROS.

Group Management Report
Financial position

Principles and objectives of financial management

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

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

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

The focus of efforts to mitigate financial risks to enterprise value and earnings power is on the efficient hedging of risks—mainly through the capital markets—from exchange rate and commodity price movements, interest rate changes, and measurement risks of all kinds. Additionally, counterparty and country risks, as well as collateral obtained, are actively managed.

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

Cash flow

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

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

Cash earnings in the MAN Group fell by €1,223 million to €396 million due to earnings-related factors. The Industrial Business generated cash earnings of €431 million, after €1,612 million in the previous year. In addition to the deterioration of the operating profit, this reflects losses from nonrecurring items amounting to €274 million, excluding write-downs of investments. In contrast, the MAN Group's net capital employed improved by €1,066 million. In addition to increased working capital management, this was due to a reduction in inventories and receivables as a result of the economic downturn. This led to a positive cash flow from operating activities of €1,220 million in the Industrial Business and €1,462 million in the MAN Group as a whole.

Net cash flows from investing activities of continuing operations were driven by the acquisition of MAN Latin America and the shares of Sinotruk. Net cash flows from investing activities of discontinued operations were attributable to the sale of a majority interest in MAN Ferrostaal in the first quarter of 2009. These portfolio measures amounted to €–2.2 billion in total. The remaining net cash used in investing activities amounted to €–335 million. The MAN Group generated free cash flow of €–1,122 million in the past fiscal year. The Industrial Business recorded free cash flow of €–1,363 million compared with €53 million in the previous year. Adjusted for the portfolio measures, free cash flow in the Industrial Business amounted to €886 million, up €833 million year-on-year.

Financial Services increased its free cash flow by €864 million as against the previous year to €241 million. This is mainly due to the decline in the volume of financing as a result of the economic situation.

€ million	Industrial Business		Financial Services	
	2009	2008	2009	2008
Net liquidity/net financial debt at beginning of period	**468**	1,148	**–2,099**	–1,595
Cash earnings	431	1,612	–35	7
Change in net capital employed in continuing operations	687	–861	277	–595
Change in net capital employed in discontinued operations	102	–26	–	–
Net cash provided by/(used in) operating activities	**1,220**	725	**242**	–588
Net cash flows from investing activities of continuing operations	–2,225	–669	–1	–35
Net cash flows from investing activities of discontinued operations	–358	–3	–	–
Net cash used in investing activities	**–2,583**	–672	**–1**	–35
Free cash flow	**–1,363**	53	**241**	–623
Cash flow from net liquidity/net financial debt financing activities	**–384**	–488	**59**	7
Net change in net liquidity/net financial debt	**–1,747**	–435	**300**	–616
Other changes in net liquidity/net financial debt	254	–42	–13	112
Change in net liquidity/net financial debt of discontinued operations	203	–203	–	–
Net liquidity/net financial debt at end of period	**–822**	468	**–1,812**	–2,099

Net cash provided by/(used in) financing activities includes the dividend payment of €297 million (previous year: €466 million). This was partially offset by the loss absorption from financial services of €61 million (previous year: €7 million)

Compared with the previous year's figure (€1,631 million), the MAN Group's net financial debt increased by €1,003 million to €2,634 million. The positive net liquidity of the Industrial Business declined by €1,290 million from €468 million as of December 31, 2008 to a negative figure of €–822 million, while Financial Services reduced its net financial debt from refinancing its business to €1,812 million due to economic factors (previous year: €2,099 million).

The MAN Group's net financial debt is composed of cash and cash equivalents of €502 million (previous year: €105 million) and marketable securities of €134 million, less financial liabilities of €3,270 million (previous year: €1,736 million). In the previous year, the MAN Group held no marketable securities as of December 31.

€398 million of the €531 million year-on-year increase in the MAN Group's cash and cash equivalents and marketable securities relates to MAN Latin America. This contrasts with an increase in financial liabilities of €1,534 million that is mainly attributable to the corporate bond with a total volume of €1.5 billion placed in the second quarter, which replaced the bridge finance the Group had raised to acquire MAN Latin America. This made a key contribution to safeguarding the MAN Group's long-term financial stability.

MAN Group funding

The MAN Group funded its operating business activities in 2009 to a large extent from cash flow from operating activities. However, the Group also made a number of major investments in the past year, such as the purchase of VW Truck & Bus in Brazil and the acquisition of 25% plus one share of Sinotruk in China. A credit line comprising three tranches totaling €2.0 billion was initially arranged with ten banks as bridge finance for the purchase in Brazil. €1.5 billion of this was drawn down in March 2009. At the end of March 2009, MAN SE placed a promissory note maturing in 2012. The proceeds of the issue accrued to the Group at the beginning of April and were used to partially repay the bridge loan. The promissory note comprises a fixed-interest component of €49 million and an interest rate of 5.056% and a variable-rate tranche of €151 million. The average interest rate for this tranche was 4.39% p.a. in 2009. €30 million of the variable-rate component was repaid in the course of 2009 and replaced by an additional promissory note in the amount of €30 million maturing in 2019 (amortizing) and bearing a fixed interest rate of 6.76%. The bridge loan was finally repaid in full in May 2009 using the proceeds of a eurobond that was issued by MAN SE in two tranches with terms of four and seven years and fixed interest rates of 5.375% and 7.25% respectively and a total volume of €1.5 billion. Prior to this, MAN SE launched an EMTN program that allows it to issue debt securities regularly and if necessary at short notice as long as it provides the necessary documentation. The proportion of the bridge loan that was not drawn down amounting to €500 million was canceled in the course of 2009 because, in addition to bilateral lines with financial institutions, a €2.0 billion variable-rate syndicated credit facility commitment by a syndicate of 25 banks is still available for debt funding until December 2011. As in the previous year, this credit facility had not been drawn down as of December 31, 2009.

Another component of the MAN Group's financing is a euro bond issued by MAN SE in December 2003 via MAN Financial Services plc, Swindon/UK. The aggregate principal amount of the bond remained at €240 million in 2009. The bond matures in 2010 and carries a coupon of 5.375%.

Following repayments in 2007 and 2008, the last €400 million of the variable-rate credit facility agreement entered into in 2006 with a banking syndicate to finance the acquisition of Scania stock was repaid in September 2009. This credit facility originally amounting to €11 billion has therefore been repaid in full and has been extinguished. The average annual interest rate on the tranche drawdown was 1.53% in 2009.

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

Despite the difficult economic environment, the ratings awarded to MAN by Standard & Poor's and Moody's at the beginning of 2008 remained unchanged at A-/A3, although Standard & Poor's has placed its rating under observation since the beginning of December 2009 due to the continued difficult commercial vehicles market and the compliance investigations that were not yet completed at the time, as well as uncertainty caused at the time by unfilled Executive Board positions at MAN SE.

For equity-based financing, the Executive Board has been granted several authorizations by MAN SE's Annual General Meeting, subject to the consent of the Supervisory Board. These include authorized capital of €188 million, corresponding to 50% of the share capital, which enables the Executive Board to implement a capital increase against cash and/or noncash contributions. The option to exercise the existing authorization was extended in 2009 to also allow new shares with a small interest in the share capital to be issued to managers in order to promote identification with the Company and retain high performers. The Executive Board has entered into a voluntary commitment to exercise the authorization to increase the Company's share capital against noncash contributions only up to a maximum of 20% of the share capital. Additionally, the Executive Board can issue convertible bonds or bonds with warrants up to an aggregate principal amount of €1.5 billion with a term of up to 20 years.

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

MAN SE has agreed a credit line amounting to €2.0 billion with a banking syndicate. This agreement may be terminated with immediate effect if one or more legal entities or natural persons obtain control of MAN SE either individually or collectively.

The promissory note loans issued in the amount of €200 million can be made immediately repayable if one or more persons acting in concert acquire the majority of voting rights in MAN SE.

Repayment of the €1.5 billion bond could be demanded if one or more persons acting in concert acquire more than 50% of the voting rights in MAN SE and, as a result, the Company's rating is downgraded to non-investment grade within 120 days.

Asset and capital structure

€ million				
	Industrial Business		Financial Services	
	2009	2008	2009	2008
Property, plant, and equipment, and intangible assets	3,766	2,259	6	6
Investments	1,693	1,598	30	35
Assets leased out	896	1,025	537	538
Income taxes	969	521	20	15
Inventories	2,989	3,189	48	86
Trade receivables	1,896	2,585	1,402	1,670
Assets held for sale	139	1,812	–	–
Other noncurrent and current assets	823	997	45	89
Cash and cash equivalents	589	78	47	27
Total assets	**13,760**	**14,064**	**2,135**	**2,466**
Total equity	4,984	5,269	145	127
Pension obligations	159	72	1	2
Financial liabilities	2,238	690	1,032	1,046
Intragroup financing	–827	–1 080	827	1,080
Provisions	1,857	1,404	3	4
Prepayments received	908	1,093	5	6
Income taxes	1,090	899	26	18
Trade payables	1,319	1,420	49	128
Liabilities directly associated with assets held for sale	–	1,820	–	–
Other noncurrent and current liabilities	2,032	2,477	47	55
Total equity and liabilities	**13,760**	**14,064**	**2,135**	**2,466**

Industrial Business

Property, plant, and equipment, and intangible assets increased by €1,507 million over the course of the year. Investments in 2009 focused on acquisitions. The Group acquired VW Truck & Bus from Volkswagen AG in March 2009, while another key investment in the fiscal year was the purchase of 25% plus one share of Sinotruk. Please see “Acquisitions and divestments” and the “Notes to the Consolidated Financial Statements” for more detailed information.

Despite the inclusion of VW Truck & Bus, inventories and trade receivables declined by €200 million and €689 million respectively in fiscal year 2009 due to increased working capital management and the economic downturn. Prepayments received fell by €185 million in line with the order intake trend.

Financial liabilities increased by €1,548 million, due primarily to the greater need for finance caused by the investments made in 2009. The rise in financial liabilities in fiscal 2009 was partially offset by the repayment of the funds drawn down under the credit facility agreed in 2006 to finance the acquisition of the Scania shares. The funds were repaid in September 2009.

The lower equity on the one hand and the acquisitions completed in 2009 on the other led to a decline in the ratio of equity to intangible assets, property, plant, and equipment, and investments by 46 percentage points from 137% to 91%. The equity ratio of the Industrial Business amounted to 36.2% (previous year: 37.5%). The MAN Group’s overall equity-to-assets ratio was 93% (138%), and its equity ratio was 32.3% (32.6%).

Financial Services

At Financial Services, total assets decreased from €2.5 billion to €2.1 billion because of the lower business volume. €1,032 million (previous year: €1,046 million) was refinanced externally, and €827 million (previous year: €1,080 million) was financed internally within the Group.

Unrecognized assets

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

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

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

Further information on the subscribed capital, the classes of shares, the authorizations of the Annual General Meeting to create Authorized Capital 2005 and to issue convertible bonds and bonds with warrants, together with the contingent capital created in this context (Contingent Capital 2005), the addition to the authorization of the Annual General Meeting on June 3, 2005 on the creation of authorized capital to enable the issuance of shares to managers dated April 3, 2009, and on the authorizations to purchase own shares granted in the year under review, is contained in the following chapter.

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

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

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

The common shares are voting shares, while preferred shares do not generally carry voting rights. Under section 140(2) of the AktG, this does not apply if the preferred dividend is not paid in a year, or is not paid in full, and the shortfall is not made good in the following year in addition to the full preferred dividend for that year. In such cases, preferred shareholders have voting rights until the shortfalls are made good, and the preferred shares must be included in the calculation of any capital majority required by the law or the Articles of Association. Preferred shareholders also have voting rights in accordance with section 141(1) and (2) sentence 1 in conjunction with (3) of the AktG, under which a consenting resolution by the preferred shareholders is required if the Annual General Meeting adopts a resolution to revoke or limit the preferred dividend or to issue preferred stock that would rank prior to or equal with the existing nonvoting preferred shares in the distribution of profit or the net assets of the Company.

The same rights and obligations attach to all shares in all other respects.

Restrictions affecting voting rights or the transfer of shares
Other than restrictions on voting rights for preferred shares and restrictions by virtue of statutory provisions, for instance under section 136 of the AktG, MAN SE is not aware of any restrictions on voting rights. The same applies to the transfer of shares, except for shares received by members of the Executive Board, certain managing directors, and other beneficiaries at MAN companies under the MAN Stock Program (MSP), to which lockups (vesting periods) apply. Details are contained in the report on Executive Board remuneration.

Shareholdings exceeding 10% of the voting rights
Under the *Wertpapierhandelsgesetz* (WpHG—German Securities Trading Act), any investor who reaches, exceeds, or falls below certain shares of the voting rights of the Company by virtue of acquisitions, disposals, or by other means, is required to notify this to the Company and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin—Federal Financial Supervisory Authority). In accordance with section 21(1) of the WpHG, the relevant thresholds in this respect are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% of the voting rights of the Company. Under section 28 of the WpHG, any violation of this notification obligation results in the holder being barred from exercising the corresponding voting rights for the period for which the notification obligations under section 21(1) of the WpHG were not satisfied.

Under sections 289(4) no. 3 and 315(4) no. 3 of the HGB, all direct and indirect interests that exceed 10% of the voting rights must be disclosed.

Volkswagen Aktiengesellschaft, Wolfsburg, notified MAN SE (at the time MAN Aktiengesellschaft) in February 2007 in accordance with section 21(1) sentence 1 of the WpHG that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 25% and amounted to 29.9% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us in September 2008 in accordance with section 21(1) of the WpHG that—because Porsche Automobil Holding SE had assumed control of Volkswagen Aktiengesellschaft—Volkswagen Aktiengesellschaft's 29.9% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. In 2009, we also received notifications in accordance with section 21(1) of the WpHG that the share of voting rights held by BlackRock, Inc. (and companies affiliated with it) exceeded the threshold of 3%. We have not been notified of, nor are we aware of, further existing direct or indirect interests in the capital of MAN SE that reach or exceed 10% of the voting rights or the relevant thresholds of the WpHG, or of any changes in the above-mentioned interests.

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

Article 59(1) of the SE Regulation in conjunction with sections 179 et seq. of the AktG apply to amendments to the Articles of Association. Under these provisions, the Annual General Meeting may resolve to amend the Articles of Association by a majority of at least three-quarters of the share capital represented when the vote is taken. Under Article 10(6) of the Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association that affect only the wording.

Powers of the Executive Board, in particular to issue and repurchase shares
The powers of the Executive Board are governed by Article 39 of the SE Regulation in conjunction with sections 77 et seq. of the AktG and Article 6 of the Articles of Association. These provisions require the Executive Board to manage the Company independently and to represent the Company both in and out of court.

The powers of the Executive Board to utilize the contingent and authorized capital and to issue or repurchase shares are presented in the following. All the corresponding authorizations were confirmed by the Annual General Meeting resolution on the change of legal form to an SE dated April 3, 2009 and therefore apply equally to MAN SE. The corresponding authorizations were not exercised in fiscal 2009.

Authorized Capital 2005
The Annual General Meeting on June 3, 2005 resolved to authorize the Executive Board of the Company to increase the share capital, with the consent of the Supervisory Board, by up to €188,211,200 (= 50%) by issuing bearer common shares on one or more occasions against cash contributions and/or noncash contributions in the period up to June 2, 2010 (Authorized Capital 2005).

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

(i) to the extent necessary to grant the holders of convertible bonds or bonds with warrants that were or will be issued by the Company or its Group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their conversion rights or options (antidilution provision); and/or
(ii) if the issue price of the new shares is not more than 5% lower than the quoted market price and the shares issued in accordance with section 186(3) sentence 4 of the AktG do not in the aggregate exceed 10% of the share capital. Shares issued or sold by direct or indirect application of this provision on the basis of other authorizations during the term of these authorizations count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants issued at the time of utilization in accordance with this provision shall also count towards this limit; and/or
(iii) to realize any fractions needed to round the share capital. Further details are governed by Article 4(4) of the Articles of Association.

In a statement dated May 24, 2005, the Company's Executive Board announced that it would only exercise the authorization to increase the Company's share capital against noncash contributions for the purpose of acquiring companies, investments in companies, or significant assets of companies up to a maximum amount of 20% of the existing share capital (= €75,284,480).

In addition, by way of a resolution of the Annual General Meeting on April 3, 2009, the Executive Board was authorized in respect of a proportion of Authorized Capital 2005 of up to €4,000,000, and with the consent of the Supervisory Board, to disapply shareholders' preemptive rights and to issue new shares against cash contributions to employees with managerial responsibility (managers) of the Company and/or of affiliated Group companies. It may also be stipulated that the contribution to be paid is covered in accordance with section 204(3) of the AktG (Article 4(4) of the Articles of Association).

Issuance of convertible bonds and/or bonds with warrants, Contingent Capital 2005
By way of a resolution of the Annual General Meeting on June 3, 2005, supplemented by a resolution of the Annual General Meeting on May 10, 2007, the Company's Executive Board was authorized, with the consent of the Supervisory Board, to issue convertible bonds and/or bonds with warrants of MAN SE in the aggregate principal amount of up to €1.5 billion and an original maximum maturity of 20 years on one or more occasions until June 2, 2010, and to grant the bondholders options or conversion rights on new bearer common shares of MAN SE with a notional interest in the share capital of up to €76,800,000 (approximately 20%) as specified in greater detail by the option or conversion terms. The bonds are issuable against cash contributions.

The authorization also includes the option to guarantee bonds issued by other Group companies and to grant shares of MAN SE to settle the conversion rights or options conveyed by these bonds.

At the same time, the Annual General Meeting on June 3, 2005 resolved to contingently increase the share capital by up to €76,800,000, composed of up to 30,000,000 bearer common shares. The contingent capital increase will only be implemented to the extent that the holders of conversion rights or options under bonds issued for cash consideration by MAN SE or its Group companies by virtue of the authorizing resolution of the Annual General Meeting on June 3, 2005, supplemented by the resolution of the Annual General Meeting on May 10, 2007, exercise their conversion rights or options, and provided that other forms of settlement are not used. The new shares carry dividend rights for the first time for the fiscal year in which they are issued (Contingent Capital 2005).

Stock repurchase
The resolution dated April 25, 2008 to purchase the Company's own shares was superseded when the authorizing resolution of the Annual General Meeting on April 3, 2009 to purchase the Company's own shares took effect.

The resolution of the Annual General Meeting on April 3, 2009 authorized the Executive Board to purchase common and/or nonvoting preferred shares of the Company, with the consent of the Supervisory Board, on one or more occasions until October 2, 2010 up to a maximum total amount of 10% of the share capital. Together with other treasury shares held by the Company or attributable to the Company in accordance with sections 71d and 71e of the AktG, the shares purchased by virtue of this authorization may not account for more than 10% of the existing share capital at any time. The shares may also be purchased by other Group companies and/or third parties for the account of MAN SE or other Group companies.

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

The Executive Board has been additionally authorized, with the consent of the Supervisory Board, to use purchased common shares of the Company for all purposes permitted by law in addition to sale on the stock exchange or by a public offer to all shareholders, and to disapply shareholders' preemptive rights. This applies in particular if (i) the purchased common shares are sold at a price that is not materially lower than the quoted market price, and/or (ii) to the extent that they are used as consideration in a business combination or to acquire companies or investments in companies, and/or (iii) to the extent that they are used to settle options or conversion rights granted by the Company or a Group company when bonds were issued. The shares transferred by virtue of this authorization may not in the aggregate exceed 10% of the share capital where they are used to satisfy conversion rights and options issued in corresponding application of section 186(3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants issued at the time of utilization in accordance with this provision shall also count towards this limit.

The Annual General Meeting on April 3, 2009 further authorized the Executive Board to redeem the Company's own common shares and/or nonvoting preferred shares with the consent of the Supervisory Board without any further resolution by the Annual General Meeting.

Material agreements of the Company that are subject to a change of control following a takeover bid
As already described above in the "MAN Group funding" chapter, MAN SE has entered into various material agreements that are subject to a change of control.

Group Management Report
Research and development

2009 was both a successful and a difficult year for MAN with regard to research and development. On the one hand, the decline in order intake caused by the global economic crisis necessitated drastic adjustment measures within the Company in certain areas, such as short-time working and spending cuts. On the other, MAN faces major challenges in product development in the near future. It will only find the right technological answers to these challenges by making corresponding investments in research and development that result in competitive products.

For example, the emission standard for trucks will be further tightened from 2014 with the introduction of Euro 6, and emission thresholds for ships will again be significantly reduced from 2016. To prepare for this, MAN must now develop superior solutions that are market-ready at the required time.

Further increases in oil and therefore fuel prices are expected in the medium and long term. In this context, MAN is taking part in the debate about climate change and its potential consequences. The related calls to reduce greenhouse gas emissions are an incentive to research alternative drive technologies and to push the energy efficiency of products further towards their physical and technological limits.

MAN generates a large number of innovations that serve to protect the environment and to ensure sustainability and safety when using the Group's products. These include high-profile alternatives such as hybrid drives for distribution trucks or buses. These drives are set to be used in series buses from 2010.

However, the steady evolution of conventional concepts often leads to significant improvements as well. For example, state-of-the-art diesel engines remain the most cost-effective and environmentally friendly solution for many applications. Reflecting this philosophy, MAN is constructing state-of-the-art vehicles with minimal consumption and maximum payloads for long-distance trucks. On the basis of MAN's experience and expertise, it systematically optimizes all the key details of the engine, gearbox, and axles, as well as the vehicle's aerodynamics. As a result, MAN buses and trucks are becoming more economical, competitive, and environmentally friendly.

These developments have ensured that CO_2 emissions by MAN commercial vehicles are well below those of modern passenger cars in terms of vehicle weight. Assuming an average consumption of 32 liters of diesel per 100 km, a fully loaded tractor-trailer with a total weight of 40 t emits around 21 g of CO_2 per kilometer per metric ton of vehicle weight. Current mid-range passenger cars produce much higher emissions of approximately 90 to 110 g of CO_2 per kilometer and metric ton of vehicle weight. This corresponds to between 126 and 144 g of CO_2 per kilometer for a combined fuel consumption of 4.8 liters/100 km diesel or 6.2 liters/100 km gasoline and an empty vehicle weight of approx. 1,300 kg.

Professional vehicle training, MAN ProfiDrive driving instruction, and extensive vehicle service support play a key role in increasing efficiency. MAN is constantly expanding its offering in this area and, together with its customers, is committed to ensuring the maximum possible resource conservation and therefore greater sustainability in the use of its vehicles.

In the Power Engineering business area, the merger of MAN Diesel and MAN Turbo that was initiated in 2009 to form MAN Diesel & Turbo offers new growth and innovation prospects for the Company. One example of this is MAN Diesel's diesel engine power plants, whose energy efficiency and cost-effectiveness can be increased by integrating components produced by MAN Turbo. The combination of diesel engines and steam turbines in diesel combined cycle (DCC) power plants allows the already extremely high efficiency level of these plants to be improved from 43% to approximately 47%. This design enables around 10% more electrical energy to be generated by the plant using the same amount of primary energy. A heat exchanger in the engine's exhaust gas flow is used to produce steam that drives a steam turbine. This turbine is in turn connected to an additional generator to produce electricity—making good use of the heat contained in the exhaust gas. Such systems can also be deployed on ships to use the engine not only to drive the vessel, but also to generate onboard electricity. In addition to thermal energy, the kinetic energy in engine exhaust gas flows can be harnessed using power turbines manufactured by MAN. These turbines are similar to turbochargers, whereby the energy provided by the engine exhaust is not used to compress the intake air from the engine but rather to produce electrical energy in a similar way to the steam turbine described above.

Such innovations are investments in greater sustainability and environmental protection—and therefore in a successful future for MAN. In 2009, 4.2% of revenue, or €504 million, was

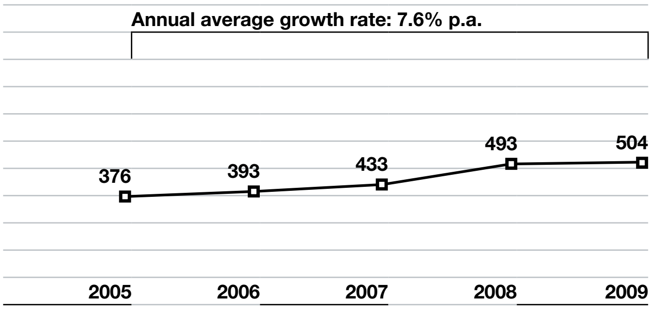
Above: MAN Nutzfahrzeuge hybrid bus **Right:** Energy generation using large-bore diesel engines **Below:** MAN Turbo technology

invested in research and development. €382 million, or 76% of R&D expenses, was internally funded. Funds for order-specific R&D activities and for publicly subsidized projects amounted to €122 million. Around 41% of internal funds were invested in basic research and the development of new products.

3,791 people were employed in research and development in 2009, compared with 3,135 in the previous year.

€ million	2009	2008
R&D expenditures	504	493
R&D expenditures of the manufacturing divisions (% of revenue)	4.2	3.3
Internally funded R&D	382	381
R&D employees (annual average)	3,791	3,135

Five-year R&D expenditures trend
€ million



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

R&D expenditures by division
€ million

	2009	2008
MAN Nutzfahrzeuge	211	257
MAN Latin America	26	–
MAN Diesel	183	156
MAN Turbo	69	64
Others	15	16
MAN Group	**504**	**493**

Group Management Report
Capital expenditures

Capital expenditures in fiscal 2009 totaled €2,303 million, compared with €873 million in the previous year. This figure includes €1,937 million for acquisitions. Excluding the acquisitions, MAN invested €366 million (previous year: €603 million) in property, plant, and equipment, and intangible assets. The proportion of other capital expenditures made outside Germany was 30% or €119 million.

Investments focused on the Group's acquisitions: In March 2009, MAN completed the acquisition of VW Truck & Bus from Volkswagen AG. The preliminary cost of the acquisition (including cash acquired and liabilities assumed) amounts to €1,339 million. MAN SE completed the transaction to purchase 25% plus one share of Sinotruk in the second half of 2009. MAN's investment in Sinotruk amounts to €567 million.

At an operational level, MAN Nutzfahrzeuge made the necessary replacement and maintenance investments and invested in infrastructure and productivity enhancement. The focus here was on the Munich and Nuremberg sites. MAN Latin America's capital expenditures were driven by the Euro 5 emission standard, technical integration with MAN Nutzfahrzeuge, and leveraging joint growth potential through the announced cross-selling of products and investment in its production site.

MAN Diesel invested in enhancing the efficiency of its production sites and in its after-sales network. MAN Turbo made replacement and maintenance investments and invested in a service shop in Oberhausen, among other things, as part of its growth concept.

Capital expenditures
€ million

	2009	2008
Property, plant, and equipment and investment property	283	518
Intangible assets	83	85
Investments	1,937	270
Total	**2,303**	**873**
of which: acquisition of MAN Latin America less cash and cash equivalents	1,333	–
of which: acquisition of Sinotruk	567	–
of which: Scania share purchase	4	123
of which: other capital expenditures	399	750
of which: Germany	280	524
of which: other countries	119	226
Depreciation, amortization, and impairment*	360	324
Capital expenditure ratio in %**	111	231

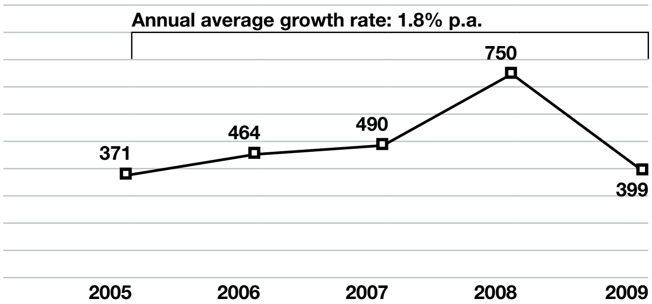
* 2009 excluding earnings effects from purchase price allocation of €62 million and write-downs of investments of €382 million

** Excluding the acquisition of MAN Latin America, Sinotruk, and the Scania shares

Capital expenditures by division
€ million

	2009	2008
MAN Nutzfahrzeuge	205	528
MAN Latin America	24	–
MAN Diesel	101	93
MAN Turbo	40	54
Others	1,933	198
MAN Group	**2,303**	**873**

Five-year capital expenditure trend*
€ million



* 2006 to 2009 excluding Scania share purchase
2009 excluding acquisition of MAN Latin America and Sinotruk

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

Group Management Report
Purchasing

Cost of materials by division
€ million

	2009	2008
MAN Nutzfahrzeuge	3,463	6,385
MAN Latin America	1,022	–
MAN Diesel	1,098	1,130
MAN Turbo	666	646
Others/consolidation	87	174
MAN Group	**6,336**	8,335

Cost of materials
in % of revenue

	2009	2008
MAN Nutzfahrzeuge	54	60
MAN Latin America	72	–
MAN Diesel	46	44
MAN Turbo	48	49
Others/consolidation	21	37
MAN Group	**53**	56

At around €6.3 billion (previous year: €8.3 billion), the MAN Group's purchasing volume is approximately 53% of revenue. As a result of MAN's international growth strategy in the BRIC countries, the Group's purchasing activities are increasingly focusing on global procurement markets. In 2009, the MAN Group's purchasing units actively exploited the global economic situation, which is dominated by falling demand for commodities and primary materials as well as high inventories, to benefit from the changes in the market situations affecting industrial products and services. Existing master agreements, contracts, and their conditions were adjusted to reflect price levels in the market environment.

Risk minimization is becoming much more important within the MAN Group due to the increased insolvency risk in the supplier industry. In this difficult environment, a preventive risk monitoring system enables continuous supervision by the Purchasing department with the aim of initiating measures at an early stage to reduce the extent of losses to the MAN Group. At the same time, the Group is intensifying its cooperation with strong and sound partners so that together we can emerge stronger from the current crisis.

To generate synergies through bundling effects, non-production-related requirements are procured centrally by a Group-wide Purchasing department. Category managers provide market expertise and specialist knowledge for individual material groups. This gives the MAN Group a single face to the market and therefore a stronger market presence.

The MAN Group's products are leaders in their field and as such guarantee the success of the MAN brands. They are characterized by their reliability, cost-effectiveness, and innovative design, as well as by technical expertise, high quality and cost awareness. Such achievements are not possible without first-class partners in the supplier industry. Commercial Vehicles recognizes their contribution by presenting up to 10 suppliers with the Trucknology® Supplier Award each year.

Group Management Report
Employees

Employees at December 31*	2009	2008
Germany	26,768	28,753
Other countries	20,975	22,568
Total	**47,743**	**51,321**
Other countries in %	44	44

Employees by division at December 31*	2009	2008
MAN Nutzfahrzeuge	31,519	36,251
MAN Latin America	1,510	–
MAN Diesel	7,715	7,986
MAN Turbo	4,796	4,493
Renk	1,903	2,041
MAN Shared Services	122	367
MAN SE	178	183
MAN Group	**47,743**	**51,321**

* Including subcontracted employees

Headcount
As of December 31, 2009, the MAN Group employed 47,743 people including subcontracted employees. This represents a decline of 3,578 or 7.0% as against the figure at December 31, 2008 (51,321). Our foreign companies, whose headcount fell by 1,593 (–7.1%) to 20,975, account for 44% of our employees (previous year: 44%). In Germany, the Group's workforce totaled 26,768 at the end of the year, down 1,985 (–6.9%) year-on-year. The MAN Group had 1,643 subcontracted employees on December 31, 2009. This represents a decline of 554 or 25.2% as against the previous year (2,197). The Group's permanent staff decreased by 3,024 (–6.2%) from 49,124 in the previous year to 46,100 on December 31, 2009. After adjustment, i.e., excluding the changes in the basis of consolidation (645), the decline amounts to 3,669. The number of employees with fixed-term contracts fell by 1,401 (–41.2%) from 3,403 to 2,002 on December 31, 2009.

Leadership Culture—core qualities for successful employee management
The MAN Leadership Culture describes the values and skills that make the cooperation between line managers, employees, and colleagues successful within the MAN Group. This Group-wide concept was developed with managers from all over the world in an intensive one-year process. The goal of these numerous workshops and discussion groups was to define an open and trusting culture that guarantees the Company long-term success. Core qualities for successful employee management at MAN are expertise, transparency, commitment, and conduct. The MAN Leadership Culture therefore offers all managers clear guidance on what the Company and its employees expect from them. From fiscal 2010, the four management qualities mentioned above will be established in annual employee appraisals and personal goals agreements for MAN managers, and the extent of their implementation will be measured.

Leadership Development—the MAN Executive Academy supports the Group's corporate strategy
In fiscal 2009, 55% of the MAN Group's managers and high potentials took part in the programs and dialog platforms offered by the MAN Executive Academy. The Academy's activities focused on teaching strategic management and leadership skills as well as on the strategic exchange of ideas and networking. An average of ten different nationalities were represented in the tailor-made programs.

Left: In MAN Diesel's R&D testing facilities in Augsburg **Above right:** MAN's Leadership Culture was developed in a one-year process. **Below right:** Production at MAN Nutzfahrzeuge

Occupational pension system

Employees are becoming increasingly aware of the importance of retirement provision that goes beyond the statutory pension systems due to the in-depth debate in society and the significant change in the overall environment. The MAN Group has long contributed to its employees' retirement provision by granting pension commitments and similar benefits that are structured to country-specific and market requirements.

Once their active working life finishes, employees in Germany receive benefits provided by a modern and attractive occupational pension system that constitute a key element of MAN's remuneration policy. These benefits offer a reliable additional income on retirement and also protect them against the risk of permanent disability or death during their active employment. Employees receive employer contributions that are tied to their remuneration and can make additional provision through deferred compensation—which is employer-subsidized for staff subject to collective bargaining agreements. The employer- and employee-funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement. The risk of the investments is gradually reduced as employees get older (life-cycle concept). The performance of the plan assets is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters.

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

Short-time working in the MAN Group, in particular at MAN Nutzfahrzeuge

MAN Nutzfahrzeuge was particularly affected by the consequences of the financial and economic crisis in the year under review. The MAN Group began taking measures to adjust personnel expenses in October 2008 thanks to previously established flexibility instruments, such as the increase in the number of temporary workers and flexible shift operations in the production system.

In addition to flexible working time models, short-time working became a particularly important instrument at MAN Nutzfahrzeuge AG's German sites from the beginning of 2009. In 2009, a total of around 8,600 blue-collar workers and 3,800 administrative staff at the company were affected by these measures. Under the slogan "Gathering our strength in the crisis," the period of short-time working is being used systematically by MAN Nutzfahrzeuge in partnership with the Bundesagentur für Arbeit (German Federal Labor Agency) to hold certified training programs to ensure the continuous professional development of the company's employees.

Group Management Report
Sustainability management

MAN SE's profitability is driven by its business success. Achieving sustainable success also means continuing to ensure the conditions for profitable operations in the future. These conditions are determined not only by the economic environment, but also by ecological and social issues. MAN has only been able to operate successfully in the past—and will only be profitable in the future—in an intact environment and with social acceptance for what the Group does. The alarming reports published recently have pushed the debate about climate change to the forefront of the discussion on sustainability. As a company whose core competence is transport-related engineering, the MAN Group is aware of its special responsibility. The goal of the Group's sustainable corporate governance is to combine the requirements of a mobile society and an increasingly global, transport-oriented economy with efforts to protect the environment and conserve resources. MAN has a tradition of seeking to reconcile ecological and economic issues and ensuring social acceptance. This applies in particular to CO_2 emissions, which figure prominently in the current debate on climate change.

A large proportion of MAN's capital expenditure on research and development focuses on improving the eco-efficiency of its products while maintaining their technological supremacy. Here are a few examples of the Group's innovative strength that is driven by sustainability: MAN Nutzfahrzeuge's TGX and TGS truck series are achieving ambitious environmental targets. The company is rigorously upgrading the common rail engines already in use in order to comply with future emission limits, and will launch them on the market as early as possible. Low fuel and lubricant consumption mean that MAN engines are among the most environmentally friendly and economical in the commercial vehicles segment. MAN Nutzfahrzeuge is contributing to resource-friendly mobility by developing hybrid drives for buses and distribution trucks. MAN has also made further improvements to its marine diesel engines: Equipped with electronic control and common rail technology, today's large-bore diesel engines consume less and less fuel, have much lower emissions, and are therefore ready to meet the increasingly strict requirements of the International Maritime Organization (IMO). MAN Turbo possesses core components of the technology used to produce synthetic diesel fuels or CO_2-neutral fuels from renewable energies. This represents an attractive future market that reconciles ecological and economic interests.

After signing up to the 3C—Combat Climate Change Initiative in 2007, MAN created the position of Sustainability Manager in 2009 to implement the issue of sustainability even more strongly within the Company. In particular, this new position will be responsible for anchoring human resources strategies more deeply in the Group and for assessing and implementing social issues that are relevant for MAN.

MAN's vocational training programs—which go well beyond its own requirements—enable young people to enter skilled trades. Equally, the Group has expanded its relationships with universities to improve young people's educational opportunities, while attracting top graduates as junior managers. Finally, MAN is pursuing new employee retention strategies: To offer qualified women even better prospects in the future, the Group is closely examining childcare and work/life balance issues. MAN has also committed itself to significantly increasing the still low proportion of women in managerial positions.

MAN's republished and updated Guiding Principles define its responsibility to its key stakeholders—customers, investors, employees, and society. They are based on the Group's corporate values of reliability, innovation, dynamism, and openness, and are illustrated further by a Code of Conduct that is binding on all MAN Group employees.

Group Management Report
The divisions in detail

MAN Nutzfahrzeuge

The global recession continues to determine the performance of the international commercial vehicles markets: Lower industrial output, reduced global trade, and the decline in investment activity have led to a dramatic drop in demand for commercial vehicles. This resulted in considerable year-on-year reductions in order intake as well as revenue and earnings in 2009. At €5.2 billion, order intake in fiscal 2009 was 43% below the prior-year level (€9.1 billion). Revenue fell by 40% from €10.6 billion in the previous year to €6.4 billion. Despite its cost-cutting program, the company was unable to break even due to the significant slump in revenue, increased risk provisions for the buyback business, and inventory remeasurement losses (operating loss of €91 million; previous year: operating profit of €1,062 million).

MAN Nutzfahrzeuge
€ million

	2009	2008
Order intake	5,224	9,130
of which: Trucks	4,210	7,712
of which: Buses	1,014	1,418
Order intake (units)	37,984	75,497
of which: Trucks	33,272	68,872
of which: Buses	4,712	6,625
Revenue	6,395	10,610
of which: Trucks	5,091	9,088
of which: Buses	1,304	1,522
Vehicle sales (units)	46,767	103,705
of which: Trucks	40,535	96,478
of which: Buses	6,232	7,227
Employees*	31,519	36,251
Operating profit/(loss)**	–91	1,062
of which: Trucks	–89	1,037
of which: Buses	40	19
of which: Financial Services	–42	7
ROS (%)	–1.4	10.0

* Including subcontracted employees at December 31

** 2008 including €1 million from consolidation adjustments between Financial Services and Trucks/Buses

Economic environment
Due to the effects of the financial and economic crisis, unit sales of trucks in Europe halved in 2009 from approximately 410,000 to 220,000 (–46%). MAN Nutzfahrzeuge recorded a slight increase in market share for trucks over 6 t from 16.6% in the previous year to 16.7% in 2009. However, the buses business substantially increased its market share from 12.8% to 14.8%, driven primarily by the city bus business.

MAN Nutzfahrzeuge continues to expect a low level of demand for trucks and buses in 2010 due to the ongoing weak economic environment.

Business developments
The Trucks division recorded a decline in orders of 45% to €4.2 billion (previous year: €7.7 billion). The number of trucks ordered was down by 52% from 68,872 to 33,272. Order intake for heavy trucks dropped by 54%. Incoming orders at the Buses division declined by €404 million (–28%) to €1.0 billion, with a total of 4,712 buses ordered (previous year: 6,625). The higher order intake figure compared with the lower number of units is due to a larger proportion of higher-value vehicles.

MAN Nutzfahrzeuge delivered 46,767 new vehicles in 2009 (–55%) and therefore recorded substantial reductions as against the previous year (96,478 trucks, 7,227 buses) due to the economic environment. Revenue from commercial vehicles amounted to €6.4 billion (previous year: €10.6 billion). The Trucks division's revenue slumped by 44% to €5.1 billion, while Buses saw a more moderate decline in revenue of 14% to €1.3 billion. The higher proportion of complete buses sold offset the sharp fall in unit sales of chassis.

The Company's highly flexible production activities allowed it to largely adapt its production schedule to the significantly lower demand in 2009. For example, subcontracted and fixed-term employment relationships in vehicle and engine production were not extended further, flextime accounts were run down, and short-time working was used. The production schedule was reduced by around 140 closure days, among other things. The average period of short-time working was 85 days in production, and 59 days in administration. Similar human resources instruments were deployed at individual sites abroad. In 2009, the company also continued to systematically implement the cost-cutting program initiated in the previous year.

Operating profit/(loss)
MAN Nutzfahrzeuge generated an operating loss of €91 million, compared with an operating profit of €1,062 million in the previous year, due to the sharp decline in business that began in the second half of 2008 as well as the continued unsatisfactory performance in 2009. The return on sales amounted to –1.4% (previous year: 10.0%).

Left: Continuous professional development in production **Above right:** The new MAN Forum delivery center **Below right:** The European truck market halved

The Trucks division's operating profit from the previous year deteriorated by €1,126 million to become an operating loss of €89 million, and its return on sales therefore amounted to –1.7% (previous year: 11.4%). The Buses division increased its operating profit by €21 million from €19 million in the previous year to €40 million, mainly as a result of the restructuring measures initiated in 2007. In addition, the Buses division's operating profit reflects several major orders: The Department of Transport in Abu Dhabi ordered 400 city and intercity buses from MAN, of which 250 units were delivered in 2009. Another large order was placed with MAN Truck & Bus (S.A.) (Pty.) Ltd., Johannesburg/South Africa by the Public Rail Agency of South Africa (PRASA) for 110 MAN Lion's Explorer intercity buses to take visitors to the country's stadiums for the 2010 soccer World Cup. 66 units from this major order were delivered in 2009. The sharp increase in risk provisions due to the financial crisis meant that Financial Services recorded an operating loss of €42 million in 2009 (decrease of €49 million).

Employees

As of December 31, 2009, MAN Nutzfahrzeuge had a workforce of 31,519 (previous year: 36,251). 18,309 staff were employed in Germany (previous year: 19,862), and 13,210 abroad (previous year: 16,389). The company had 2,115 vocational trainees as of December 31, 2009 (previous year: 2,190). The proportion of vocational trainees therefore amounted to 6.4%.

Research and development

Research and development expenditures amounted to €211 million in the period under review (previous year: €257 million), or 3.3% of revenue (previous year: 2.4%). An average of 1,769 staff (previous year: 1,772) were employed by the company's research and development departments worldwide during the year.

MAN Nutzfahrzeuge adjusted its R&D program to reflect the current situation, while ensuring the required funding for central research and development projects (e.g. the development of Euro 6 engines). The focus of R&D activities is to further increase transportation efficiency with the goal of making trucks and buses more cost-effective and environmentally friendly and therefore substantially reducing total cost of ownership and contributing to sustainable mobility. Transportation efficiency protects the environment and adds value for customers.

Capital expenditures

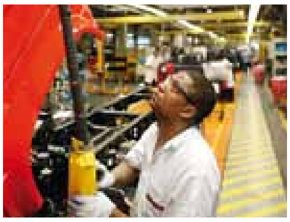
Capital expenditures were reduced to €205 million from €528 million in the previous year to reflect the difficult economic environment. MAN Nutzfahrzeuge has systematically used the past years to invest in sites and in its sales and service network. A new training academy for service staff was established at the Munich site, while the summer saw the opening of the new MAN Forum—the delivery center including a state-of-the-art world of experiences centered around commercial vehicles. The bus delivery center, which is in the immediate vicinity of the MAN Forum, will be finished in spring 2010. At the beginning of 2009, a new truck assembly plant was commissioned in Saudi Arabia with an annual output of 3,000 vehicles in single-shift operation. In future, MAN Nutzfahrzeuge will serve the Central Asian markets through the joint venture JV MAN AUTO-Uzbekistan Limited Liability Company, Samarkand City/Uzbekistan, with MAN holding 49% of the shares in the venture and UzAvtosanoat, Tashkent/Uzbekistan, 51%. The company will import components for heavy trucks in the MAN TGA series from Germany and the CLA series from India to Uzbekistan and assemble them at an assembly plant. In October, MAN Nutzfahrzeuge opened a delivery center at its Polish bus site in Poznan, where customers can collect their vehicles from a 2,500 square meter site.

Outlook

The economic crisis will continue to have considerable aftereffects on the commercial vehicles market in 2010. This will lead to a slow recovery in production and unit sales of trucks and buses. The cost-cutting and efficiency-enhancement programs initiated in 2008 are having a significant positive effect and will be systematically driven forward in 2010. Capital expenditures in the coming year will remain at the low level of fiscal 2009. However, MAN Nutzfahrzeuge will continue to pursue its long-term growth targets thanks to the continuous improvement of its market position and its attractive and innovative portfolio of vehicles and services. The international growth strategy initiated by MAN Nutzfahrzeuge in recent years has brought the company several record years in succession. It will continue to pursue this successful strategy despite the current difficult market situation. In the medium term, the need for transportation in the BRIC countries in particular will increase significantly and the expansion of infrastructure will be driven forward. As a result, the company expects demand for trucks and buses to grow in these countries.

The MAN FORCE TRUCKS Private Limited joint venture in Akurdi/India has given MAN Nutzfahrzeuge a presence on the Indian market since 2006. At the end of 2008, MAN Nutzfahrzeuge increased its stake in the joint venture from 30% to 50%.

On January 12, 2010, MAN Nutzfahrzeuge announced that it had signed an agreement with Rheinmetall AG, Düsseldorf, on the formation of a joint venture for wheeled military vehicles. Rheinmetall will hold a 51% stake in the new company and MAN Nutzfahrzeuge will hold 49%. The project is subject to approval by the antitrust authorities.



Left: School bus for the Latin American market **Above right:** Modular production system in Resende, Brazil **Below right:** Fenatran commercial vehicles fair

MAN Latin America

MAN Latin America generated revenue of €1.4 billion in 2009 (April to December). Despite the global economic crisis, 2009 was the second-best year in the company's history. MAN Latin America—which was acquired by the Group at the end of March—generated an operating profit of €142 million in the period from April to December (10.1% ROS). This was boosted by the company's "Consorcio Modular" business model (modular production system), whose flexibility cushioned the effects of fluctuations in demand on the key local Brazilian market.

MAN Latin America
€ million

	2009	2008
Order intake	1,412	–
Order intake (units)	35,842	–
Revenue	1,412	–
Vehicle sales (units)	35,842	–
Employees*	1,510	–
Operating profit/(loss)	142	–
ROS (%)	10.1	–

* Including subcontracted employees at December 31

Economic environment

The global financial crisis led to a contraction of the commercial vehicles markets worldwide at the end of 2008. However, the decline in the Brazilian market was considerably less pronounced than in the industrialized countries. Government economic stimulus programs led to increased expenditure on capital goods thanks to tax cuts and subsidized financing models. In the course of the year the Brazilian market therefore picked up rapidly, allowing volumes to return to pre-crisis levels in Q4 2009.

On the back of this quick recovery in the Brazilian truck market in the second half of the year, the total market for 2009 amounted to 111,736 trucks (only 6% below the previous year) and 24,057 buses (only 10% down on 2008). Unfortunately, the export markets important to the company did not respond in the same way as Brazil's domestic market and recorded declines of between 40% and 60%.

Current sales figures for the fourth quarter of 2009 reached historic highs. MAN Latin America expects government economic stimulus programs to continue and domestic demand for trucks and buses to remain high in 2010. A slight recovery is forecast in the export markets.

Business developments

The company was affected by the global financial crisis at the beginning of 2009. MAN Latin America responded immediately to the reduction in demand and adjusted production capacity at its plant in Resende and its costs accordingly.

Brazil's domestic market recovered extremely quickly in the course of the year—boosted by government programs for capital goods, allowing MAN Latin America to report new sales records in the fourth quarter. The company increased its market share for trucks over 5 t to 31.2% (previous year: 30.7%) and therefore maintained its market lead for the seventh successive year. It sold a total of 26,987 trucks in the Brazilian market (April—December). The bus market recorded a similar performance, with MAN Latin America selling 5,010 chassis to achieve a 28.2% market share and confirm its number 2 position in the local market.

In the export markets, the company sold 2,782 trucks and 1,063 bus chassis (April—December) and therefore increased its market share. For the first time, it became the market leader in the trucks segment with a 29.8% share of the export market (+18.6%) for full-year 2009. MAN Latin America's sales volume of bus chassis gave it a market share of 13.7% (+10.6%), reinforcing its number 2 position in this market as well.

The sale of a total of 35,842 commercial vehicles between April and December made 2009 the second-best full year in the company's history.

Operating profit

In the period from April to December, the company generated an operating profit of €142 million due to the adjustment of its production volume in the first half of the year and the reduction of fixed costs. This corresponds to a return on sales of 10.1%. The return on capital employed (including goodwill) for full-year 2009 was 52%.

Employees

At the end of 2009, MAN Latin America had a workforce of 1,510, all of whom are in Brazil. In addition, 3,171 employees at the Resende plant are on the payroll of the company's partners as part of the "Consorcio Modular" production system.

Capital expenditures, research and development

A feature of MAN Latin America's "Consorcio Modular" business model is its low capital expenditure requirement (< 2% of revenue) and a low level of capital employed.

Research and development expenditures in the year under review amounted to €26 million or 1.9% of revenue. Including contract research, an average of 408 employees worked in the R&D area. The focuses were on meeting emission standards, increasing efficiency, and integrating MAN technologies. When it comes to technological innovations, MAN Latin America's strength is in developing specialized solutions for emerging markets and their customer requirements. An example of this is the development of 100% biodiesel-powered trucks and buses for customers who use this fuel with no admixture. This pioneering solution is implemented in the bus fleets in major cities such as São Paulo and Rio de Janeiro and used in cooperation with truck customers. A newly developed V-tronic gear system is designed to increase driver comfort and reduce fuel consumption.

Following customer requests, MAN Latin America developed new commercial vehicles for special applications and launched them in less than a year; these include the new Constructor (ready mix truck), Distributor (beverage vehicle) and the Compactor (waste management). The research and development department is currently working on localizing the MAN TGX truck and the D08 engine as well as on new bus chassis solutions that are expected to go into production in 2010 or 2011.

Outlook

The outlook for 2010 and the following years is positive provided that government incentives for capital goods spending remain in place in Brazil, MAN Latin America's largest market. Various other factors will also have a beneficial effect: Increased demand for transportation will result from tapping newly discovered oil reserves, from the 2014 soccer World Cup, the 2016 Olympic Games in Rio de Janeiro, and the resulting infrastructure measures. Growth is also expected to be driven by the need to renew Brazil's aging fleet of transportation vehicles, which have an average age of over 16 years.

MAN Latin America also aims to expand its international activities, especially in emerging economies and developing countries. The company sees additional growth potential in exports from the integration with MAN Nutzfahrzeuge's global business activities, especially in South Africa and Mexico. New business opportunities will emerge from the launch of the TGX series in the heavy-duty segment in Latin America and the integration of D08 engines in the company's existing offering. The after-sales area also offers further growth potential.

MAN Diesel

MAN Diesel
€ million

	2009	2008
Order intake	1,899	3,089
of which: Two-Stroke	401	924
of which: Four-Stroke	1,498	2,165
Revenue	2,411	2,542
of which: Two-Stroke	569	752
of which: Four-Stroke	1,842	1,790
Employees*	7,715	7,986
Operating profit	342	390
of which: Two-Stroke	183	204
of which: Four-Stroke	159	186
ROS (%)	14.2	15.4

* Including subcontracted employees at December 31

The global economic slowdown that began in 2008 deteriorated further in fiscal 2009. Declining transportation volumes, uncertainty on the financial markets, and the related financing difficulties experienced by customers led to a dramatic fall in demand for diesel engines, particularly in the marine business. At €1.9 billion, order intake at MAN Diesel therefore did not match the strong prior-year figure of €3.1 billion. The decline in revenue was comparatively small year-on-year, from €2.5 billion to €2.4 billion (–5%). The order backlog decreased to €3.0 billion (€4.1 billion) due to lower incoming orders and order cancellations. Operating profit fell from €390 million to €342 million, while the return on sales remained healthy at 14.2%. Order volumes are expected to stabilize at a low level in 2010. However, a significant decline in revenue and operating profit is forecasted compared with 2009.

Economic environment

Following the emergence of the financial crisis in 2008, many experts believe that the global economy and global trade bottomed out in 2009. The decline in demand for transportation and massive overcapacity led to extremely low freight rates and increasing laid-up tonnage. More than 10% of the global container fleet was idle at the end of the year. Other shipping segments such as bulk cargo carriers, tankers, and general cargo ships were similarly affected. Even though initial leading indicators have pointed to a slight recovery since the second half of the year, this has not yet had any positive effects on shipping and shipbuilding.

The situation for shipyards worldwide is worsening due to the restructuring of shipbuilding capacity in recent years. Although 2009 saw the highest ever delivered tonnage, the future of many shipyards is in doubt following the dramatic slump in orders by 90% and the many cancellations. This situation

Above: Expansion of the plant in Aurangabad **Below right:** Power plant engine **Below left:** Paint center at the Augsburg plant

will lead to consolidation in the European shipyard market in particular, where the focus is increasingly on the construction of special ships.

Business developments
The decline in ship orders impacted demand for marine diesel engines, causing a heavy slump in incoming orders. The economic slowdown and the effects of the financial crisis unsettled ship owners and investors, which led to delays in project development and order cancellations. MAN Diesel was not immune to this market trend.

Orders for stationary engines, in particular at turnkey power plants, remained at a high level despite the tougher market environment. Nevertheless, business from heavy oil-powered base load power plants in developing countries and on islands declined in comparison with the exceptionally good 2008 level. As expected, delays in infrastructure development temporarily also led to a slight fall in demand for gas-powered diesel power plants. However, the need for more power plants remains high and the drive for more efficient, more environmentally friendly, and more fuel-flexible power generation facilities is having a positive effect on this. Freed up production capacity for marine diesel engines has reduced delivery times for servicing power plant orders.

Orders for two-stroke engines were extremely low due to the slump in demand for transportation capacity. The decline in freight rates and overcapacity brought project development and the award of orders for large new merchant ships to a standstill. The order volume dropped by 80% year-on-year, and was a mere 10% of the figure for the record year 2007. Despite this market weakness, the order situation at shipyards for the next two years remains good from today's perspective, although there will be a gradual decline in deliveries. MAN Diesel's global order backlog for two-stroke engines amounted to 51.9 GW at the end of the year under review, which corresponds to a delivery volume at its licensees of at least two years. MAN Diesel again achieved a market share well in excess of 80% and confirmed its market position as a leading developer of large low-speed diesel engines.

As expected, order intake for four-stroke medium-speed diesels used as propulsion engines and for powering onboard equipment was significantly below the prior-year figure. A total of 609 original and licensed engines amounting to 1,079 MW were sold. While demand for standard ships such as container ships, tankers, and general cargo ships virtually dried up, a number of four-stroke propulsion engines were sold for special ships such as heavy cargo ships, RoRo/cargo ships, dredgers, and offshore tugboats. Despite the good long-term outlook, the offshore market was also hit harder than expected by the financial crisis and by the drop in demand for crude oil, which meant that only a small number of orders were received, primarily from China. Contrary to the general trend, the naval market was the only segment to record a positive performance. The orders received in this segment confirm MAN Diesel's strategy of focusing more strongly on special ships with sophisticated requirements for a vessel's entire propulsion system technology.

Order intake for four-stroke engines used in diesel power plants did not quite reach the prior-year figure in the year under review. Together with its licensee partners, MAN Diesel sold a total of 81 engines amounting to 946 MW. A particular highlight this year was the award to deliver up to 24 48/60 and 51/60DF engines for four power ships operated by the Turkish Karadeniz Powership Company. Two follow-up orders from the French energy group Electricité de France and a public energy utility in Costa Rica are also worthy of mention. MAN Diesel has again been chosen as the supplier of complete turnkey power plants for several orders. This means that the company's strategy of developing itself from a pure-play engine supplier to a plant engineer with turnkey expertise has paid off in the power plant segment, too.

Operating profit
MAN Diesel's operating profit amounted to €342 million in the period under review. A drop in revenue in particular meant that the company could not quite match the extremely high prior-year figure (€390 million). Nevertheless, its return on sales remained at a healthy 14.2%.

Employees
MAN Diesel employed 7,715 people as of December 31, 2009 (including subcontracted employees; previous year: 7,986). This decline is due in particular to the reduction in staff at the Germany and Denmark sites.

Capital expenditures, research and development
The Augsburg site focused on modifying its engine testing facilities. A key milestone was the commissioning of the completely modernized R&D testing facilities. The implementation of the synchronized moving assembly line continued as planned in order to achieve the targeted reduction in throughput times.

The restructuring of the Saint Nazaire/France production site was completed in 2009. Following the introduction of the moving assembly line and the modernization of the testing facilities, this site can now meet the expected future increase in demand for stationary large-bore diesel engines. However, the production and assembly of engines and engine components in Frederikshavn in northern Denmark will be discontinued. In future, the site will assume another important role for MAN Diesel as a competence center for ship propellers and aft-ship systems.

In 2009, MAN Diesel established service and sales companies in Bulgaria, Chile, Costa Rica, the Canary Islands, Kenya, and Saudi Arabia, among other places, to increase its global presence. The company further expanded its existing local centers. For example, in Singapore it opened a new central warehouse to supply spare parts to the Asia region.

In the past fiscal year, MAN Diesel's research and development activities again focused mainly on launching new or redesigning existing engine types that are able to meet the IMO Tier II marine emission requirements. The standards were set by the United Nations' International Maritime Organization (IMO) and enter into force in 2011. In addition, MAN Diesel already has the technical expertise to meet the even stricter limits laid down by IMO Tier III, which will take effect from 2016. In particular the defined core engine components—injection technology, control electronics, and turbochargers—play a key role in the company's R&D work and are being optimized to fulfill the above-mentioned emissions standards, among other things. MAN Diesel's active involvement in the following research initiatives also proves that its R&D work is focused on improving the environmental friendliness of its engines and the entire ship system: Hercules Beta, Clean Ship for four-stroke engines (which concentrates on gas propulsion), or The Green Ship of the Future for two-stroke engines. The Sustainable Shipping organization presented the latter project with the International Environmental Award in the year under review.

Other R&D topics that the company worked on in fiscal 2009 were exhaust gas recirculation in two-stroke engines, a two-stage turbocharger, the expansion of its retrofit offering, and the development of expertise in propellers and end-to-end propulsion packages. MAN Diesel's product innovations included the successful launch of the 28/33D four-stroke engine series, the first deliveries of 51/60DF dual fuel engines, and a MAN B&W 7K80ME-C9 two-stroke engine. The Power Plants business unit commissioned the first diesel combined cycle power plant (DCC power plant) in the year under review; MAN Diesel produced the turnkey facility in Pakistan, which has an output of over 200 MW.

Outlook

The unprecedented boom in maritime traffic over the past several years has been followed by a dramatic decline in global transportation volumes and therefore also in freight rates since fall 2008. The boom phase in the marine industry saw the establishment of a large number of new shipyards in Asia which—due to the commissioning of numerous tankers, freighters, and container ships—created an enormous volume of transportation capacity that is now not being utilized because of the global economic recession. These trends are continuing to impact MAN Diesel's new construction business in particular. With the exception of specialist segments, the situation in new ship construction is therefore not expected to improve significantly in the year ahead. The after-sales business is more stable and will be continuously expanded and adapted to reflect the changing market conditions—for example through the offering of retrofit, lay-up, or slow steaming packages. MAN Diesel expects additional momentum from the stricter emission standards for shipping. Even though initial project inquiries about new engines are signaling that the shipbuilding cycle has bottomed out, it is not yet possible to forecast when the marine industry—and in particular the standard transportation shipping segment—will regain its former strength.

The situation in the power plant business is more positive with regard to both turnkey power plants and plant components. Demand for local power plants remains almost unchanged compared with the period before the beginning of the economic crisis in fall 2008. This is due not least to the fact that the emerging economies in which diesel power plants are primarily used are less affected by the global economic downturn than industrialized countries and that these countries themselves are often customers. MAN Diesel's Power Plants business unit has felt the crisis in particular because restrictive lending to private energy utilities is leading to considerable project delays in many cases. Nevertheless, MAN Diesel is confident that it can use the power plant business and its substantially expanded range of after-sales services to offset most of the decline in new marine construction orders.

MAN Diesel is expecting order intake to stabilize at a low level in fiscal 2010. The company is forecasting a significant decline in revenue due to the weak marine market in the year ahead. Operating profit will also be considerably lower than in the past fiscal year, but will remain above the company's target return on sales of 8.5%.

In 2010, MAN Diesel and MAN Turbo will merge to form MAN Diesel & Turbo—a strong Power Engineering business area within the MAN Group. The combination of the two divisions will enable MAN to offer customers product packages such as combined diesel turbine power plants or exhaust heat recovery systems for maritime applications. In addition to expanding the overall product range, the integration will provide cost benefits in the form of joint global purchasing activities or the sharing of existing sales, service, and production sites, for example. MAN Turbo's business prospects for 2010 are presented in the following section.

Above left: Oil production off the coast
Right: Part of a turbine train
Below left: Production site in China

MAN Turbo

2009 was dominated by a sharp fall in order intake at MAN Turbo. At €1,038 million, it was down by €388 million or 27% on the previous year. However, high order backlogs again lifted revenue to €1,386 million, up 4% year-on-year. At €158 million, operating profit was €10 million above the previous year, while the return on sales rose slightly to 11.4% (previous year: 11.1%).

MAN Turbo
€ million

	2009	2008
Order intake	1,038	1,426
Revenue	1,386	1,328
Employees*	4,796	4,493
Operating profit	158	148
ROS (%)	11.4	11.1

* Including subcontracted employees at December 31

Economic environment
In the year under review, demand for turbo machinery and drive turbines was determined by the global downturn in this sector caused by the financial and economic crisis. While business activity slowed significantly in Europe, sales in the Asian market and the Middle East remained at a healthy level.

Business developments
At €1,038 million, total order intake was well below the previous year (€1,426 million). While the service business remained roughly at the prior-year level, new construction declined sharply year-on-year. The most important area of business was the oil and gas industry, with plant and equipment for the production, storage, processing, and transportation of gas. A further focus was the sale of compressor trains for air separation equipment and generator steam turbines for energy generation. One of the company's key major orders was for nine machine lines for a gas storage facility in the Middle East. Lower demand impacted earnings quality in order intake for the new construction business.

The 4% increase in revenue was mainly due to high order backlogs at the beginning of the year. Revenue totaled €1,386 million (previous year: €1,328 million). In the past year, MAN Turbo delivered two major orders featuring eight machine lines for air separation, each comprising an axial compressor, a centrifugal compressor, and a steam turbine, as well as twelve reactors. The machine lines and reactors were intended for the world's largest gas-to-liquids plant in Qatar and are scheduled to begin operating in 2010 after the completion of assembly and commissioning work. Earnings quality was slightly above the strong prior-year level.

The order backlog amounted to €1,438 million at the end of 2009 (previous year: €1,822 million). This will secure revenue and employment to a significant extent in fiscal 2010. The reduction of the order backlog has now enabled MAN Turbo to cut delivery times for new orders.

Operating profit
Operating profit improved to €158 million (previous year: €148 million), driven by higher revenue, healthy earnings quality, and continued strong capacity utilization. At 11.4%, the return on sales was up slightly on the previous year (11.1%).

Employees
In the past year, the headcount rose by 303 to 4,796 (including 508 subcontracted employees). As of December 31, 2009, 3,035 people were employed at facilities in Germany and 1,761 people outside Germany. In addition, there were a total of 252 trade, technical, and vocational trainees (previous year: 226).

Research and development
Ever decreasing oil and gas reserves are forcing production companies to operate in regions that are difficult to explore using today's technology. Deep waters (of up to 3,000 m), oil and gas fields that lie beneath ice, arctic temperatures and adverse sea conditions, as well as declining reservoir pressures or smaller reserves necessitate new compressor and drive technologies.

A key area of R&D in 2009 was the development and qualification of MAN Turbo's own robust, sour gas-compatible modular high-frequency engine for subsea purposes, which can also be used in other growth markets (gas transportation and gas storage). The development program was successfully implemented in cooperation with a prominent oil and gas company under real gas conditions, and final qualification is imminent. This new technology puts MAN Turbo in a leading position that is necessary to develop oil and gas fields in future and operate emission-free compressors. MAN Turbo is currently developing a new family of small gas turbines for this area of application to enable it to exploit smaller, remote gas fields.

Development work also focused on protecting the global climate from the current CO_2 and greenhouse gas problem. On the one hand, this led to the further development of turbo machinery for CO_2 sequestration under the CCS (carbon dioxide capture and storage) program. By systematically developing and standardizing its geared compressors product family, MAN Turbo has demonstrated the economic viability of these compressor systems. These CO_2 compressors can now be used worldwide for transportation, separation, and storage. MAN Turbo is therefore making a significant contribution to climate protection. On the other, the company played a key role in reducing nitrogen oxide emissions by gas turbines by developing a new low-emission combustor technology that is currently being used successfully in industry.

The current green power initiative is a key concern in the power generation sector. Here, the focus is on solar thermal power plants that use reheat steam turbines. Examples of this application are two 50 MW solar power plants in Spain and a 125 MW turbine for Masdar City, the world's first CO_2-free city in the United Arab Emirates, for which MAN Turbo developed a highly flexible, dual-housing turbine design that enables maximum efficiency not only for the turbine itself, but also for the entire process. This makes MAN Turbo one of the technology leaders in the solar steam turbine market.

In the air separation, ethylene, terephthalic acid, and refinery sectors, the trend towards mega-sized plants has been in evidence for some years and is continuing. In fiscal 2009, MAN Turbo therefore vigorously pursued its extensive development program with a view to moving into new size and power density categories in all segments—axial compressors, centrifugal compressors, geared compressors, and steam turbines—and has planned initial prototype experiments for 2010.

Capital expenditures
Investments in machinery and equipment were made at all production and test sites in 2009 in order to maintain the plant and machinery in an up-to-date and efficient state. The equipment at the service shops worldwide was also improved and an additional processing machine was ordered for the Chinese production plant. In the coming year, MAN Turbo plans to increase production in China to reflect the company's strong presence on the Asian and Chinese market.

Outlook
No significant improvement in the market situation is expected in the coming year. MAN Turbo believes that new construction business will pick up slightly in all areas of business. Greater demand is anticipated in particular for fertilizer production and energy generation facilities, especially in connection with solar power, where there is a growing need for renewal in the EU and worldwide. The service business should develop positively in the coming year. MAN Turbo expects growth of 5% in this area.

The company is forecasting a decline in revenue for 2010 due to lower order intake in the past year. MAN Turbo's high proportion of subcontracted employees enables it to respond flexibly to a downturn in activity. The drop in revenue and the slight deterioration in earnings quality in order intake will reduce operating profit. Cost-cutting and cost flexibility programs to reflect changes in market conditions and targeted technical enhancements will ensure that MAN Turbo achieves its earnings targets.

Others/Consolidation

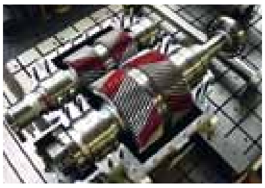
€ million	2009	2008
Order intake	287	388
of which: Renk	294	443
of which: MAN Shared Services/consolidation	–7	–55
Revenue	422	465
of which: Renk	474	527
of which: MAN Shared Services/consolidation	–52	–62
Employees*	2,203	2,591
of which: Renk	1,903	2,041
of which: MAN Shared Services	122	367
of which: MAN SE	178	183
Operating profit/(loss)	–47	129
of which: Renk	66	80
of which: MAN SE and MAN Shared Services	–63	–20
of which: investment in Scania (equity method)	4	–
of which: Scania dividend	–	57
of which: investment in manroland (equity method)	–53	12
of which: consolidation	–1	0

* Including subcontracted employees as of December 31

"Others/Consolidation" comprises the investments held directly by MAN SE, MAN SE and its shared services companies, as well as the consolidation items between the MAN Group's companies.

The economic crisis had a noticeable impact on the Renk industrial subsidiary, too. This was reflected in particular in its order intake, which was down by 34% from €443 million to €294 million. As Renk had a high order backlog of €612 million to work through at the beginning of the fiscal year, revenue fell by a moderate 10%. Its operating profit of €66 million was depressed not only by this weaker revenue, but also by a decline in capacity utilization and by risk provisions for receivables and inventories recognized as a result of the economic downturn. Consequently, the return on sales also fell slightly from 15.1% to 13.9%. As 2010 is expected to bring a further decline in revenue and profit, Renk is systemati-


Above left: Test run at the Renk plant in Augsburg **Above right:** Yacht transmission **Below:** Renk gearwheels



cally using all the cost-cutting tools at its disposal. In particular, short-time working at the German plants will ease the cost burden.

In 2009, the operating loss at the Corporate Center and its Shared Services companies amounted to €63 million (previous year: operating loss of €20 million). This deterioration is due primarily to nonrecurring items in the prior-year period (gain of €14 million realized on exchanging Scania B shares for Scania A shares as well as a gain on the sale of investment property amounting to €10 million). Furthermore, the transfer of IT services to IBM Deutschland GmbH, Stuttgart, and T-Systems Enterprise Services GmbH, Frankfurt am Main, resulted in additional start-up costs, which mainly led to a deterioration in the operating profit of IT services by €21 million.

As the investment in Scania is included using the equity method, the dividend payment (€57 million in the previous year) is no longer recognized in the income statement, in contrast to 2008. The share of income from the Scania investment was slightly positive and relates to the period from January 2009 to September 2009. The share of net income from the investment in manroland amounted to €–53 million (previous year: €12 million).

Financial statements of MAN SE

Summarized below are the annual financial statements of MAN SE prepared in accordance with the *Handelsgesetzbuch* (HGB—German Commercial Code). The complete annual financial statements are available from MAN SE or on the internet at www.man.eu.

Results of operations

€ million	2009	2008
Net investment income/(expense)	–98	923
Other earnings before taxes	–165	–62
Earnings before taxes	**–263**	**861**
Income taxes	–35	–194
Net income/(loss) for the fiscal year	**–298**	**667**
Retained profits brought forward	40	–
Withdrawal from/(transfer to) revenue reserves	295	–333
Net retained profit	**37**	**334**

MAN SE's earnings before taxes declined by €1,124 million in the reporting period to €–263 million. This is mainly due to the much lower profits transferred by subsidiaries and the decline in income from investments due to write-downs, in particular of the Scania investment. Other earnings include general and administrative expenses, net interest income, and other income and expenses. The deterioration as against 2008 is primarily attributable to higher other operating expenses and an increase in interest expenses caused by the acquisition of MAN Latin America. The net loss for the fiscal year meant that there were no German current taxes in 2009. The income tax expense of €35 million relates mainly to prior-period taxes.

Net retained profit amounts to €37 million following the withdrawal of €295 million from revenue reserves and the retained profits brought forward of €40 million. At the Annual General Meeting on April 1, 2010, MAN SE's Executive and Supervisory Boards will propose utilizing the net retained profit of €37 million (previous year: €334 million) to distribute a dividend of €0.25 per share carrying dividend rights (previous year: €2.00) and to carry forward the remainder to new account.

Net assets and financial position

€ million	2009	2008
Fixed assets	4,220	2,946
Current assets	2,429	3,206
Total assets	**6,649**	**6,152**
Equity	1,828	2,420
Financial liabilities	4,174	3,131
Other liabilities and provisions	647	601
Total equity and liabilities	**6,649**	**6,152**

Fixed assets relate primarily to shares in affiliated companies.

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

Additional information

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

The principles governing the remuneration system for members of the Executive and Supervisory Boards are explained in the remuneration report, which forms part of the management report in accordance with section 315 of the HGB. The remuneration of the members of the Executive and Supervisory Boards is reported individually in the chapters entitled "Remuneration of the Executive Board" and "Remuneration of the Supervisory Board" in the "Notes to the Consolidated Financial Statements." As of December 31, 2009, MAN SE employed 178 people including subcontracted employees (previous year: 183).

Group Management Report
Risk report and outlook

Risk management

Operating a business entails constant exposure to risks. The MAN Group defines risk as the danger that events, decisions, or actions will prevent the Company from achieving defined goals and/or successfully implementing strategies. The Company consciously assumes risks with a view to exploiting market opportunities if it expects this to contribute sufficiently to increasing its enterprise value. This requires an effective risk management system tailored to the Group's business needs.

The MAN Group's risk management activities are an integral part of its corporate management and business processes. Strategic corporate planning, internal reporting, the internal control system, and the compliance system are all core elements of the risk management system. One of the objectives of strategic corporate planning is to promptly identify and assess long-term opportunities and risks so that appropriate structural measures can be taken. The internal reporting system is set up at all levels of the Group to provide up-to-date and relevant information on the status of significant risks and the efficacy of risk mitigation measures, among other things. Building on risk identification activities, the internal control system focuses on monitoring and managing risks in a targeted manner. It therefore acts as an integral part of the risk management system. The task of the compliance system is to assist management in promptly identifying and responding to compliance-related risks. The system is based on compliance officers at the different Group levels, a steering committee to enforce rules, a compliance hotline, and an external ombudsman who employees can contact—anonymously if they wish.

Back in 2008, when the drafts of the Bilanzrechtsmodernisierungsgesetz (BilMoG—German Accounting Law Modernization Act) were published, the MAN Group started to structure its existing internal control system and document it uniformly throughout the Group in accordance with COSO. The documentation of the material processes and controls at the MAN Group companies was completed at the end of fiscal 2009. The control system is regularly reviewed with regard to the completeness, appropriate design, and effectiveness of the existing controls with the aim of ensuring compliance at all levels of the MAN Group with existing regulations aimed at reducing process-related and organizational risks.

The Industrial Governance management system requires decentralized decision-making processes within the MAN Group and an appropriately organized risk management system. Responsibility for setting up and maintaining an appropriate and focused early risk recognition system lies with the MAN Group's Executive Board, which has itself tailored the scope and focus of the risk management system and the internal control system to the Company's specific requirements. Management of each division is responsible for ensuring that all Group companies are integrated into the risk management system and internal control system. A function for the risk management process and the internal control system has been put in place both at Group level and in the divisions. Therefore, in each one of the Group's divisions, there are risk officers with responsibility for risks and controls as well as a coordinator with responsibility for coordinating the continuous development and improvement of the risk management process and the internal control system.

The MAN Group's risk management manual is applicable throughout the Group and contains binding guidelines on identifying, recording, analyzing, assessing, controlling, and monitoring significant risks and opportunities within the Group. The risk policy principles set out in the manual ensure a common understanding of the risk management system across the Group. Cross-functional risk boards have been set up at key Group companies. These are tasked with assessing the risks reported by the functions, identifying additional risks, and introducing and monitoring measures to minimize the risks. Risks are assessed in terms of their probability of occurrence and impact on a gross and net basis, with the net assessment factoring in any measures that mitigate the risk in question. Uniformly defined risk fields allow the Group to promptly identify and manage any concentration of risk. In addition to risks, opportunities, material weaknesses in the internal control system, and measures introduced by the companies are identified continuously, and analyzed and evaluated on a quarterly basis by risk boards working together with the Executive Board, the Corporate Audit function, and the Controlling function. Where necessary, further measures to prevent or mitigate risk are decided upon and kept in place so as to continuously develop and improve the existing risk management system and the internal control system.

The internal control system is based on documentation that is uniformly structured throughout the Group covering the controls for the existing process structures and the related risks and any additionally identified business-specific risks. The internal controls focus on limiting risks of material misstatement in the financial reporting, risks arising from noncompliance with regulatory standards or acts of deception, and on minimizing operational/economic risks (e.g., threats to assets as a result of unauthorized operational decisions or obligations entered into without authorization). The guidelines and directives in force within the Group and on the divisions' intranets provide the basis for the MAN Group's internal control system. The control environment and the cross-process controls that form the framework of an effective and operational internal control system are documented at a central, overall level and regularly assessed to determine whether they are appropriate and functioning effectively. The risk managers on the risk boards report to the Executive Board on the effectiveness of the internal controls and any control weaknesses identified. The control structures are represented in a database solution, thereby supporting the system's uniform documentation throughout the Group. This database shows all the material companies in the MAN Group. The materiality of companies is reviewed annually on the basis of qualitative and quantitative criteria.

The Corporate Audit team regularly monitors the effective functioning of the MAN Group's risk management system as part of its activities, and initiates appropriate measures if necessary. When conducting its risk-oriented review, the Corporate Audit function also takes into account information on risks recorded and examines key risk factors if appropriate. The external auditors audit the ability of the risk early recognition system to identify at an early stage any developments that could endanger the Company's continuing existence. The effectiveness of the internal control system at process level is reviewed at least once a year by suitable internal testers and by means of spot checks performed by the Corporate Audit function. At the regular meetings of its Audit Committee, the Supervisory Board is briefed on the MAN Group's risk position and on material weaknesses in the Group's internal control system. Nevertheless, even if an appropriate and effective system is set up, there can be no absolute guarantee that risks will be identified and controlled.

Accounting-related risk management system and internal control system

As a rule, the risk management system and internal control system also comprise the accounting-related processes as well as all risks and controls in respect of accounting. This relates to all parts of the risk management system and internal control system that could have a material effect on the consolidated financial statements.

The goal of the risk management system in respect of the accounting processes is to identify and assess risks that could run counter to the objective of preparing consolidated financial statements that comply with the relevant rules. Identified risks must be assessed in terms of their effect on the consolidated financial statements, including by using external specialists if necessary. In this context, the internal control system aims to provide sufficient assurance that, despite the risks identified, the consolidated financial statements are prepared in compliance with the relevant rules by implementing corresponding controls.

Both the risk management system and the internal control system extend to all subsidiaries that are significant for the consolidated financial statements, including all the processes relevant for preparing the financial statements. The accounting-related controls focus in particular on the risks of material misstatement in the financial reporting. The materiality of misstatements is assessed on the basis of the likelihood of occurrence and the financial effect on revenue, EBIT, or total assets.

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

The risks identified and corresponding measures taken are updated in the quarterly reports to the risk board and forwarded to the MAN Group's management. The effectiveness of internal controls in respect of accounting is assessed at least once a year, primarily during the preparation of the financial statements. In addition to the Corporate Audit function, the external auditors assess the accounting-related processes as part of their audit activities.

As part of their audit of the financial statements, the auditors are also obliged to report to the Supervisory Board's Audit Committee on accounting-related risks or control weaknesses and any other material weaknesses in the risk management system and internal control system that they identified during their audit activities.

Opportunities and risks

The significant opportunities and risks that may have a considerable impact on the net assets, financial position, and results of operations are outlined below in line with the structure of the MAN Group's risk management system. This classifies risks into five risk fields: markets, products, processes, employees, and finances.

Markets

Economic conditions on the capital and manufactured goods markets continue to be impacted by the effects of the financial crisis. The economic recession has bottomed out for the time being, but the uncertain outlook continues to affect demand for capital goods. Lending banks are exacerbating this trend by severely restricting credit and imposing tighter credit terms. For the MAN Group, this gives rise to the risk that demand will be stifled long-term or even fall further. The forward-looking approach taken over the past three years has led to substantially more flexible costs with which to manage and endure any fall in demand. Nevertheless, margins remain at risk from a sharp and rapid decline in volumes. On the other hand, an ailing economy may mean a drop in prices on procurement markets. Suppliers have also been affected by falling demand and financing problems. The MAN Group is keeping a close watch on suppliers' financial position and is putting alternatives in place. The expansion of the Company's after-sales activities represents an opportunity even in difficult times. Over the medium to long term, and with the current slump in demand behind it, the MAN Group continues to see opportunities for all divisions to achieve profitable growth in the transportation and energy market. The underlying global economic trends will continue, such as sustained economic growth, a greater international division of labor and resulting increase in global transport routes and volumes, capital spending by the oil and gas industry, and a need to innovate due to trends in global climate policy. Through its strategy of significantly strengthening its position in the current and future growth markets of the BRIC countries, the MAN Group is systematically endeavoring to increase its sales potential and thus counter regional economic risks.

Products

As a leading supplier of advanced technology, it is the MAN Group's mission to develop technologically superior and highly cost-effective products that are of outstanding quality when launched on the market. Abandoning this mission would pose an unjustifiable risk to the Group's market position. However, the rollout of new products involves conceptual and market risks, which are managed through a careful strategic planning process that analyzes trends in the markets and business environment. The resulting product plans are used to manage our extensive research and development activities. For many years now, research and development expenses have been in the region of 3% to 4% of revenue. The launch of Euro 5 emission standard-compliant engines at MAN Nutzfahrzeuge and the introduction at MAN Diesel of the diesel combined cycle technology for stationary power plants, which boosts efficiency by 10% to 15%, clearly show that these risks can be successfully overcome. Products that have already been launched pose quality risks. Substandard quality may result in manufacturer's guarantee, statutory warranty, and ex gratia repair costs, and lead in the long term to the loss of market share or lower product margins. In extreme cases, product liability and compensation claims may be made. The MAN Group starts to identity and limit these risks right from the product gestation stage. A standardized product gestation process ensures that only properly functioning and reliable product concepts move on to the next stage of development. Suppliers and their products are required to undergo a strict approval process in order to safeguard the Company's high quality standards. After production startup, defined quality assurance measures within the production process ensure that manufacturing defects are promptly identified and eliminated. During use, any defective products are collected, analyzed, and repaired in collaboration with the service operations. Long-term customer contracts give rise to additional risks: Changes in the political or economic conditions in a particular market may result in additional expenditure on major projects. At MAN Nutzfahrzeuge, buyback obligations pose a risk if the amount obtainable from the future sale of a used vehicle in the market changes significantly versus expectations at the time the contract was entered into. In the project business, risks arise as a result of guarantees or guarantee obligations. However, these are often covered by third-party guarantees, or in the case of prepayment guarantees by prepayments received from customers. By carrying out intensive checks before and after extending guarantees, we have always been able to keep defaults to a minimum. The high-growth turnkey business at MAN Diesel, where the company functions as a lead contractor for the delivery of turnkey diesel power plants, entails particular risks in relation to timely and due and proper performance by subcontractors and therefore for MAN Diesel itself. The company combats this risk through appropriate controlling during all phases of the project.

Processes

The MAN Group considers the continual optimization of its development, purchasing, production, sales, and administration processes to be a central and ongoing task. Inadequate processes in these areas result in excessive costs and, by tying up too much capital, in financing risks. Moreover, overstocked inventories regularly result in an increased risk of loss through shrinkage or scrapping, while excessively high receivables increase the risk of default. These risks tend to increase as the general economic situation deteriorates. MAN is therefore driving forward the systematic reduction in capital employed by improving the underlying processes.

Specific risks arise during major projects, including contracting deficiencies, miscosting, post-contracting changes in economic and technical parameters, and poor performance on the part of the consortium partners' subcontractors. The MAN Group minimizes these risks through comprehensive project and contract controlling. In the growing power plant market, for example, MAN Diesel uses a systematic and comprehensive risk management system right from the bidding phase. Costings and risk assessments are constantly examined and adjusted throughout the project implementation phase. Regular project reviews are used to determine and monitor the necessary measures. In addition, major projects are assessed by MAN SE's Controlling and Finance functions and submitted to MAN SE's Executive Board for approval. If any approved contracts deviate significantly from plan, they are tracked by way of a special reporting system for critical contracts.

As in any modern enterprise, the MAN Group's business processes are to a large extent supported by information technology. Besides improving efficiency, this also gives rise to risks. Parts of the infrastructure may fail as a result of accidents, disasters, or technical faults, thereby impairing a wide variety of business processes or bringing them to a complete standstill. There is also the risk of unauthorized access, theft, or the destruction of business information and data. The resulting financial damage and loss of image may affect individual MAN companies or even the entire MAN Group.

By centralizing and outsourcing IT operations, systematically introducing IT service management processes in accordance with ITIL (IT Infrastructure Library (standard for the organization of IT processes)), and increasingly organizing information security in the MAN Group in accordance with the internationally recognized standard ISO 27001, the MAN Group has significantly improved the transparency and reliability of the IT infrastructure. The latest hardware and software technologies ensure optimum support for business processes, and guarantee continuous data availability and protection against unauthorized access. A combination of regular data backups and control mechanisms reduce the risk that business data will be lost completely. Highly capable, state-of-the-art security mechanisms, such as firewall systems certified by the Bundesamt für Sicherheit in der Informationstechnik (BSI—German Federal Office for Information Security), are used to combat potential threats to the reliability of the systems and data, particularly from the InteThe aim is to optimize the four main requirements of information security, namely availability (assured availability for use), integrity (accuracy, consistency, and completeness of information), confidentiality (protection against unauthorized viewing), and authenticity (proof and incontestability of personal identity), from a technical and organizational perspective and to optimize the related risk aspects.

The internal control system plays a key role. It is focused on ensuring compliance with the relevant regulations across all business processes and thus on helping to protect assets and reduce risks. With regard to financial reporting, the emphasis is on optimizing the process of preparing the financial statements to ensure the complete, timely, and correct processing of all transactions and business processes.

Employees
The highly qualified specialists and managerial staff who set technological standards with MAN products are a critical factor in the MAN Group's success. The opportunities in the human resources area lie in the skills, international focus, and innovativeness of the employees who develop and continuously improve MAN's products, services, and processes. The risks include not being able to fill key positions to meet future requirements. Filling such positions requires a holistic approach to talent management. A variety of HR marketing activities have made it possible to recruit and retain outstanding specialists and managers. The MAN Group's strong positioning as an attractive employer helps it to recruit the human resources it requires worldwide, while systematic succession planning supports it in its efforts to fill management positions from within its own ranks. As part of its internationalization strategy, the MAN Group will continue to concentrate on aspects such as intercultural skills in training its specialists and managerial staff.

Finances
Because it operates worldwide, the MAN Group is exposed to financial market risks. These are managed through a combination of organizational measures and suitable financial instruments. The financing functions of the MAN Group and its operating companies are performed centrally by MAN SE.

For short-term financing requirements, the MAN Group must have access to sufficient liquidity reserves. Arrangements are based on a detailed financial plan prepared for the MAN Group at three levels. As part of the corporate planning process, the liquidity and financing position is projected over a three-year planning horizon. Quarterly forecasts contain rolling liquidity plans for the next four quarters. These are supplemented by more detailed three-month plans that estimate short-term liquidity requirements.

When investing any liquidity reserves, there is always a risk that investment funds may be lost as a result of a bank becoming insolvent. MAN therefore takes care to invest its liquidity reserves conservatively and to spread risks by distributing investments across several financial institutions. Only reputable, prime-rated financial institutions (investment-grade institutions) are considered.

To manage currency and interest rate risk, MAN uses only marketable instruments, which are used to hedge existing underlying transactions and, to some extent, forecasted revenues. Derivatives and other hedging transactions are usually entered into via the Group's central finance department and are subject to strict internal controls. If exchange controls prevent the central finance department from entering into transactions, they are instead entered into in the name and for the account of the Group company in question.

Exchange rate movements can affect both prices for goods and services and profit margins. The MAN Group hedges all firm customer contracts, its own purchase orders, and other transactions against currency risks. Hedging is also used for budgeted serial-production revenue and for highly probable customer projects. Despite these measures, there is still a risk that the amount and timing of revenue payments will deviate from budget. Adverse effects may also result from changes in interest rates. The risks associated with such changes are managed by entering into interest rate hedges. This applies in particular to the Group's customer financing arrangements, which are usually entered into at fixed rates of interest. For further information on the use of financial instruments, see note 30 in the "Notes to the Consolidated Financial Statements."

An additional currency risk also relates to the changes exchange rates may cause to customers' purchasing power, which MAN does not hedge. In the short term, a reduction in the value of a currency may result in losses in the sales markets concerned. In the long term, MAN endeavors to offer products and services that are always competitive, irrespective of current exchange rates, by constantly improving its productivity and geographical diversification.

The manufacture of MAN's products requires substantial amounts of raw materials. Price trends on the commodity markets or price escalation clauses in supplier contracts may pose risks to operating profit. These risks are usually managed through long-term supplier contracts or price escalation clauses in customer contracts. If a customer contract does not provide for a price escalation clause, targeted commodity price hedging may be used.

Changes in the investment portfolio may give rise to significant strategic risks. Acquisitions, for example, may result in risks if the assumptions underlying the purchase price, such as assumptions regarding potential synergies, cannot be realized.

Acquisitions may also change the MAN Group's necessary financing structures, potentially increasing its financing costs or limiting its financial scope.

Counterparty and country risk are reduced through the careful selection of transactions and business partners, as well as through appropriate contractual and payment terms. Any remaining risks are classified according to the debtor's credit standing and largely transferred to banks by way of documentary payments (documentary credits) and guarantees received, or to insurance companies by way of non-payment insurance. Nevertheless, there are default and credit risks inherent in customer financing, leasing, and banking that cannot be hedged and which can only be limited by carrying out detailed credit checks in advance and through ongoing credit management. Guarantees are furnished centrally by MAN SE so as to ensure a uniform and restrictive policy. Particular importance is attached to formulating and performing the contract so as to minimize the possibility of an unjustified claim.

In order to reduce the financial risks inherent in defined benefit pension plans, and as a result of legal regulations abroad, the MAN Group's defined benefit obligations are largely funded through pension plan assets that are ring-fenced from its business assets. The pension plan assets are invested by external investment managers in accordance with conservative investment (prudent investor) policies and giving appropriate consideration to the cash flow structure of the pension obligations. The fair value of the pension plan assets is subject to standard fluctuations, particularly those resulting from changes in interest rates and equity prices. In this context, interest rate-related changes are partly compensated by an offsetting change in the present value of the pension obligations. Biometric risks, primarily life expectancy or permanent disability or death during active employment, must also be taken into account when measuring pension obligations. For active employees in Germany, the trend of a regular increase in life expectancy was reflected by switching from annuities to capital payments. In the UK, all defined benefit pension plans have been closed to new members in recent years.

Assessment of the Group's risk position

On the basis of the risk management system established by the MAN Group, the Executive Board has determined that, at the present time, there are no identifiable risks that could have a material and long-term adverse effect on the net assets, financial position, and results of operations of the MAN Group. The risk management system introduced by the Group and the related organizational measures allow the Executive Board to identify risks rapidly so as to initiate appropriate measures. For information on developments in the investigations by the public prosecution authorities, please refer to the sections entitled "Rapid clarification of bribery allegations" and "Compliance system," as well as note 26 in the "Notes to the Consolidated Financial Statements."

Risk management is an ongoing and continuous activity on the part of the Company, and of course something that is undergoing constant development. For MAN, this means continuing the optimization of its risk management and internal control systems in 2010 and adapting them to changing conditions. Given the continued uncertainty on the financial and manufactured goods markets, activities will focus on financial and market risk management.

Rapid clarification of bribery allegations

As part of a preliminary investigation (case no. 570 Js 43151/08) against MAN SE, MAN Nutzfahrzeuge AG, MAN Turbo AG, and several current and former employees, the Munich Public Prosecution Office (I) searched offices of MAN SE and MAN Nutzfahrzeuge AG in Munich, and branch offices of MAN Truck & Bus Deutschland GmbH and MAN Turbo AG on May 5, 2009, on suspicion of bribery and other criminal offenses. Seven private residences of employees and recipients of payments were also searched.

The public prosecution authorities suspected that hidden commissions in the total amount of approximately €1 million were paid in Germany, and several million euros abroad, in connection with the sale of commercial vehicles between 2002 and 2005. The foreign payments are alleged to have been paid as commissions and consultants' fees in other countries, to domiciliary companies, or to shell corporations. The Munich Public Prosecution Office (I) subsequently extended its investigations to include transactions occurring up to and including 2009. It was announced on July 8, 2009 that the Munich Public Prosecution Office (I) had also commenced investigations against responsible managers of MAN Ferrostaal AG (now Ferrostaal AG) on suspicion of bribery, breach of trust, and tax evasion, although the precise scope of the allegations made against this former subsidiary were not made known. The tax investigation department of the Munich Tax Office (I) notified the Company on July 21, 2009, that it had also instituted criminal investigation proceedings for tax fraud against persons unknown for the years 2002 and 2003 in connection with the investigations by the public prosecution authorities that are ongoing at MAN Turbo.

From the outset, MAN SE assured the public prosecution authorities of its full support in the efforts to clarify the transactions and undertook to cooperate closely with the investigating authorities. The Executive Board engaged the law firms of Knierim & Kollegen and Flick Gocke Schaumburg, as well as the audit firm of PricewaterhouseCoopers, to proceed with the internal clarification of the allegations and to implement cooperation with the criminal prosecution authorities. The internal audit function, which started its own investigation of the allegations immediately after they had become known, was also closely involved in this clarification. In addition to the cases already known at the MAN Nutzfahrzeuge subgroup, this investigation also extended to the MAN Diesel, MAN Turbo, and Renk subgroups. The goal of this investigation was to contribute to the clarification in full of the allegations. The results of the investigation were made available to the investigating and tax authorities.

In addition, in response to the events described above, the Supervisory Board of MAN SE engaged the law firm of Wilmer Cutler Pickering Hale and Dorr LLP (WilmerHale) on May 18, 2009 to conduct an independent investigation into the proper conduct of the business activities of MAN SE and its subgroups, and of the compliance organization, in light of the bribery allegations. As an independent external law firm, WilmerHale reported regularly to the Supervisory Board of MAN SE and its Audit Committee.

An amnesty program for employees was also resolved as part of the internal investigation prompted by the investigations by the public prosecution authorities described above. Under this program, the Company did not assert potential claims for damages against, or terminate the employment of, employees of the Company who voluntarily assisted in clarifying the matters. However, this does not rule out any penal measures against them.

On December 10, 2009, the Munich Public Prosecution Office (I) imposed an administrative fine of €75.3 million on MAN Nutzfahrzeuge AG and the Munich Regional Court (I) imposed an administrative fine of €75.3 million on MAN Turbo AG. Payment of the total amount of €150.6 million in December 2009 brought the Public Prosecution Office's investigation against companies of the MAN Group to a close.

The companies of the MAN Group affected by the investigations have reached agreement with the tax authorities on payments of back-taxes for amounts that were critical from a tax perspective amounting to approximately €20 million. This does not affect investigations against individuals and responsible managers of MAN Ferrostaal AG (now Ferrostaal AG), which is no longer a member of the MAN Group of companies.

As a result of the allegations of corruption, MAN terminated around 20 employees and is considering whether to assert claims for damages against individual persons.

The internal inquiries revealed that employees of the MAN Nutzfahrzeuge and MAN Turbo subgroups had breached statutory and internal regulations by making suspicious payments to consultants and agents. In MAN Nutzfahrzeuge's German sales operations, the option to pay "referral commissions" was abused. The number of suspicious payments fell sharply after 2006. The majority of employees acted compliantly.

At its meeting on December 11, 2009, the Supervisory Board took note of and concurred with the final report by the law firms it had engaged and announced that the internal investigation had consequently been terminated following closure of the investigations by the investigating authorities. The Supervisory Board regarded this as confirmation of the significant contribution it had made in recent months towards the rapid and full clarification of the matter.

Compliance system

The Company's Code of Conduct includes a clear commitment to free and fair competition. This binding Code together with clear regulations that have been continuously developed in recent years apply to all MAN employees. They prohibit MAN Group employees from offering benefits of any kind with the aim of obtaining unfair advantages or orders for MAN or other persons. Under MAN's compliance management system, a steering committee and dedicated compliance officers at each MAN company are tasked with enforcing these rules. In recent years, the Company has systematically tightened its rules on the approval of lawful commissions so as to ensure transparency. These rules include the dual control principle, a ban on cash payments, and a code of ethics for sales staff.

Back in July 2009, MAN launched a 5-point program to better combat corruption. After evaluating the outcome of the investigations against MAN Group companies, MAN will expand on this by outlining additional measures:

1. Passing of information to the German public prosecution authorities
MAN will inform the German public prosecution authorities in the event of any serious cases of suspicion and cooperate closely with the investigating authorities to clarify matters.

2. Ongoing strengthening of the compliance organization
As of January 1, 2010, MAN SE will set up a new compliance function and establish clear responsibilities. At an organizational level, the function will report directly to the CEO of MAN SE.

All employees in the relevant functions (Sales, Purchasing, Marketing, etc.) will receive clear guidelines on conduct in further practical training sessions. Internal documentation will continue to be developed.

3. Internal audit function
The internal audit function will support the compliance organization in uncovering misconduct and recruit additional staff for this purpose. A compliance IT system will be used to filter transactions for suspicious payments.

4. Review of organizational structure of and processes in sales
Referral commissions were abolished immediately after the allegations of improper conduct became known. The incentive-based salary system for sales employees at MAN Nutzfahrzeuge was restructured. In future, each consultant will undergo a due diligence check.

5. Dialog with anti-corruption experts at non-governmental organizations (NGOs)
MAN is in talks with various anti-corruption organizations with a view to meeting international demands for a robust compliance organization and fighting corruption on joint projects.

The Supervisory and Executive Boards consider compliance and corporate culture to be extremely important. Compliance is and will remain one of the key responsibilities of all managers and employees and thus an integral part of MAN's corporate culture. The aim is to strengthen a long-term culture and infrastructure that will ensure compliance with all laws and guidelines.

Events after the reporting period

Klaus Stahlmann was appointed to MAN SE's Executive Board effective January 1, 2010.

The contractually agreed put option for the remaining 30% interest in Ferrostaal was exercised at the beginning of 2010. For further information on the sale of Ferrostaal, see "Acquisitions and divestments" and the "Notes to the Consolidated Financial Statements.".

Outlook

Global economic trend

The economic recession has bottomed out for the time being. Both consumer behavior and the economic stimulus packages introduced by governments now point to a more positive economic trend for individual sectors of the economy. However, transportation and energy—key sectors for MAN—continue to suffer from the drop in industrial output, the decline in global trade, and lower appetite for investment. Due to existing overcapacity, order intake remains low.

Current forecasts for 2010 predict that the overall economic situation in the euro zone will stabilize at a low level; IHS Global Insight expects slight GDP growth of 0.9% in 2010. The most recent growth forecast for the German economy was 1.6%. However, sustained growth cannot be expected in Germany in 2010. In particular, the expiry of economic stimulus programs and increasing unemployment are having a negative effect. The recovery from the crisis is expected to be slow and weak. Credit will remain in short supply for the time being and unemployment will rise. In subsequent years, the crisis will continue to impact economic growth in Europe. A further slight recovery in the markets is anticipated in 2011, provided that the negative effects described above do not worsen.

Following the sharp downturn, industrial production should recover slowly over a period of several years. While capital spending is forecast to grow in the Asia, Americas, and Australia regions in 2010, investment will continue to fall slightly in Europe and the Middle East—the regions with the strongest revenue. MAN Diesel expects its order intake to stabilize at a low level in 2010, but is forecasting a continued decline in revenue. Nor is any significant improvement in the market situation anticipated at MAN Turbo, which also expects its revenue to decrease. Business at MAN Nutzfahrzeuge is forecast to remain at the current level. If the market environment in South America remains as positive as in 2009, MAN Latin America will continue to be a stable earnings driver. The measures introduced in all areas with a view to enhancing efficiency and cutting costs are having a positive impact and will strengthen the Group structure long-term. MAN's forecasts for 2011 are based on a slight recovery in the markets, which will have a corresponding effect on our business.

The MAN Group is constantly monitoring ongoing economic developments and will take additional measures without delay should this become necessary in the event of a deterioration in the economic situation.

Returns and operating profit

Despite the difficult market environment, the MAN Group continues to target a return on sales of 8.5% on average over the economic cycle. In 2010, MAN Diesel and MAN Turbo are expected to generate a lower return on sales than in 2009 due to the continued economic downturn. However, their high order backlog should enable them to achieve their target returns in 2010 and 2011. At MAN Nutzfahrzeuge, return on sales is forecast to be slightly higher year-on-year due to economic developments and the measures introduced to adjust capacity. We expect MAN Latin America's return on sales to be stable. We anticipate that this trend will continue in 2011, assuming that the markets continue to recover as predicted.

Long-term growth strategy
The MAN Group will continue to systematically pursue its growth strategy in the future, particularly in the BRIC countries. A second focus is on further increasing the flexibility of the Group's cost structures. We do not rule out corresponding capacity adjustments if necessary, so that the Group can more effectively manage economic fluctuations and fluctuations in demand.

A central task in the Commercial Vehicles business area is the integration of MAN Latin America and the leveraging of existing potential synergies. The key growth regions for MAN Nutzfahrzeuge are Eastern Europe, the Middle East, and parts of Asia. The acquisition of an interest in Sinotruk will serve to systematically drive forward the Group's expansion strategy in long-term growth regions.

Together, MAN Diesel & Turbo will more rigorously develop the energy generation market by offering product packages and achieve cost synergies by sharing the infrastructure now in place as a result of the merger. Across all companies, MAN will not only expand new business, but will also continue to bolster its service and spare parts business.

Capital expenditure, research and development, and procurement
In 2010, the MAN Group will make investments to safeguard its long-term success. These mainly comprise the ongoing modernization of its production facilities and the continued expansion of its service and sales network. We will use portfolio measures if the opportunity arises.

Research and development is of elementary importance to MAN because the Company can only meet customer and legal requirements by developing leading technological solutions. Our R&D activities are rigorously aimed at providing customers with a competitive advantage. Innovations play a key role for the MAN Group—even in tough economic times. As a result, MAN's R&D continues to focus on enhancing its commercial vehicle and diesel engines in terms of their performance, consumption, and emissions standards; further developing its truck and bus models; and improving MAN Turbo's product range. The Group will again slightly increase its research and development expenditures for 2010/2011 with the goal of maintaining and expanding its technological position through R&D.

MAN will continue to further develop its purchasing activities in future to ensure the sustainability of successful purchasing strategies and additional synergies. In the difficult economic environment, the Corporate Purchasing function continuously monitors supplier relationships using its preventive risk management system. The cost of materials will develop largely in line with revenue in 2010 and 2011.

Cash flow
In view of the economic situation, cash management will be a particular focus. This will be supported by the Group-wide working capital optimization program. The sustainability of measures to reduce inventories and receivables will gain in importance once the markets recover and demand therefore picks up. The MAN Group's financing structure aims to achieve an economically sensible mix of operating cash flow and external finance. The Group's placement of a corporate bond with a total volume of €1.5 billion and maturities of four and seven years is helping to safeguard MAN's long-term financial stability.

Employees
In 2010, the number of employees in the MAN Group will continue to decline as a result of the economic situation. In view of the expected economic developments, the headcount will gradually reflect this lower level.

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

04
Consolidated Financial Statements

1990
1,861.6
billion ton kilometers

Inland vessel
261.8
billion ton kilometers

Rail
524.7
billion ton kilometers

Road transport
1,075.1
billion ton kilometers

2000
2,177.1
billion ton kilometers

Inland vessel
274.0
billion ton kilometers

Rail
396.1
billion ton kilometers

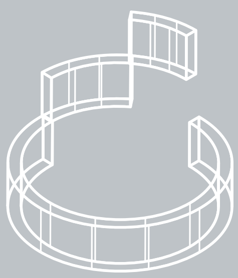
Road transport
1,507.0
billion ton kilometers

2010
2,684.8
billion ton kilometers

Inland vessel
299.6
billion ton kilometers

Rail
426.2
billion ton kilometers

Road transport
1,959.0
billion ton kilometers

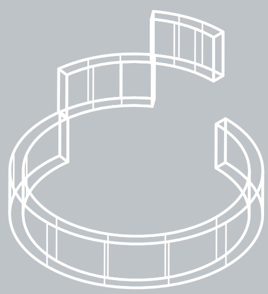


2020
3,201.9
billion ton kilometers

Inland vessel
330.2
billion ton kilometers

Rail
446.4
billion ton kilometers

Road transport
2,425.3
billion ton kilometers



2030
3,645.8
billion ton kilometers

Inland vessel
355.2
billion ton kilometers

Rail
466.3
billion ton kilometers

Road transport
2,824.3
billion ton kilometers

Goods transport in Europe

Researchers are forecasting that almost 35 percent more goods will be transported in Europe by the year 2030. For regional and national freight transport, roads will continue to be the most important means of transport. In view of its flexibility, there are many areas where trucks can't be replaced by alternative carriers.

Source: European Commission

04 MAN Consolidated Financial Statements for the fiscal year from January 1 to December 31, 2009

page 100–157

103 **MAN consolidated income statement**

104 **MAN consolidated reconciliation of comprehensive income for the period**

105 **MAN consolidated balance sheet**

106 **MAN consolidated statement of cash flows**

107 **MAN consolidated statement of changes in equity**

108 **Notes to the consolidated financial statements**

108 Basis of preparation

108 **01 General principles**

108 **02 Consolidation and measurement of investments**

110 **03 Accounting policies**

116 **04 Statement of cash flows**

116 **05 New and revised accounting pronouncements**

117 **06 Acquisitions and divestments**

118 Income statement disclosures

118 **07 Other operating income**

119 **08 Other operating expenses**

119 **09 Net interest income/(expense)**

119 **10 Taxes**

120 **11 Earnings per share**

121 **12 Other income statement disclosures**

121 **13 Total remuneration of the auditors**

122 Balance sheet disclosures

122 **14 Intangible assets**

123 **15 Property, plant, and equipment**

124 **16 Equity-method investments**

125 **17 Assets leased out**

125 **18 Inventories**

125 **19 Trade receivables**

126 **20 Other assets**

127 **21 Equity**

130 **22 Financial liabilities**

131 **23 Pension obligations**

135 **24 Other provisions**

136 **25 Other liabilities**

137 Other disclosures

137 **26 Investigations by the public prosecution authorities**

138 **27 Contingent liabilities**

138 **28 Other financial obligations**

139 **29 Additional disclosures on nonderivative financial instruments**

141 **30 Derivatives and hedging strategies**

145 **31 Share-based payment**

145 **32 Related party disclosures**

146 **33 Remuneration of the Executive Board**

148 **34 Remuneration of the Supervisory Board**

149 **35 Corporate Governance Code**

149 **36 Events after the reporting period**

149 **37 Segment reporting**

156 **Responsibility Statement**

157 **Auditors' Report**

Consolidated Financial Statements

MAN consolidated income statement

MAN consolidated income statement

€ million

	Note	MAN Group		Industrial Business*		Financial Services*	
		2009	2008	2009	2008	2009	2008
Revenue		**12,026**	14,945	**12,026**	14,945	**–**	–
Cost of goods sold and services rendered		–9,455	–11,304	–9,455	–11,304	–	–
Gross margin		**2,571**	3,641	**2,571**	3,641	**–**	–
Other operating income	[7]	532	401	331	194	201	207
Selling expenses		–868	–852	–860	–842	–8	–10
General and administrative expenses		–632	–682	–609	–662	–23	–20
Other operating expenses	[8]	–1,365	–1,039	–1,159	–868	–206	–171
Share of net income/(loss) of equity-method investments	[16]	–66	17	–60	16	–6	1
Impairment losses on equity-method investments	[16]	–382	–	–382	–	–	–
Income/(loss) from financial investments		–4	137	–4	137	–	–
Earnings before interest and taxes (EBIT)		**–214**	1,623	**–172**	1,616,	**–42**	7
Interest income	[9]	49	30	49	30	0	–
Interest expense	[9]	–166	–10	–166	–10	0	0
Earnings before tax (EBT)		**–331**	1,643	**–289**	1,636	**–42**	7
Income taxes	[10]	–53	–488	–49	–488	–4	0
Income from discontinued operations, net of tax	[6]	126	92	126	92	–	–
Net income/(loss)		**–258**	1,247	**–212**	1,240	**–46**	7
Net income attributable to noncontrolling interests		12	14	12	14	0	–
Net income/(loss) attributable to shareholders of MAN SE		**–270**	1,233	**–224**	1,226	**–46**	7
Basic earnings per share from continuing operations in €	[11]	**–2.69**	7.76	**–2.38**	7.71	**–0.31**	0.05
Basic earnings per share from continuing and discontinued operations in €	[11]	**–1.84**	8.39	**–1.53**	8.34	**–0.31**	0.05

* The classification into Industrial Business and Financial Services is not a required disclosure under IFRSs and is therefore unaudited.

Consolidated Financial Statements
MAN consolidated reconciliation of comprehensive income for the period

MAN consolidated reconciliation of comprehensive income for the period

€ million	Note	2009	2008
Net income/(loss)		**–258**	1,247
Currency translation differences		320	–42
Change in fair values of marketable securities		–	–534
Change in fair values of derivatives	[29/30]	60	–16
Actuarial gains/losses attributable to pensions	[23]	–112	16
Actuarial gains/losses attributable to provisions for termination benefits		8	–9
Effect of asset ceiling in accordance with IAS 19.58	[23]	0	7
Other comprehensive income for the period from equity-method investments	[16]	23	–
Deferred taxes		7	–19
Other comprehensive income for the period		**306**	–597
Total comprehensive income for the period		**48**	650
of which attributable to noncontrolling interests		12	14
of which attributable to shareholders of MAN SE		**36**	636

See also Note (21) for additional information on equity.

Consolidated Financial Statements
MAN consolidated balance sheet

MAN consolidated balance sheet/assets

€ million

	Note	MAN Group		Industrial Business*		Financial Services*	
		12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Intangible assets	[14]	1,662	351	1,658	347	4	4
Property, plant, and equipment	[15]	2,110	1,914	2,108	1,912	2	2
Equity-method investments	[16]	1,630	1,563	1,625	1,528	5	35
Financial investments		93	70	68	70	25	–
Assets leased out	[17]	1,433	1,563	896	1,025	537	538
Deferred tax assets	[10]	877	471	858	456	19	15
Other noncurrent assets	[20]	118	78	110	66	8	12
Noncurrent assets		**7,923**	**6,010**	**7,323**	**5,404**	**600**	**606**
Inventories	[18]	3,037	3,275	2,989	3,189	48	86
Trade receivables	[19]	3,298	4,255	1,896	2,585	1,402	1,670
Current income tax receivables		112	65	111	65	1	0
Assets held for sale	[6]	139	1,812	139	1,812	–	–
Other current assets	[20]	750	1,008	713	931	37	77
Marketable securities		134	–	134	–	–	–
Cash and cash equivalents		502	105	455	78	47	27
Current assets		**7,972**	**10,520**	**6,437**	**8,660**	**1,535**	**1,860**
		15,895	**16,530**	**13,760**	**14,064**	**2,135**	**2,466**

* The classification into Industrial Business and Financial Services is not a required disclosure under IFRSs and is therefore unaudited.

MAN consolidated balance sheet/equity and liabilities

€ million

	Note	MAN Group		Industrial Business*		Financial Services*	
		12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Subscribed capital		376	376				
Capital reserves		795	795				
Retained earnings		3,816	4,447				
Accumulated other comprehensive income		92	–263				
Equity attributable to shareholders of MAN SE		**5,079**	**5,355**	**4,934**	**5,228**	**145**	**127**
Noncontrolling interests		50	41	50	41	0	–
Total equity	[21]	**5,129**	**5,396**	**4,984**	**5,269**	**145**	**127**
Noncurrent financial liabilities	[22]	2,230	684	2,032	181	198	503
Pension obligations	[23]	160	74	159	72	1	2
Deferred tax liabilities	[10]	622	513	597	496	25	17
Other noncurrent provisions	[24]	547	510	547	510	0	0
Other noncurrent liabilities	[25]	714	1,064	713	1,064	1	0
Noncurrent liabilities and provisions		**4,273**	**2,845**	**4,048**	**2,323**	**225**	**522**
Current financial liabilities	[22]	1,040	1,052	206	509	834	543
Intragroup financing		–	–	–827	–1,080	827	1,080
Trade payables		1,368	1,548	1,319	1,420	49	128
Prepayments received		913	1,099	908	1,093	5	6
Current income tax payables		494	404	493	403	1	1
Liabilities directly associated with assets held for sale		–	1,820	–	1,820	–	–
Other current provisions	[24]	1,313	898	1,310	894	3	4
Other current liabilities	[25]	1,365	1,468	1,319	1,413	46	55
Current liabilities and provisions		**6,493**	**8,289**	**4,728**	**6,472**	**1,765**	**1,817**
		15,895	**16,530**	**13,760**	**14,064**	**2,135**	**2,466**

* The classification into Industrial Business and Financial Services is not a required disclosure under IFRSs and is therefore unaudited.

Consolidated Financial Statements
MAN consolidated statement of cash flows

MAN consolidated statement of cash flows

€ million	MAN Group		Industrial Business*		Financial Services*	
	2009	2008	**2009**	2008	**2009**	2008
Earnings before tax	–331	1,643	–289	1,636	–42	7
Current income taxes	–210	–411	–209	–410	–1	–1
Cash earnings of discontinued operations	11	68	11	68	–	–
Depreciation, amortization, and impairment of noncurrent assets (other than assets leased out)[1]	804	324	802	322	2	2
Change in pension obligations	31	12	31	12	0	0
Share of net income/(loss) from equity-method investments	66	–17	60	–16	6	–1
Dividends received from equity method investments	25	–	25	–	–	–
Cash earnings	**396**	**1,619**	**431**	**1,612**	**–35**	**7**
Change in inventories	405	–649	366	–599	39	–50
Change in prepayments received	–221	88	–221	84	0	4
Change in trade receivables	1,209	–867	932	–281	277	–586
Change in trade payables	–352	15	–273	31	–79	–16
Change in assets leased out	148	194	147	5	1	189
Change in customer payments for assets leased out	–178	90	–178	90	–	–
Change in tax assets and liabilities	51	–242	51	–242	0	0
Change in other provisions	–19	–6	–18	–2	–1	–4
Change in other assets	91	–78	48	–82	43	4
Change in other liabilities	–130	–14	–129	109	–1	–123
Change in discontinued operations	102	–26	102	–26	–	–
Elimination of gains/losses from asset disposals	–11	–30	–11	–30	–	0
Other changes in working capital	–29	43	–27	56	–2	–13
Net cash provided by/(used in) operating activities	**1,462**	**137**	**1,220**	**725**	**242**	**–588**
Payments to acquire property, plant, and equipment investment property, and intangible assets	–366	–603	–365	–597	–1	–6
Payments to acquire investments	–600	–270	–600	–240	–	–30
Payments to acquire subsidiaries, net of cash acquired	–1,337	–	–1,337		–	
Proceeds from asset disposals	77	169	77	168	0	1
Net cash flows from investing activities of discontinued operations	–9	–3	–9	–3	–	–
Proceeds from disposal of discontinued operations, net of cash disposed	–349	–	–349	–	–	–
Net cash used in investing activities	**–2,584**	**–707**	**–2,583**	**–672**	**–1**	**–35**
Free cash flow from operating and investing activities	**–1,122**	**–570**	**–1,363**	**53**	**241**	**–623**
Intragroup dividend distributions	–	–	–61	–7	61	7
Dividend payments	–297	–466	–297	–466	–	–
Change in marketable securities	298	250	298	250	–	–
Change in noncurrent financial liabilities	1,317	368	1,635	44	–318	324
Change in current financial liabilities	–21	–590	–310	–660	289	70
Change in intragroup financing	–	–	252	–125	–252	125
Special pension fund endowment	–28	–15	–27	–15	–1	–
Net cash flows from financing activities of discontinued operations	–5	–8	–5	–8	–	–
Net cash provided by/(used in) financing activities	**1,264**	**–461**	**1,485**	**–987**	**–221**	**526**
Net change in cash and cash equivalents	**142**	**–1,031**	**122**	**–934**	**20**	**–97**
Cash and cash equivalents at beginning of period	**105**	**1,266**	**78**	**1,240**	**27**	**26**
Change in cash and cash equivalents of discontinued operations	223	–223	223	–223	–	–
Change in cash and cash equivalents due to changes in consolidated Group structure	2	103	2	4	0	99
Effect of exchange rate changes on cash and cash equivalents	30	–10	30	–9	0	–1
Cash and cash equivalents at end of period	**502**	**105**	**455**	**78**	**47**	**27**

[1] Intangible assets, property, plant, and equipment, investment property, and investments.

* The classification into Industrial Business and Financial Services is not a required disclosure under IFRSs and is therefore unaudited.

Net cash flows from operating activities of continuing operations includes interest received of €49 million (previous year: €30 million), interest paid of €213 million (previous year: €53 million), income taxes paid of €143 million (previous year: €614 million), and dividends of €25 million (previous year: €57 million) received from investments.

Consolidated Financial Statements
MAN consolidated statement of changes in equity

MAN consolidated statement of changes in equity

€ million	Sub-scribed capital	Capital reserves	Retained earnings	Other com-prehensive income	Equity attributable to MAN shareholders	Non-controlling interests	Total
Balance at December 31, 2007	**376**	**795**	**3,643**	**334**	**5,148**	**29**	**5,177**
Net income	–	–	1,233	–	1,233	14	1,247
Other comprehensive income	–	–	–	–597	–597	–	–597
Total comprehensive income	–	–	1,233	–597	636	14	650
Dividend payment	–	–	–463	–	–463	–3	–466
Other changes	–	–	34	–	34	1	35
Balance at December 31, 2008	**376**	**795**	**4,447**	**–263**	**5,355**	**41**	**5,396**
Net income	–	–	–270	–	–270	12	–258
Other comprehensive income	–	–	–	306	306	0	306
Total comprehensive income	–	–	–270	306	36	12	48
Dividend payment	–	–	–294	–	–294	–3	–297
Other changes	–	–	–67	49	–18	0	–18
Balance at December 31, 2009	**376**	**795**	**3,816**	**92**	**5,079**	**50**	**5,129**

See also Note (21) for additional information on equity

Consolidated Financial Statements
Notes to the consolidated financial statements

Basis of preparation

01 General principles

MAN SE (referred to in the following as "MAN" or "MAN SE") is a listed corporation headquartered in Munich. With its four divisions of MAN Nutzfahrzeuge, MAN Latin America, MAN Diesel, and MAN Turbo, the MAN Group is one of Europe's leading engineering players, generating annual revenue of €12.0 billion (previous year: €14.9 billion) and employing a worldwide workforce of approximately 47,700 employees, including around 1,600 subcontracted employees (previous year: approximately 51,300 employees, including around 2,200 subcontracted employees).

In compliance with section 315a (1) of the *Handelsgesetzbuch* (HGB—German Commercial Code), the accompanying consolidated financial statements of MAN SE for the fiscal year January 1 to December 31, 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union. The Executive Board prepared these consolidated financial statements on January 27, 2010 and resolved to authorize them for submission to the Supervisory Board.

To enable a better insight into the MAN Group's net assets, financial position, and results of operations, the consolidated financial statements have been supplemented by a breakdown of figures into the Industrial Business and Financial Services. The Industrial Business comprises all companies of the MAN Group with the exception of MAN Finance. In the MAN Group, MAN Finance primarily operates the sales financing business for MAN Nutzfahrzeuge and is presented under the "Financial Services" heading. To simplify presentation, the elimination of intragroup transactions between the Industrial Business and Financial Services is presented within the Industrial Business.

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

02 Consolidation and measurement of investments

a) Investments
MAN SE's investments comprise subsidiaries, joint ventures, associates, and financial investments.

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

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

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

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

Number of companies consolidated*

	Germany	Abroad	Total
Consolidated as of Dec. 31, 2008	**60**	**107**	**167**
Initially consolidated in fiscal 2009	0	5	5
Deconsolidated in fiscal 2009	29	38	67
Consolidated as of Dec. 31, 2009	**31**	**74**	**105**

* 2008 includes subsidiaries of discontinued operations, see Note (6)

The MAN Group's basis of consolidation changed in fiscal 2009 due in particular to the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., São Paulo/Brazil (VW Truck & Bus), from Volkswagen Aktiengesellschaft (Volkswagen AG) and the sale of 70% of the shares of MAN Ferrostaal AG, Essen (Ferrostaal). See Note (6) for further information.

Further changes in the basis of consolidation resulted from the initial consolidation of newly formed companies and existing companies that have now started operating. Other deconsolidated companies relate mainly to intragroup mergers.

Major subsidiaries are listed on pages 166 et seq. A complete list of the MAN Group's shareholdings in accordance with section 313(4) of the HGB has been prepared separately and is disclosed as required by law.

Income, expenses, receivables, and liabilities between consolidated companies, as well as intercompany profits or losses from intragroup deliveries of inventories and noncurrent assets, are eliminated. Deferred taxes are recognized for consolidation adjustments recognized in profit or loss.

Business combinations

Business combinations are accounted for using the purchase method of accounting. In the course of initial consolidation, the identifiable assets, liabilities, and contingent liabilities of the acquiree are recognized at fair value. Any remaining excess of cost of acquisition over the MAN Group's share of the revalued net assets of the acquiree is allocated to the relevant division of the MAN Group, as the cash-generating unit, and recognized separately as goodwill. The division, including allocated goodwill, is tested for impairment at least once a year and its carrying amount is written down to the recoverable amount if it is found to be impaired. If a subsidiary is disposed of, the attributable goodwill is included in the calculation of the disposal gain or loss.

c) Equity-method investments

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

Goodwill arising from the acquisition of an associate or joint venture is included in the carrying amounts of investments in associates or joint ventures. If an associate or joint venture is disposed of, the attributable goodwill is included in the calculation of the disposal gain or loss.

d) Financial investments

Financial investments for which a quoted market price or a reliably determinable fair value is available are measured at that amount. Financial investments are measured at cost in all other cases. If there are indications that the carrying amount may be impaired, financial investments carried at cost are tested for impairment; any impairment loss is recognized in the income statement.

e) Currency translation

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

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

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

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

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

	Closing rate		Average rate	
	12/31/2009	12/31/2008	**2009**	2008
US dollar	1.4406	1.3917	1.3943	1.4759
Sterling	0.8881	0.9525	0.8927	0.7934
Danish krone	7.4418	7.4506	7.4465	7.4561
Swiss franc	1.4836	1.4850	1.5077	1.5857
Swedish krona	10.2520	10.8700	10.6132	9.6237
Polish zloty	4.1045	4.1535	4.3490	3.5044
Russian ruble	43.1540	41.2830	44.2226	36.5285
Brazilian real	2.5113	3.2436	2.7947	2.6520
Chinese yuan renminbi	9.8350	9.4956	9.5229	10.2552
Indian rupee	67.0400	67.3931	67.4032	63.7285
Japanese yen	133.1600	126.1400	130.3358	153.1504
South African rand	10.6660	13.0667	11.6207	11.9600

03 Accounting policies

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

a) Revenue recognition

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

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

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

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

b) Operating expenses and income

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

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

c) Intangible assets

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

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

Expenditures incurred to develop new products and series are capitalized if completion of the products or series is technically and economically feasible, they are intended for use or sale, the expenditures can be measured reliably, and adequate resources are available to complete the development project. Development expenditures that do not meet these criteria are recognized immediately as expenses. Capitalized development costs are amortized from the date of market rollout. They are generally amortized over five to seven years on a straight-line basis, or ten years at MAN Diesel. While a development project is still in progress, the accumulated capitalized amounts are tested for impairment at least once a year.

d) Property, plant, and equipment

Property, plant, and equipment is measured at cost less accumulated depreciation and any impairment losses. The production cost of internally manufactured items of property, plant, and equipment comprises directly attributable production costs, proportionate production overheads, and borrowing costs attributable to the period of production. If items of property, plant, and equipment consist of significant identifiable components with different useful lives, such components are recognized and depreciated separately.

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

Items of property, plant, and equipment are depreciated by the straight-line method over their estimated useful lives. Depreciation is based on the following uniform Group useful lives: buildings (10 to 50 years), leasehold improvements (5 to 33 years), production plant and machinery (3 to 33 years), other equipment, operating and office equipment (3 to 25 years).

e) Investment property

Investment property consists of land and buildings held for rental and/or capital appreciation. In the same way as items of property, plant, and equipment, it is measured at cost less accumulated depreciation and impairment losses and (except for land) depreciated by the straight-line method over its estimated useful life. The remaining useful lives of investment property are mainly between 5 and 25 years. The fair value of investment property is disclosed in the notes; see Note (15). It is normally estimated by means of internal appraisals (using recognized valuation techniques). For reasons of materiality, the disclosures on investment property are combined with the disclosures on property, plant, and equipment.

f) Leases, assets leased out

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

MAN Finance companies are lessors in the case of lease transactions involving assets leased out (sales financing). Depending on their substance, such contracts may be finance leases or operating leases. Leases under which MAN Finance retains the asset after expiration of the lease, as well as assets sold with a buyback obligation, are accounted for as operating leases in the MAN Group. The asset leased out is measured at cost and written down to its residual value on a straight-line basis over the term of the lease or until it is bought back.

g) Impairment

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

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

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

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

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

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

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

Loans and receivables that are not held for trading are generally carried at amortized cost less impairment losses. Impairment losses are recognized if there is evidence that the asset is impaired. In the MAN Group, loans and receivables primarily include customer receivables, other receivables, and loans. Non- or low-interest-bearing receivables with a remaining term of more than twelve months are discounted.

Available-for-sale financial assets are measured at fair value. In the MAN Group, this category mainly includes marketable securities and financial investments. The difference between cost and fair value is recognized in other comprehensive income and reported as accumulated other comprehensive income, net of deferred taxes. An impairment loss is recognized in the income statement if there is a significant or prolonged decline in the fair value of an available-for-sale financial asset below its carrying amount.

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

Assets held for trading are measured at fair value. If no price is available in an active market, fair value is estimated using appropriate valuation techniques, such as discounted cash flow methods. Such nonderivative financial instruments are rarely used in the MAN Group.

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

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

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

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

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

If the hedge accounting criteria described in IAS 39 are met, MAN designates and documents the hedging relationship from that date either as a fair value hedge or as a cash flow hedge.

A fair value hedge is a hedge of the MAN Group's exposure to changes in the fair value of recognized assets and liabilities, or unrecognized firm commitments. In a fair value hedge, changes in the fair value of the derivative and the related underlying (hedged item) are recognized in profit or loss. In the case of a perfect hedge, the changes in the fair value of the derivative financial instrument and the underlying recognized in profit or loss offset each other almost entirely.

A cash flow hedge is a hedge of the MAN Group's exposure to variability in the cash flows associated with recognized assets and liabilities, unrecognized firm commitments, and highly probable forecast transactions. In a cash flow hedge, the effective portion of the change in the fair value of the derivative is initially recognized in other comprehensive income and reported in accumulated other comprehensive income, net of deferred taxes. As soon as the hedged item affects profit or loss, the gains or losses recognized in other comprehensive income are reclassified as revenue in the case of sale transactions. If the hedge subsequently results in the recognition of a nonfinancial asset (purchase transaction), the gains and losses recognized in other comprehensive income from measurement of the derivative are included in the carrying amount of the hedged nonfinancial asset. The ineffective portion of the change in fair value is recognized immediately in profit or loss.

If the originally hedged forecasted transaction is no longer expected to occur, the cumulative gains or losses recognized in other comprehensive income until that point are also recognized in profit or loss.

Derivatives that do not meet or no longer meet the criteria for hedge accounting are reclassified as held for trading. Changes in the fair value of such derivatives are recognized immediately in profit or loss.

See Note (30) for information on the MAN Group's hedging strategy and the related volumes at the end of the reporting period.

l) Deferred taxes
Deferred tax assets and liabilities are recognized for temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements, for consolidation adjustments recognized in profit or loss, for tax credits, and for tax loss carryforwards. Deferred taxes are measured using the tax rates enacted or substantively enacted at the end of the reporting period for tax assessment periods starting in 2010; the tax rate applied in Germany is 31.58% (previous year: 31.58%).

Deferred tax assets are only recognized to the extent that taxable income will probably be available to use deductible temporary differences.

Changes in deferred taxes in the balance sheet generally result in deferred tax income or expense. If the change in deferred taxes results from items recognized in other comprehensive income, the change in deferred taxes is also recognized in other comprehensive income.

m) Pension obligations
Pension obligations from defined benefit plans are determined using the projected unit credit method, under which the future defined benefit obligation is measured on the basis of the proportionate benefit entitlements earned by the end of the reporting period and discounted to its present value. Measurement reflects assumptions about the future development of certain parameters that affect the level of future benefits. Differences between the assumptions made and the trends that actually materialized, or changes in actuarial assumptions, may lead to actuarial gains and losses. Such actuarial gains and losses are recognized in other comprehensive income, net of deferred taxes, and reported in total comprehensive income for the period.

Pension provisions are reduced by the fair value of plan assets used to cover benefit obligations; for information on measurement, see Note (23). If plan assets exceed the defined benefit obligation, the excess is only recognized in other assets to the extent that it results in a refund from the plan or the reduction of future contributions.

The current service cost, which represents the entitlements of active employees in accordance with the benefit plan, is reported in the functional expenses in the income statement. The interest expense contained in the net benefit expense and the expected return on plan assets are included in net interest income.

Payments for defined contribution plans are recognized in the functional expenses in the income statement.

n) Other provisions
Other provisions are recognized for all identifiable risks and uncertain obligations that arise from past events, whose settlement is expected to result in an outflow of resources embodying economic benefits, and where the amount of the obligation can be estimated reliably. They are measured in the amount that represents the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the provision is discounted using the current market rate of interest at the end of the reporting period. If some or all of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset if it is virtually certain that it will be received.

The carrying amounts of provisions are regularly reviewed and adjusted to reflect new knowledge or changes in circumstances. If a new estimate results in a reduction in the amount of the obligation, the provision is reversed in the corresponding amount and the income recognized in the functional expenses in which the expense from recognition of the provision was originally recognized.

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

o) Noncurrent assets held for sale and discontinued operations
These include both individual noncurrent assets and groups of assets, together with liabilities associated with those assets (disposal groups), if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.
Noncurrent assets classified as held for sale, either individually or as part of a disposal group, are presented in separate line items in the balance sheet. They are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated or amortized. If there is any subsequent increase in fair value less costs to sell, a remeasurement gain is recognized. The remeasurement gain may not exceed the cumulative impairment losses already recognized for that asset.

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

p) Financial statement presentation
The presentation of assets and liabilities in the balance sheet distinguishes between current and noncurrent items. Assets and liabilities are classified as current if they will be recovered or settled within twelve months after the reporting period or within a longer operating cycle. Deferred tax assets and liabilities, and assets and provisions related to defined benefit pension plans, are presented as noncurrent items. The consolidated income statement has been prepared using the cost of sales (function of expense) format.

q) Prior-period information
To enhance comparability, certain amounts relating to the previous fiscal year have been adjusted to conform to the current presentation.

r) Estimates and management's judgment
Preparation of the consolidated financial statements requires management to make estimates and exercise a degree of judgment in certain matters. The estimates applied were made on the basis of historical data and other relevant factors, including the assumption of the Group as a going concern. All estimates and assumptions represent the best of management's knowledge and belief in order to convey a true and fair view of the Group's net assets, financial position, and results of operations. Although estimation uncertainties are adequately reflected in the carrying amounts of assets and liabilities, future events may differ from these estimates. Estimates and assumptions are continuously reviewed.

The accounting estimates applied to the following matters at the end of the reporting period are of particular significance:

Among other things, the goodwill impairment tests to be performed at least once a year require an estimation of future cash flows and their discounting. Such cash flows are based on forecasts contained in financial plans approved by management. Other material assumptions relate to the weighted average cost of capital and to tax rates. Equally, if items of property, plant, and equipment, investment property, assets leased out, or intangible assets are tested for impairment, the measurement of the recoverable amount of the assets entails estimates by management.

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

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

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

Depending on the underlying transaction, the measurement of other provisions and similar obligations may be complex and associated with a considerable degree of estimation uncertainty. Management's assumptions about the timing and amount of settlement are based on historical data, available technical data, estimates of cost trends and potential warranty claims, possible recoverable amounts, and other factors. Other provisions also include provisions for potential expenses from buyback obligations under which the MAN Group guarantees its customers certain buyback values. Depending on the extent to which buyback rights are exercised, and on the development of resale prices, the actual expenses incurred may differ from the carrying amounts of the recognized provisions.

04 Statement of cash flows

The statement of cash flows classifies cash flows into cash flows from operating, investing, and financing activities. The effects of changes in the consolidated Group structure and of exchange rate changes are eliminated in the corresponding line items. The change in cash and cash equivalents attributable to changes in exchange rates is presented in a separate line item. Cash flow from operating activities is reported using the indirect method.

Noncash operating expenses and income, as well as gains and losses from asset disposals, are eliminated in cash flow from operating activities. The change in assets leased out and in the customer payments received for them is allocated to cash flow from operating activities. Cash earnings are presented separately.

Cash flow from investing activities contains payments to acquire items of property, plant, and equipment, intangible assets, and investments, offset against proceeds from the sale of items of property, plant, and equipment, intangible assets, investments, and discontinued operations. Payments to acquire subsidiaries are reported net of cash acquired.

Cash flow from financing activities is composed of the following cash transactions: dividends paid, cash paid for and provided by securities, borrowings and repayments of financial liabilities, and pension fund endowments.

The cash and cash equivalents reported in the statement of cash flows correspond to the cash and cash equivalents recognized in the balance sheet. Cash and cash equivalents include bank balances and highly liquid financial investments of a temporary nature that are exposed to no more than minor risks of fluctuation in value. In the segments, receivables from intragroup finance transactions are also reported as cash and cash equivalents.

Amounts relating to discontinued operations are reported separately in cash flows from operating, investing, and financing activities.

05 New and revised accounting pronouncements

a) New accounting pronouncements applied

In November 2006, the IASB issued IFRS 8, Operating Segments, which supersedes the previous IAS 14, Segment Reporting. MAN has applied IFRS 8 since the beginning of fiscal 2009. IFRS 8 requires entities to report financial and descriptive information about their reportable segments. As a general rule, financial information must be reported on the basis of internal management processes that are used to assess the performance of the operating segments and to decide which resources will be allocated to the operating segments. See Note (37) for further segment-related information.

The IASB issued a revision of IAS 1, Presentation of Financial Statements, in September 2007. This revised version of IAS 1 supersedes IAS 1, Presentation of Financial Statements (revised 2003), as amended in 2005. IAS 1 governs the principles for the presentation and structure of financial statements, as well as setting out minimum requirements for their content. The application of the revised version of IAS 1 since January 1, 2009 does not have any material effect on the MAN Group's consolidated financial statements.

In March 2009, the IASB issued amendments to IFRS 7, Financial Instruments: Disclosures. These amendments broaden disclosure requirements with regard to the fair value of financial instruments and liquidity risk. For example, entities must disclose the various measurement levels used to determine the fair value of financial instruments. IFRS 7 also requires a distinction to be made between derivative and nonderivative financial liabilities when preparing a maturity analysis of financial liabilities. The MAN Group has applied the amendments since the beginning of fiscal 2009.

The IASB issued further pronouncements that were required to be applied by MAN for the first time in fiscal 2009. These accounting pronouncements have been applied by the Group and do not have any material effect on MAN's consolidated financial statements.

b) New accounting pronouncements adopted by the EU that have not been applied prior to the effective date

The following accounting pronouncements have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2010.

The IASB issued IFRS 3, Business Combinations (IFRS 3 (2008)), on January 10, 2008. This revision to IFRS 3 (2008) revises the application of the purchase method of accounting to business combinations. Significant amendments relate to the measurement of noncontrolling interests, recognition of step acquisitions, and accounting for contingent consideration and acquisition-related costs. In accordance with the revised IFRS 3, noncontrolling interests can be measured either at fair value ("full goodwill method") or at the fair value of the proportionate interest of noncontrolling interests in the identified net assets. In the case of step acquisitions, interests held on the date that control is obtained are remeasured, with any adjustments to previously recognized assets and liabilities being recognized in profit or loss. In future, any adjustment to contingent consideration components recognized as liabilities at the date of acquisition is recognized in profit or loss. Acquisition-related costs are recognized as expenses in the period in which they are incurred. MAN will apply IFRS 3 (2008) starting in fiscal 2010.

Also on January 10, 2008, the IASB issued IAS 27, Consolidated and Separate Financial Statements (IAS 27 (2008)). The main changes in IAS 27 (2008) relate to accounting for transactions in which an entity retains control, and transactions that result in the loss of control. Transactions that do not result in a loss of control are accounted for in equity as transactions with owners. Any retained interest is measured at fair value at the date control is lost. A deficit balance may be reported for noncontrolling interests, i.e., losses are now attributed without limit in proportion to the parent's interest. MAN will apply IAS 27 (2008) starting in fiscal 2010.

The IASB has issued a series of other pronouncements. The Company is currently assessing the potential effects of these pronouncements on its consolidated financial statements. However, it does not expect them to have any material effect on MAN's consolidated financial statements.

06 Acquisitions and divestments

a) Acquisitions

Acquisitions in 2009

In March 2009, MAN completed the acquisition of VW Truck & Bus from Volkswagen AG. This move gives MAN a leading position in the Brazilian commercial vehicles market. The company, which was consolidated as of March 31, 2009, is being managed as a new division, "MAN Latin America." The preliminary acquisition cost (including cash acquired and liabilities assumed) amounts to €1,339 million. The company has been included in the consolidated income statement since April 1, 2009. Purchase price allocation has not yet been fully completed. Based on the preliminary purchase price allocation, the acquisition resulted in finite-lived intangible assets of €625 million. In addition, goodwill of €463 million was recognized. Of the intangible assets amounting to €625 million, €189 million is attributable to marketing-related assets with a weighted average useful life of 5.0 years, and €436 million is attributable to customer-related assets with a weighted average useful life of 18.7 years. MAN expects to be able to utilize the goodwill resulting from the transaction for tax purposes.

Based on the preliminary figures, the assets and liabilities acquired are shown in the following table as of the acquisition date:

€ million	Carrying amount at date of initial consolidation	Adjustments (provisional)	Carrying amount in opening balance sheet (provisional)
Total assets	**1,041**	**735**	**1,776**
Intangible assets	83	573	656
Property, plant, and equipment, and other assets	958	162	1,120
Total liabilities	**697**	**134**	**831**
Noncurrent liabilities	230	67	297
Current liabilities	467	67	534
Equity	**344**	**601**	**945**

If this company had already been included in the consolidated financial statements as of January 1, 2009, MAN's earnings before interest and taxes—excluding the effects of purchase price allocation—and revenue for fiscal 2009 would have amounted to €–129 million and €12,405 million respectively.

The transaction to acquire 25% plus one share of the Chinese truck manufacturer Sinotruk Ltd., Hong Kong/China (Sinotruk), for €567 million was completed in October 2009. MAN is thus continuing to focus its international growth on the BRIC markets. As part of the agreement, MAN is licensing to Sinotruk its TGA truck technology, including engines, vehicle chassis, and axles. The common goal is to develop a new heavy truck series. MAN has significant influence over Sinotruk's operating and financial policies. The Group's interest in Sinotruk is accounted for using the equity method. See Note (16) for further information.

To support MAN Nutzfahrzeuge's growth strategy, MAN expanded its product range to include vehicle rental and leasing at the beginning of 2008. At the time, MAN Finance International GmbH, Munich, acquired a 25.13% interest in EURO-Leasing GmbH, Sittensen (EURO-Leasing) as part of a capital increase. The stake in EURO-Leasing was increased to 50.13% as part of a capital increase (subscribed for by MAN Nutzfahrzeuge) at the end of December 2009. EURO-Leasing will be fully consolidated beginning January 1, 2010.

Acquisitions in 2008
In December 2008, MAN Nutzfahrzeuge AG increased its interest in the MAN FORCE TRUCKS Private Limited, Akurdi/India, joint venture (MAN FORCE TRUCKS) from 30% to 50%. By increasing its stake, MAN Nutzfahrzeuge took on more responsibility for the continued successful expansion of business activities in India. At the same time, it has plans to significantly accelerate sales of trucks manufactured in India in the Asian and African growth markets. Please see Note (16) for further information.

Interest in Scania AB, Södertalje/Sweden (Scania)
In December 2008, MAN acquired a call option on 1.5% of the equity and 2.8% of the outstanding voting rights of Scania. MAN can exercise the option until January 5, 2011. Please see Note (16) for further information.

b) Divestments
Divestments in 2009
On March 25, 2009, MAN transferred 70% of the shares of Ferrostaal to the International Petroleum Investment Company, Abu Dhabi/U.A.E. (IPIC). The price for 100% of the shares of Ferrostaal is approximately €700 million and is contingent on the option agreed by MAN and IPIC on the purchase and sale of the remaining shares. The contractually agreed put option for the remaining 30% interest in Ferrostaal was exercised at the beginning of 2010. The interest in Ferrostaal is reported as “held for sale” and not accounted for using the equity method as of December 31, 2009.

The transaction resulted in a preliminary gain—net of transaction costs—of €105 million, which is reported in “Income from discontinued operations, net of tax.” Ferrostaal’s profit and loss is presented in the consolidated income statement as “Income from discontinued operations, net of tax” retrospectively for all reporting periods.

Income from Ferrostaal reported in MAN’s consolidated income statement is composed of the following items:

Reporting period January 1 to December 31

€ million	2009	2008
Revenue	435	1,640
Costs, expenses, and income	–412	–1,493
Income taxes	–13	–55
Net income of discontinued operations	10	92
Disposal gain	105	–
Income from discontinued operations, net of tax	**115**	**92**

The cash flows of discontinued operations are broken down as follows:

Reporting period January 1 to December 31

€ million	2009	2008
Cash earnings	11	68
Change in discontinued operations	102	–26
Net cash flows from operating activities	**113**	**42**
Net cash flows from investing activities	–9	–3
Proceeds from disposal of discontinued operations, net of cash disposed	–349	–
Net cash flows from financing activities	–5	–8

Income statement disclosures

07 Other operating income

€ million	2009	2008
Income from financial services	186	176
Gains on financial instruments	128	40
Income from reversal of provisions	40	59
Other trade income	25	30
Gains on disposal of property, plant, and equipment, and intangible assets	21	21
Miscellaneous other income	132	75
	532	**401**

Income from financial services represents the income generated by MAN Finance’s business.

Gains on financial instruments result primarily from the remeasurement of foreign exchange positions and currency and interest rate hedges. To enable a better insight into the results of operations, gains and losses from currency translation are presented as net amounts. The increase in gains on financial instruments is due mainly to the initial inclusion of MAN Latin America and to current exchange rate developments.

Income from reversal of provisions relates to provisions that were not recognized via functional expenses, in particular cost of goods sold and services rendered.

08 Other operating expenses

€ million	2009	2008
Research and development	365	383
Losses from nonrecurring items	274	110
Impairment losses on inventories	208	71
Expenses from financial services	114	126
Bad debt allowances on receivables	113	59
Additions to provisions	83	100
Losses on financial instruments	81	71
Miscellaneous other expenses	127	119
	1,365	1,039

Other operating expenses comprise those expenses that cannot be allocated to the functional expenses, and in particular to cost of goods sold and services rendered. Research and development (R&D) expenses contain only that portion of R&D expenses that cannot be allocated to contract-related production costs or capitalized development costs. The amortization attributable to capitalized development costs is also reported in "Other operating expenses."

Losses from nonrecurring items in 2009 contain expenses in connection with the investigations by the public prosecution authorities due to suspected unlawful commission payments. At the beginning of December 2009, administrative fines totaling €150.6 million were imposed on MAN Nutzfahrzeuge and MAN Turbo. The related internal investigations conducted by independent lawyers, auditors, and tax experts led to expenses of €50 million. Losses from nonrecurring items include termination benefits amounting to a total of €20 million for former Executive Board members and senior managers. Losses from nonrecurring items also include restructuring expenses of €23 million at MAN Diesel as a consequence of the planned discontinuation of engine production at the Frederikshavn, Denmark, site as well as €30 million relating to the commercial vehicles market in Russia, which has come to almost a complete standstill. In the previous year, nonrecurring items included restructuring expenses and costs resulting from the unusually steep depreciation of Eastern European currencies against the euro and the sharp decrease in the availability of finance in these currencies.

Losses on financial instruments and expenses from financial services correspond to the related items in "Other operating income."

09 Net interest income/(expense)

€ million	2009	2008
Interest and similar income	49	30
Interest and similar expenses	–213	–53
Interest component of additions to pension provisions	–87	–82
Return on CTA plan assets	73	83
less: interest expenses reclassified as other operating expenses	61	42
	–117	20

The deterioration of net interest income by €137 million to a net interest expense in 2009 is due primarily to the financing of the acquisition of MAN Latin America and the transaction to acquire 25% plus one share of Sinotruk.

The interest expenses of €61 million (previous year: €42 million) reclassified as other operating expenses relate to the refinancing of assets leased out by MAN Finance.

10 Taxes

The reported tax expense is broken down as follows:

€ million	2009	2008
Current income taxes		
Germany	55	212
Abroad	155	199
Deferred taxes		
Germany	–133	58
Abroad	–24	19
	53	488

The tax expense expected for fiscal 2009 is based on the application of the German tax rate applicable for the 2009 assessment period of 31.58% (as in the previous year) to earnings before tax. This tax rate includes municipal trade tax (15.75%), corporate income tax (15.0%), and the solidarity surcharge (5.5% of the corporate income tax liability). As in the previous year, tax rate changes outside Germany did not materially affect the total tax expense in fiscal 2009.

Deferred tax assets on corporate income tax and trade tax loss carryforwards (including interest carried forward from nondeductible interest expenses in accordance with section 4 h of the *Einkommensteuergesetz* (EstG—German Income Tax Act) in conjunction with section 8 a of the *Körperschaftsteuergesetz* (KStG—German Corporate Income Tax Act) of €131 million (previous year: €0 million) are currently recognized at German companies. Deferred taxes of €30 million (previous year: €16 million) were recognized at foreign companies for their local taxes. No deferred tax assets were recognized as of December 31, 2009 for existing tax loss carryforwards of €50 million and temporary differences of €58 million due to the low probability of such deferred tax assets being recoverable (in the previous year, €43 million was attributable to tax loss carryforwards and €123 million to temporary differences). Tax losses of €30 million for which no deferred tax assets have been recognized can only be carried forward for a limited period. The related expiration dates are between 2011 and 2023.

No deferred taxes were recognized in fiscal 2009 for accumulated earnings at subsidiaries and associates amounting to €74 million (previous year: €71 million).

Reconciliation of expected and actual tax expense
€ million

	2009	%	2008	%
Earnings before tax	–331	100.0	1,643	100.0
Expected tax expense	–104	31.6	519	31.6
Tax-exempt income	–6	1.8	–57	–3.5
Differences to foreign tax rates	–28	8.3	–58	–3.5
Equity-method investments	142	–42.9	–5	–0.3
Utilization of tax loss carryforwards and temporary differences not recognized in previous years, and reversal of valuation allowances on deferred tax assets	–	–	–8	–0.5
Valuation allowances on deferred tax assets	3	–0.9	–	–
Prior-period taxes	26	–7.8	46	2.8
Nondeductible expenses	18	–5.5	26	1.6
Other items	2	–0.6	25	1.5
Actual tax expense	**53**	**–16.0**	**488**	**29.7**

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

€ million

	Deferred tax assets		Deferred tax liabilities	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Intangible assets	32	6	155	80
Property, plant, and equipment	23	8	104	150
Inventories	62	45	75	75
Receivables and other assets	73	26	175	91
Pension obligations	56	44	17	22
Other provisions	301	120	14	22
Other liabilities	169	200	67	64
Tax loss carryforwards	161	16	–	–
Other items	–	6	15	9
	877	**471**	**622**	**513**

11 Earnings per share

€ million (unless otherwise indicated)	2009	2008
Net income/(loss) attributable to shareholders of MAN SE	–270	1,233
of which: income from discontinued operations, net of tax	126	92
Net income/(loss) from continuing operations attributable to shareholders of MAN SE	**–396**	**1,141**
Number of shares outstanding (weighted average, million)	147,0	147.0
Earnings/(loss) per share from continuing operations in €	**–2,69**	**7.76**

Earnings per share are calculated by dividing consolidated net income from continuing operations by the average number of shares outstanding in the year. The number of shares outstanding includes both common and preferred shares because both share classes carry the same dividend rights in 2009, as in the previous year.

There were no outstanding options on shares as of December 31, 2009 and December 31, 2008 that dilute earnings per share. Any exercise of MAN SE's contingent capital in future periods will be dilutive.

Earnings per share from discontinued operations were €0.85 (previous year: €0.63).

12 Other income statement disclosures

Cost of materials
€ million

	2009	2008
Cost of raw materials, consumables, and supplies, and of purchased merchandise	5,411	7,486
Cost of purchased services	925	849
	6,336	**8,335**

Payments under operating leases
€ million

	2009	2008
	111	**111**

Personnel expenses
€ million

	2009	2008
Wages and salaries	2,010	2,343
Social security contributions, retirement and other employee benefit expenses	454	461
	2,464	**2,804**

Retirement benefit expenses amounted to €193 million (previous year: €179 million), of which €124 million (previous year: €135 million) was attributable to statutory pension insurance contributions. They are included in the relevant functional expenses. The expected return on plan assets and the interest component of additions to pension provisions are reported in net interest income/(expense).

Annual average headcount

	2009	2008
MAN Nutzfahrzeuge	32,104	35,251
MAN Latin America	1,140	–
MAN Diesel	7,540	7,163
MAN Turbo	4,249	3,941
Other	2,332	2,432
	47,365	**48,787**

Depreciation and amortization expense
€ million

	2009	2008
Intangible assets	132	67
Property, plant, and equipment	282	254
	414	**321**

Impairment losses
€ million

	2009	2008
Goodwill	–	0
Property, plant, and equipment	7	3
Financial investments and equity-method investments[1]	383	0
	390	**3**

[1] See note (16) for further information.

13 Total remuneration of the auditors

The fee for the activities of the Group auditors KPMG and its affiliated companies for fiscal 2009 amounted to €11.4 million (previous year €12.3 million).

The amount is composed of remuneration for the following services:

€ million

	2009	2008
Audits	4.5	4.9
Other assurance and valuation services	2.8	4.1
Tax advisory services	0.8	0.6
Incidental costs	0.5	0.5
Reviews of interim financial statements	0.4	0.4
Other services	2.4	1.8
	11.4	**12.3**

Balance sheet disclosures

14 Intangible assets

€ million

	Licenses, software, similar rights, customer relationships, brands, and other assets	Capitalized development costs	Goodwill	Intangible assets
Gross carrying amount at January 1, 2008	125	483	173	781
Accumulated amortization and impairment losses	–77	–272	–108	–457
Balance at January 1, 2008	**48**	**211**	**65**	**324**
Reclassified as assets held for sale	–2	–	–	–2
Change in consolidated Group structure/acquisitions	14	–	1	15
Additions	41	41	3	85
Transfers	13	–12	–	1
Disposals	–8	0	0	–8
Amortization	–24	–43	–	–67
Currency translation differences	0	0	3	3
Balance at December 31, 2008	**82**	**197**	**72**	**351**
Gross carrying amount at December 31, 2008	158	502	178	838
Accumulated amortization and impairment losses	–76	–305	–106	–487
Balance at January 1, 2009	**82**	**197**	**72**	**351**
Change in consolidated Group structure/acquisitions	629	30	473	1,132
Additions	16	68	–	84
Transfers	3	0	–	3
Disposals	–3	–1	0	–4
Amortization	–81	–51	–	–132
Currency translation differences	137	7	84	228
Balance at December 31, 2009	**783**	**250**	**629**	**1,662**
Gross carrying amount at December 31, 2009	917	605	735	2,257
Accumulated amortization and impairment losses	–134	–355	–106	–595

Purchased licenses, software, similar rights and assets, and capitalized development costs are finite-lived assets. Amortization recognized on these assets amounted to €132 million (previous year: €67 million) and is included in the functional expenses, in particular cost of goods sold and services rendered and selling expenses.

Analysis of goodwill
€ million

	12/31/2009	12/31/2008
MAN Nutzfahrzeuge	4	4
MAN Latin America	548	–
MAN Diesel	14	14
MAN Turbo	63	54
	629	72

Goodwill is allocated to the divisions as shown above. The increase in goodwill as of December 31, 2009 is attributable primarily to the purchase of VW Truck & Bus and exchange rate movements; see note (6).

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

The principal planning assumptions are expected market trends in relation to MAN's development, changes in material production and other costs, changes in the after-sales business, and the discount rate. Assumptions are based on general market forecasts, current developments, and past experience. The long-term growth rates reflect business- and country-specific circumstances.

Cash flows are forecasted individually on the basis of revenue and cost projections for each division to which goodwill is allocated. The discount rate applied is MAN's pretax WACC of 10.5% (previous year: 11.5%). Goodwill is impaired if the division's value in use is less than its carrying amount.

No impairment of recognized goodwill was identified for fiscal 2009 and 2008.

15 Property, plant, and equipment

€ million	Land and buildings	Production plant and machinery	Other plant, operating and office equipment	Prepayments and construction in progress	Property, plant, and equipment
Gross carrying amount at January 1, 2008	1,740	1,867	994	114	4,715
Accumulated depreciation and impairment losses	–853	–1,273	–780	–	–2,906
Balance at January 1, 2008	**887**	**594**	**214**	**114**	**1,809**
Reclassified as assets held for sale	–73	–24	–14	0	–111
Change in consolidated Group structure/acquisitions	1	6	2	0	9
Additions	56	178	102	182	518
Transfers	60	34	14	–109	–1
Disposals	–10	–6	–5	0	–21
Depreciation	–55	–134	–65	–	–254
Impairment losses	–3	0	–	–	–3
Currency translation differences	–25	–4	–3	0	–32
Balance at December 31, 2008	**838**	**644**	**245**	**187**	**1,914**
Gross carrying amount at December 31, 2008	1,590	1,835	961	187	4,573
Accumulated depreciation and impairment losses	–752	–1,191	–716	–	–2,659
Balance at January 1, 2009	**838**	**644**	**245**	**187**	**1,914**
Change in consolidated Group structure/acquisitions	43	114	48	3	208
Additions	39	110	63	70	282
Transfers	82	74	20	–179	–3
Disposals	–13	–7	–32	–2	–54
Depreciation	–49	–155	–77	–1	–282
Impairment losses	–3	–2	–2	–	–7
Currency translation differences	15	24	11	2	52
Balance at December 31, 2009	**952**	**802**	**276**	**80**	**2,110**
Gross carrying amount at December 31, 2009	1,725	1,964	999	80	4,768
Accumulated depreciation and impairment losses	–773	–1,162	–723	–	–2,658

Depreciation of items of property, plant, and equipment amounted to €282 million (previous year: €254 million) and is included in the functional expenses, in particular cost of goods sold and services rendered.

Investment property

The carrying amount of investment property amounted to €15 million as of December 31, 2009 (previous year: €18 million), compared with a fair value of €48 million (previous year: €63 million).

16 Equity-method investments

Associates

The most significant equity-method investments as of December 31, 2009 are the associates Scania und Sinotruk. The shares in the associate Roland Holding GmbH, Munich, and in the joint venture MAN FORCE TRUCKS are also accounted for using the equity method.

Scania

The purchase of a call option on 1.5% of the share capital and 2.8% of Scania's outstanding voting rights in December 2008 gave MAN access to more than 20% of Scania's voting rights. MAN can exercise the option until January 5, 2011 (see Note (6)). We have accounted for our investment in Scania using the equity method since December 31, 2008.

A small number of class B Scania shares were exchanged for class A Scania shares in fiscal 2009. Our equity interest in Scania was 13.35% at December 31, 2009 (previous year: 13.35%), and we held 17.37% of the voting rights (previous year: 17.22%).

MAN's investment in Scania was tested for impairment in the fourth quarter of 2009. The impairment test was triggered mainly by the sharp decline in Scania's figures and earnings in 2009. At the same time, the recovery from the crisis is expected to be slow and weak. These factors mean that the cash flow forecasts, and in particular the expected cash flows from the investment, are currently subject to increased uncertainty. In December 2009, the value in use of the investment calculated on the basis of these expected cash flows did not exceed its fair value less costs to sell, which was determined on the basis of the quoted market price. This resulted in an impairment loss of €357 million in the fourth quarter of 2009, which was recognized under "Impairment losses on equity-method investments." As a result of the application of the equity method and the additional recognition of this impairment loss, the carrying amount of the investment in Scania was €958 million as of December 31, 2009 (previous year: €1,349 million). The quoted market value of the 13.35% investment in Scania as of December 31, 2009 was also €958 million (previous year: €759 million). Summary financial information for Scania is shown in the following table (the amounts shown are the full amounts for Scania, and are thus not adjusted for the equity interest held by MAN).

€ million	2009	2008
Assets[1]	9,667	10,269
Liabilities[1]	7,511	8,028
Revenue[2]	4,273	6,795
Net income[2]	30	755

[1] Amounts shown relate to the reporting period ended September 30.
[2] Amounts shown relate to the period from January 1 to September 30, reflecting the inclusion in the consolidated income statement in fiscal 2009

Sinotruk

MAN's interest in Sinotruk has been reported as an equity-method investment since October 2009. The consolidated income statement does not contain any share of Sinotruk's net income for fiscal 2009 as the equity method is applied with a delay of three months. The quoted market value of the 25% investment in Sinotruk as of December 31, 2009 was €560 million. Summary financial information for Sinotruk is shown in the following table for information purposes (the amounts shown are the full amounts for Sinotruk, and are thus not adjusted for the equity interest held by MAN), although the consolidated balance sheet and the consolidated income statement do not include any figures from the inclusion of Sinotruk using the equity method, apart from the original acquisition cost of €567 million as of December 31, 2009. See Note (6) for further information on Sinotruk.

€ million	2009	2008
Assets[1]	3,582	–
Liabilities[1]	2,245	–
Revenue[2]	1,551	–
Net income[2]	61	–

[1] Amounts shown relate to the reporting period ended June 30, 2009.
[2] Amounts shown relate to the period January 1 to June 30, 2009.

17 Assets leased out

€ million	2009	2008
Gross carrying amount at January 1	2,197	2,454
Accumulated depreciation	–634	–653
Balance at January 1	**1,563**	**1,801**
Additions	440	840
Disposals	–154	–451
Depreciation	–434	–583
Currency translation differences	18	–44
Balance at December 31	**1,433**	**1,563**
Gross carrying amount at December 31	1,976	2,197
Accumulated depreciation	–543	–634

Assets leased out relate to commercial vehicles that are leased to customers on the basis of operating leases or sold to customers with buyback options.

Future revenue from noncancelable operating leases

€ million	12/31/2009	12/31/2008
Due within one year	309	166
Due between one and five years	438	708
Due after more than five years	41	1
	788	**875**

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

18 Inventories

€ million	12/31/2009	12/31/2008
Raw materials, consumables, and supplies	515	500
Work in progress and finished products	2,089	2,348
Merchandise	280	265
Prepayments	153	162
	3,037	**3,275**

Consumption of inventories amounting to €5,411 million (previous year: €7,486 million) is recognized as cost of goods sold and services rendered in the reporting period. Inventories of €1,116 million (previous year: €1,036 million) were recognized at net realizable value. The impairment loss amounted to €208 million (previous year: €71 million).

19 Trade receivables

€ million	12/31/2009	12/31/2008
Customer receivables	1,828	2,663
Finance lease receivables	1,096	1,240
PoC receivables	214	164
Receivables from investments	160	188
	3,298	**4,255**

€913 million (previous year: €1,143 million) of the receivables are due after more than one year, including €33 million (previous year: €25 million) due after more than five years. The remaining €2,385 million (previous year: €3,112 million) is due in less than one year.

Bad debt allowances on customer receivables, PoC receivables, and receivables from investments, and other receivables changed as follows:

€ million	2009	2008
Balance at January 1	**90**	**216**
Additions	70	41
Utilization	–13	–12
Reversals	–20	–13
Exchange rate effects and other changes	2	–2
Reclassified as discontinued operations	–	–140
Balance at December 31	**129**	**90**

Finance lease receivables relate to commercial vehicle leases. The gross investment in the lease is the aggregate of the minimum lease payments receivable until expiration of the lease plus the unguaranteed residual value of the vehicle at the end of the lease. The present value is obtained by discounting the gross investment in the lease at the interest rate implicit in the lease.

Gross investment in finance leases

€ million	12/31/2009	12/31/2008
Due within one year	457	478
Due between one and five years	828	945
Due after more than five years	28	26
	1,313	**1,449**

The maturities of the present value of minimum lease payments due under finance lease receivables are as follows:

€ million	12/31/2009	12/31/2008
Due within one year	347	376
Due between one and five years	714	837
Due after more than five years	24	24
	1,085	1,237

Reconciliation of the gross investment in leases to the present value of minimum lease payments:

€ million	12/31/2009	12/31/2008
Gross investment in finance leases	**1,313**	1,449
Discount	–147	–181
Bad debt allowances	–70	–28
Net investment in finance leases	**1,096**	1,240
of which unguaranteed residual value	–11	–3
Minimum lease payments	**1,085**	1,237

Bad debt allowances on finance lease receivables changed as follows:

€ million	2009	2008
Balance at January 1	**28**	15
Additions	56	26
Utilization	–9	–5
Reversals	–4	–7
Exchange rate effects and other changes	–1	–1
Balance at December 31	**70**	28

Certain volumes of receivables are sold, in particular to refinance financial services, depending on the market situation and liquidity requirements. Provided that the significant opportunities and risks associated with the receivables remain with the MAN Group, the receivables continue to be reported in our balance sheet. The carrying amount of such receivables at the end of the reporting date was €103 million (previous year: €177 million). The corresponding liabilities are contained in financial liabilities; see Note (22).

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

€ million	12/31/2009	12/31/2008
Contract costs and proportionate contract profit/loss of construction contracts	1,880	1,739
of which billed to customers	–689	–679
PoC receivables, gross	**1,191**	1,060
Prepayments received	–977	–896
	214	164

Other prepayments of €592 million (previous year: €534 million) received on construction contracts for which no contract costs have yet been incurred are recognized as liabilities.

Revenue from construction contracts amounted to €1,112 million (previous year: €915 million). Orders and part-orders billed to customers are reported in customer receivables.

20 Other assets

€ million	12/31/2009	12/31/2008
Derivatives and measurement of hedged items	294	538
VAT receivables	138	227
Prepaid expenses, prior-period payments	67	72
Loans and other third-party receivables	63	42
Other tax receivables	51	3
Reserve from pension liability insurance	23	26
Financing receivables from investments	21	26
Advances, clearing accounts	11	6
Miscellaneous other assets	200	146
	868	1,086

Other assets are reported in the following balance sheet items:

€ million	12/31/2009	12/31/2008
Other noncurrent assets	118	78
Other current assets	750	1,008

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

Other assets amounting to €136 million (previous year: €80 million) are due after more than one year, including €33 million (previous year: €44 million) due after more than five years. The remaining €732 million (previous year: €1,006 million) is due in less than one year.

21 Equity

a) Share capital, rights to implement capitalization measures

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

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

The common shares are voting shares, while preferred shares do not generally carry voting rights. Under section 140(2) of the *Aktiengesetz* (AktG—German Stock Corporation Act), this does not apply if the preferred dividend is not paid in a year, or is not paid in full, and the shortfall is not made good in the following year in addition to the full preferred dividend for that year. In such cases, holders of preferred shares have voting rights until the shortfalls are made good, and the preferred shares must be included in the calculation of any capital majority required by the law or the Articles of Incorporation/Bylaws. The holders of preferred shares also have voting rights in accordance with section 141(1) and (2) sentence 1 in conjunction with (3) of the AktG, under which a consenting resolution by the holders of preferred shares is required if the Annual General Meeting adopts a resolution to revoke or limit the preferred dividend or to issue preferred shares that would rank prior to or equal with the existing nonvoting preferred shares in the distribution of profit or the net assets of the Company.

The same rights and obligations attach to all shares in all other respects.

Authorized Capital 2005

The Annual General Meeting on June 3, 2005, confirmed for MAN SE by the resolution of the Annual General Meeting on the change in legal form to an SE on April 3, 2009, resolved to authorize the Executive Board of the Company to increase the share capital, with the consent of the Supervisory Board, by up to €188,211,200 (= 50%) by issuing common bearer shares on one or more occasions against cash contributions and/or noncash contributions in the period up to June 2, 2010 (Authorized Capital 2005).

In a statement dated May 24, 2005, the Company's Executive Board announced that it would only exercise the authorization to increase the Company's share capital against noncash contributions for the purpose of acquiring companies, investments in companies, or significant assets of companies up to a maximum amount of 20% of the existing share capital (= €75,284,480).

With regard to a partial amount of the Authorized Capital 2005 of up to €4,000,000, the Annual General Meeting on April 3, 2009, additionally authorized the Executive Board, with the consent of the Supervisory Board to disapply shareholders' preemptive rights and to issue new shares against cash contributions to employees with management responsibilities (managers) of the Company and/or of affiliated subordinated companies of the Company. The terms of issue may also stipulate that the contribution to be paid will be covered in accordance with section 204(3) of the AktG (Article 4(4) of the Articles of Association. This supplement to the authorization was also confirmed in the resolution on the change of legal form to an SE on April 3, 2009.

Authorization to issue convertible bonds and/or bonds with warrants; Contingent Capital 2005

By way of a resolution of the Annual General Meeting on June 3, 2005, supplemented by a resolution of the Annual General Meeting on May 10, 2007, and confirmed for MAN SE by the resolution of the Annual General Meeting on the change in legal form to an SE on April 3, 2009, the Company's Executive Board was authorized, with the consent of the Supervisory Board, to issue convertible bonds and/or bonds with warrants of MAN SE in the aggregate principal amount of up to €1.5 billion and an original maximum maturity of 20 years on one or more occasions until June 2, 2010, and to grant the bondholders options or conversion rights on new common bearer shares of MAN SE with a notional interest in the share capital of up to €76,800,000 (approximately 20%) as specified in greater detail by the option or conversion terms. The bonds are issuable against cash contributions.

The authorization also includes the option to guarantee bonds issued by other Group companies and to grant shares of MAN SE to settle the conversion rights or options conveyed by these bonds.

At the same time, the Annual General Meeting on June 3, 2005 resolved to contingently increase the share capital by up to €76,800,000, composed of up to 30,000,000 common bearer shares. The contingent capital increase will only be implemented to the extent that the holders of conversion rights or options under bonds issued for cash consideration by MAN SE or its Group companies by virtue of the authorizing resolution of the Annual General Meeting on June 3, 2005, supplemented by the resolution of the Annual General Meeting on May 10, 2007, exercise their conversion rights or options, and provided that other forms of settlement are not used. The new shares carry dividend rights for the first time for the fiscal year in which they are issued (Contingent Capital 2005).

Share repurchase

The resolution on April 25, 2008 authorizing the purchase of the Company's own shares was superseded when the authorizing resolution of the Annual General Meeting on April 3, 2009 to purchase the Company's own shares took effect, confirmed for MAN SE by the resolution of the Annual General Meeting on the change in legal form to an SE on April 3, 2009.

The resolution of the Annual General Meeting on April 3, 2009 authorized the Executive Board to purchase common and/or nonvoting preferred shares of the Company, with the consent of the Supervisory Board, on one or more occasions until October 2, 2010 up to a maximum total amount of 10% of the share capital. Together with other treasury shares held by the Company or attributable to the Company in accordance with sections 71 d and 71 e of the AktG, the shares purchased by virtue of this authorization may not account for more than 10% of the existing share capital at any time. The shares may also be purchased by other Group companies and/or third parties for the account of MAN SE or other Group companies.

The shares may be purchased on the stock exchange or by means of a public purchase offer to the holders of the class of shares concerned. If the shares are purchased on the stock exchange, the purchase price (net of transaction costs) may not exceed or fall below the price for the relevant class of shares determined by the opening auction on the trading day in XETRA trading (or a comparable successor system) by more than 10%. In the case of a public purchase offer, the bid price or the bid price range per share (net of transaction costs) may not exceed or fall below the price for the relevant class of shares determined by the closing auction in XETRA trading (or a comparable successor system) on the third market day after the date of the public announcement of the offer by more than 10%. If the total shares tendered exceed the volume of the purchase offer, they must be accepted on a proportionate basis. The terms of the offer may provide for preferred acceptance of small numbers of shares to the extent provided by law, but in any case up to no more than a maximum of 100 shares tendered per shareholder.

The Executive Board has been additionally authorized, with the consent of the Supervisory Board, to use purchased common shares of the Company for all purposes permitted by law in addition to sale on the stock exchange or by a public offer to all shareholders, and to disapply shareholders' preemptive rights. This applies in particular if (i) the purchased common shares are sold at a price that is not materially lower than the quoted market price, and/or (ii) to the extent that they are used as consideration in a business combination or to acquire companies or investments in companies, and/or (iii) to the extent that they are used to settle options or conversion rights granted by the Company or a Group company when bonds were issued. The shares transferred by virtue of this authorization may not in the aggregate exceed 10% of the share capital where they are used to satisfy conversion rights and options issued in corresponding application of section 186 (3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants issued at the time of utilization in accordance with this provision shall also count towards this limit.

The Annual General Meeting on April 3, 2009 further authorized the Executive Board to redeem the Company's own common shares and/or nonvoting preferred shares with the consent of the Supervisory Board, but without any further resolution by the Annual General Meeting.

b) Significant shareholdings in MAN SE

Volkswagen Aktiengesellschaft notified MAN SE (MAN Aktiengesellschaft at the time) in February 2007 in accordance with section 21(1) sentence 1 of the *Wertpapierhandelsgesetz* (WpHG—German Securities Trading Act) that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 25% and amounted to 29.9% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us in September 2008 in accordance with section 21(1) of the WpHG that—because Porsche Automobil Holding SE had assumed control of Volkswagen AG—Volkswagen AG's 29.9% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. We also received notifications in 2009 in accordance with section 21(1) of the WpHG that the share of voting rights held by BlackRock, Inc. (and companies affiliated with it) had exceeded the threshold of 3%. MAN SE has not been notified of, nor is it aware of, further existing direct or indirect interests in the capital of the Company that exceed 10% of the voting rights or the relevant thresholds of the WpHG, or of changes in the investments shown above.

c) Reserves

MAN SE's capital reserves consist of premiums paid for capital increases and the conversion of preferred shares into common shares. The MAN Group's retained earnings contain the retained earnings of MAN SE amounting to €619 million (previous year: €914 million) and the net retained profit of MAN SE amounting to €37 million (previous year: €334 million). They also contain the retained profits and accumulated losses of subsidiaries and differences arising between carrying amounts in the consolidated financial statements and carrying amounts in the local GAAP financial statements.

The Executive and Supervisory Boards of MAN SE will propose to the Annual General Meeting to pay a dividend of €0.25 (previous year: €2.00) per share carrying dividend rights. The proposed total dividend payout is therefore €37 million (previous year: €294 million).

d) Other comprehensive income

€ million	12/31/2009	of which attributable to discontinued operations	12/31/2008	of which attributable to discontinued operations
Currency translation differences	227	–9	–105	–39
Derivatives	64	–	1	0
Actuarial gains/losses attributable to pensions	–232	–	–160	–26
Actuarial gains/losses attributable to provisions for termination benefits	–18	–	–26	–
Effect of asset ceiling in accordance with IAS 19.58	0	–	–	–
Other comprehensive income for the period from equity-method investments	22	–	0	–
Deferred taxes	29	–	27	3
	92	**–9**	**–263**	**–62**

Of the deferred taxes of €29 million (previous year: €27 million), €47 million is attributable to actuarial losses on pensions (previous year: €21 million), €–22 million (previous year: €0 million) is attributable to the measurement of derivatives, and €4 million (previous year: €6 million) is attributable to actuarial losses on provisions for termination benefits.

e) Noncontrolling interests
The noncontrolling interests are mainly attributable to Renk Aktiengesellschaft, Augsburg, in which MAN holds a 76% interest.

f) Capital management
The most important goals of MAN SE's capital management are to sustainably increase its enterprise value and to safeguard the Group's liquidity and creditworthiness. This is achieved not only by reducing the cost of capital and improving cash flow from financing activities, but also by optimizing the capital structure and implementing effective risk management.

MAN SE applies a value-driven approach, MAN value added, to measure and manage its business activities and to optimize capital allocation in the Group. MAN value added is calculated as the difference between operating profit and the cost of capital.

Despite the difficult economic environment, the ratings awarded at the beginning of 2008 by Standard & Poor's and Moody's remain unchanged at A- and A3 respectively. However, Standard & Poor's has placed its rating on the watch list since the beginning of December 2009 because of the ongoing difficulties experienced on the commercial vehicles market, the compliance investigations that were not yet completed at the time, as well as uncertainty caused at the time by unfilled Executive Board positions at MAN SE.

The Group's capital employed for capital management purposes comprises equity, pensions, and financial liabilities. Equity comprises subscribed capital, capital reserves, and retained earnings.

€ million	12/31/2009	12/31/2008
Equity	5,129	5,396
Pension obligations	160	74
Financial liabilities	3,270	1,736
Capital employed	**8,559**	**7,206**

Equity declined by 5% year-on-year in fiscal 2009. This was primarily a result of the net loss for the year. Pension obligations increased by 116% year-on-year because of the increase in actuarial losses attributable primarily to the use of a lower discount rate. Financial liabilities rose by 88% because of the acquisition of VW Truck & Bus in Brazil and Sinotruk in China. Overall, this resulted in a €1,353 million or 19% increase in capital employed in fiscal 2009.

MAN SE's Articles of Association do not stipulate any capital requirements.

22 Financial liabilities

€ million	12/31/2009	12/31/2008
Syndicated loan for Scania share purchase	–	400
Bonds	1,738	247
Structured finance	576	543
Bank borrowings and other liabilities	956	546
	3,270	**1,736**

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2009	12/31/2008
Noncurrent financial liabilities		
due after more than one year	2,230	684
of which: due after more than five years	520	4
Current financial liabilities		
due within one year	1,040	1,052

To finance the planned Scania acquisition, MAN SE entered into an agreement on an €11 billion credit facility on September 17, 2006 with a banking syndicate. A €1,170 million tranche of this credit facility had been drawn down by December 31, 2006 to purchase Scania shares. The unutilized portion of the credit facility expired following the withdrawal of the public offer to purchase Scania shares on January 23, 2007. As of September 17, 2009, the last tranche drawn down on this credit facility amounting to €400 million was repaid in full. It bore interest at an average variable rate of 1.53% p.a. in 2009. This credit facility has now been extinguished in full.

A credit line comprising three tranches totaling €2.0 billion was initially arranged with ten banks as bridge finance for the purchase of VW Truck & Bus in Brazil. €1.5 billion of this was drawn down in March 2009. At the end of March 2009, MAN SE placed a promissory note in the amount of €200 million maturing in 2012, which was used to partially repay the bridge loan. This promissory note comprises a fixed-interest component of €49 million and an interest rate of 5.056% and a variable-rate tranche of €151 million. The average interest rate for this tranche was 4.39% p.a. in 2009. €30 million of the variable-rate component was repaid in the course of 2009 and replaced by an additional promissory note in the amount of €30 million maturing (amortizing) in 2019 and bearing a fixed interest rate of 6.76%. The bridge loan was finally repaid in full in May 2009 using the proceeds of a eurobond that was issued by MAN SE in two tranches with terms of four and seven years and fixed interest rates of 5.375% and 7.25% respectively and a total volume of €1.5 billion. Prior to this, MAN SE launched an EMTN program that allows it to issue debt securities regularly and if necessary at short notice as long as it provides the necessary documentation. The proportion of the bridge loan that was not drawn down amounting to €500 million was then canceled in the course of 2009.

The carrying amount of the promissory notes amounted to €200 million as of December 31, 2009. The carrying amount of the eurobond tranche maturing on May 20, 2013 amounted to €996 million and its fair value was €1,060 million, while the carrying amount of the tranche maturing on May 20, 2016 amounted to €496 million and its fair value was €577 million.

In December 2003, MAN Financial Services plc, Swindon/United Kingdom, issued a €300 million bond with a 5.375% coupon. As of November 27, 2007, the issuer repurchased a notional €60 million of this bond. The outstanding principal amount is €240 million. As of December 31, 2009, the carrying amount, including fair value adjustments from hedge accounting for interest rate hedges, amounted to €246 million (previous year: €247 million) and the fair value was €250 million (previous year: €247 million). The bond matures on December 8, 2010. MAN SE has issued an irrevocable guarantee for this bond that covers the payment obligations under the terms and conditions of the bond.

Structured finance includes liabilities of €104 million (previous year: €179 million) relating to sales of receivables. The MAN Group also uses asset-backed financing arrangements, in particular to finance its financial services business.

Bank borrowings mostly bear variable rates of interest.

23 Pension obligations

Provisions for pensions are broken down as follows:

€ million	12/31/2009	12/31/2008
Pension obligations in Germany	107	39
Pension obligations abroad	53	35
	160	74

a) Pension plans
The MAN Group offers its German employees occupational pension benefits after they have retired. Occupational pensions provide additional retirement benefits as well as risk protection in the event of invalidity or death while the beneficiary is actively employed. The MAN Group's pension plans were and are aligned with statutory and economic requirements. In particular, they aim to offer an adequate level of benefits compared with the market and to limit the risks to the MAN Group associated with the benefit commitment to an acceptable level.

The launch of the MAN Profit-sharing and Pension Plan (MPP) in fiscal 2009 completed the switch of the pension plans for active employees of the MAN Group to defined contribution systems that provide benefits based on capital market investments. The structure of the separate pension plan for senior managers, directors, and Executive Board members was already finalized in 2007.

All active employees receive employer contributions that are tied to their remuneration and can make additional provision through deferred compensation—which is employer-subsidized for staff subject to collective bargaining agreements. The employer- and employee-funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement, or that can be annuitized in certain cases. The risk of the investments is gradually reduced as employees get older (lifecycle concept). The performance of the plan assets is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters.

Former employees, pensions, or employees with vested benefits who have left the MAN Group have benefit commitments from a variety of old pension plans, most of which are designed to provide lifelong pension payments.

Depending on the situation in specific countries, foreign employees receive pension benefits in the form of defined benefit or defined contribution pension plans. Employees in the United Kingdom, Switzerland, and Brazil receive pension benefits under defined-benefit funded pension plans. The pension plans in the United Kingdom have been closed to new entrants. There are defined benefit pension plans with a low level of obligations that are funded by provisions in France, Austria, and Poland. There are defined contribution pension plans in the United States, the United Kingdom, and certain other countries.

b) Funding
The MAN Group's German pension assets are managed by MAN Pension Trust e.V. and MAN Pensionsfonds AG. These assets are irrevocably protected from recourse by the Group companies and may only be used to fund current pension benefit payments or to settle claims by employees in the event of insolvency. Proper management and utilization of the trust assets are supervised by independent trustees. Additionally, MAN Pensionsfonds AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin—Federal Financial Supervisory Authority). The pension assets are invested by professional investment managers in accordance with investment rules laid down by MAN SE's investment committee. There is a prohibition on investing in securities issued by, and real estate used by, MAN SE or one of its Group companies.

The pension assets in the United Kingdom are managed in two pension funds belonging to the Group that are supervised by trustees. The pension assets in Switzerland are managed by multiple-employer pension institutions, while the pension assets in Brazil are managed in a pension plan maintained together with another group of companies. These pension assets are also invested by professional investment managers. The investment rules are laid down by boards of trustees or by the responsible committees in the case of multiple-employer pension plans.

As a general rule, the pension assets are endowed at the minimum amount required by national regulations. In Germany, there is no general obligation to make ongoing payments to the pension assets. However, the goal is to ensure endowments equal to the ongoing employer and employee contributions. The expected contributions to defined benefit plans for 2010 amount to €33 million for German pension plans and €12 million for non-German pension plans.

Plan asset portfolio structure
€ million

	Germany		Abroad	
	2009	2008	**2009**	2008
Bonds	1,035	1,200	196	172
Equities	162	137	128	105
Real estate	–	–	31	29
Other assets	–	–	27	9
Total plan assets	**1,197**	1,337	**382**	315

Of the non-German plan assets, €212 million was attributable to the United Kingdom, €146 million to Switzerland, and €24 million to Brazil. The return on plan assets was 7.9% in Germany, 11.7% in the United Kingdom, and 6.4% in Switzerland.

c) Funded status

Change in present value of defined benefit obligation
€ million

	Germany		Abroad	
	2009	2008	**2009**	2008
Present value of DBO at January 1	1,398	1,501	343	396
Change in consolidated Group structure	–255	–16	16	7
Current service cost	36	28	10	10
Interest cost	67	76	20	19
Past service cost	7	–	–4	–
Actuarial losses (+)/ gains (–)	117	–124	47	–36
Pension payments	–70	–83	–24	–20
Contributions by beneficiaries	4	2	6	5
Currency translation differences, other	0	14	20	–38
Present value of DBO at December 31	**1,304**	1,398	**434**	343

Change in plan assets
€ million

	Germany		Abroad	
	2009	2008	**2009**	2008
Plan assets at January 1	1,337	1,381	315	409
Change in consolidated Group structure	–206	–1	16	6
Expected return on plan assets	54	71	19	23
Difference between expected and actual return on plan assets	34	–66	18	–78
Current contributions by employers	10	9	12	9
Special endowment by employers	27	15	1	–
Contributions by beneficiaries	1	2	6	5
Pension payments	–60	–74	–24	–19
Currency translation differences, other	–	–	19	–40
Plan assets at December 31	**1,197**	1,337	**382**	315

Composition of funded status and pension provisions
€ million

	Germany		Abroad	
	2009	2008	**2009**	2008
Unfunded defined benefit obligation	13	38	9	8
Funded defined benefit obligation	1,291	1,360	425	335
Total defined benefit obligation	**1,304**	**1,398**	**434**	**343**
Fair value of plan assets	–1,197	–1,337	–382	–315
Funded status at December 31	**107**	**61**	**52**	**28**
Effect of asset ceiling in accordance with IAS 19.58	–	12	1	7
Unrecognized plan assets	–	–	0	0
Reclassified as liabilities associated with assets held for sale	–	–34	–	0
Pension provisions at December 31	**107**	**39**	**53**	**35**

Measurement of the present value of the defined benefit obligation and of plan assets is based on the following parameters:

%

	Germany		Abroad	
	12/31/2009	12/31/2008	**12/31/2009**	12/31/2008
Discount rate	5.25	6.0	3.0–10.6	3.25–7.0
Pension trend	2.0	2.0	0.25–4.0	0.25–3.2
Pay trend	2.75	2.5	1.5–5.6	2.0–3.8
Expected return on plan assets	4.52–5.02	4.8–5.31	3.0–11.3	3.0–6.25

The discount rates reflect the yields at the reporting date on prime-rated corporate bonds or government bonds with matching maturities and denominated in the relevant currencies. The biometric parameters for pensions in Germany continue to be based on the 2005 G mortality tables issued by Prof. Klaus Heubeck.

The expected return on plan assets in Germany is based on the interest rate for Bunds with matching maturities plus standard risk premiums based on the corresponding portfolio structure. The expected return on plan assets for plans outside Germany is calculated by the responsible actuaries.

The fair value of plan assets, the present value of the defined benefit obligation, and the funded status as of December 31, 2007 amounted to €1,790 million, €1,897 million, and €107 million respectively. The fair value of plan assets, the present value of the defined benefit obligation, and the funded status as of December 31, 2006 amounted to €1,079 million, €2,024 million, and €–945 million respectively. The fair value of plan assets, the present value of the defined benefit obligation, and the funded status as of December 31, 2005 amounted to €802 million, €2,301 million, and €–1,499 million respectively.

d) Pension expense
The pension expense is composed of the following items:

€ million		
	2009	2008
Current service cost	46	38
Past service cost	3	–
Interest cost	87	95
Expected return on plan assets	–73	–94
	63	**39**

e) Gains and losses eliminated in other comprehensive income

€ million		
	2009	2008
Actuarial gains (–)/losses (+) at January 1	**160**	**176**
Change in consolidated Group structure	–40	–
Change in fiscal year	112	–16
Actuarial gains/losses at December 31	**232**	**160**

24 Other provisions

€ million	12/31/2008	Change in consolidated Group structure, currency translation	Utilization	Additions	Reversals	Interest unwinding	12/31/2009
Warranties	569	113	–211	229	–72	8	**636**
Outstanding costs	218	1	–119	99	–14	–	**185**
Other business-related obligations	178	92	–96	235	–65	–	**344**
Obligations to employees	213	12	–56	58	–7	3	**223**
Miscellaneous other provisions	230	245	–123	134	–14	–	**472**
	1,408	**463**	**–605**	**755**	**–172**	**11**	**1,860**

Other provisions are reported in the following balance sheet items:

€ million	12/31/2009		12/31/2008	
	Noncurrent	Current	Noncurrent	Current
Warranties	326	310	249	320
Outstanding costs	32	153	58	160
Other business-related obligations	5	339	15	163
Obligations to employees	177	46	188	25
Miscellaneous other provisions	7	465	0	230
	547	**1,313**	**510**	**898**

Provisions for warranty obligations are recognized for statutory and contractual guarantee obligations and for ex gratia settlements with customers. The timing of settlement of provisions for warranties depends on the occurrence of the warranty claim and may extend to the entire warranty and ex gratia settlement period. Provisions for outstanding costs are recognized for services still to be provided for customer contracts and contract elements already billed, and for obligations under maintenance and service contracts. Miscellaneous other provisions for business risks relate to provisions for expected losses from executory contracts as well as other obligations. Obligations to employees relate to anniversary payments, termination benefits, and partial retirement obligations, as well as to statutory termination benefits.

Miscellaneous other provisions include €43 million (previous year: €107 million) relating to restructurings at MAN Nutzfahrzeuge, of which €4 million (previous year: €30 million) related to the Buses restructuring program.

25 Other liabilities

€ million	12/31/2009	12/31/2008
Deferred purchase price payments for assets leased out	1,136	1,295
Employee-related liabilities	276	411
Derivatives and measurement of hedged items	225	475
Miscellaneous other tax payables	168	122
Financing liabilities to investments	56	34
Deferred income	43	41
Miscellaneous other liabilities	175	154
	2,079	**2,532**

Deferred purchase price payments for assets leased out originate from sales of commercial vehicles accounted for as operating leases because of a buyback obligation.

Employee-related liabilities relate to wages, salaries, and social security contributions outstanding at the end of the reporting period, accrued vacation pay, and annual bonuses.

Other liabilities include the negative fair value of derivatives. Because these instruments are predominantly used to hedge currency risks in customer orders, they are matched in this respect by offsetting effects in the balance sheet items of the underlyings.

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2009	12/31/2008
Other noncurrent liabilities	714	1,064
Other current liabilities	1,365	1,468

Of the other noncurrent liabilities, €69 million (previous year: €17 million) is due in more than five years.

Other disclosures

26 Investigations by the public prosecution authorities

As part of a preliminary investigation (case no. 570 Js 43151/08) against MAN SE, MAN Nutzfahrzeuge AG, MAN Turbo AG, and several current and former employees, the Munich Public Prosecution Office (I) searched offices of MAN SE and MAN Nutzfahrzeuge AG in Munich, and branch offices of MAN Truck & Bus Deutschland GmbH and MAN Turbo AG on May 5, 2009 on suspicion of bribery and other criminal offenses. Seven private residences of employees and recipients of payments were also searched. The public prosecution authorities suspected that hidden commissions in the total amount of approximately €1 million were paid in Germany, and several million euros abroad, in connection with the sale of commercial vehicles between 2002 and 2005. The foreign payments are alleged to have been paid as commissions and consultants' fees in other countries, to domiciliary companies, or to shell corporations. The Munich Public Prosecution Office (I) subsequently extended its investigations to include transactions occurring up to and including 2009. It was announced on July 8, 2009 that the Munich Public Prosecution Office (I) had also commenced investigations against responsible managers of MAN Ferrostaal AG (now Ferrostaal AG) on suspicion of bribery, breach of trust, and tax evasion, although the precise scope of the allegations made against this former subsidiary were not made known. The tax investigation department of the Munich Tax Office (I) notified the Company on July 21, 2009 that it had also instituted criminal investigation proceedings for tax fraud against persons unknown for the years 2002 and 2003 in connection with the investigations by the public prosecution authorities that are ongoing at MAN Turbo.

From the outset, MAN SE assured the public prosecution authorities of its full support in the efforts to clarify the transactions and undertook to cooperate closely with the investigating authorities. The Executive Board engaged the law firms of Knierim & Kollegen and Flick Gocke Schaumburg, as well as the audit firm of PricewaterhouseCoopers, to proceed with the internal clarification of the allegations and to implement cooperation with the criminal prosecution authorities. The internal audit department, which started its own investigation of the allegations immediately after they had become known, was also closely involved in this clarification. In addition to the cases already known at the MAN Nutzfahrzeuge subgroup, this investigation also extended to the MAN Diesel, MAN Turbo, and Renk subgroups. The goal of this investigation was to contribute to the clarification in full of the allegations. The results of the investigation were made available to the investigative and tax authorities.

In addition, in response to the events described above, the Supervisory Board of MAN SE engaged the law firm of Wilmer Cutler Pickering Hale and Dorr LLP (WilmerHale) on May 18, 2009 to conduct an independent investigation into the proper conduct of the business activities of MAN SE and its subgroups, and of the compliance organization, in light of the bribery allegations. As an independent external law firm, WilmerHale reported regularly to the Supervisory Board of MAN SE and its Audit Committee.

An amnesty program for employees was also resolved as part of the internal investigation prompted by the investigations by the public prosecution authorities described above. Under this program, the Company did not assert potential claims for damages against, or terminate the employment of, employees of the Company who voluntarily assisted in clarifying the matters. However, this does not rule out any penal measures against them.

On December 10, 2009, the Munich Public Prosecution Office (I) imposed an administrative fine of €75.3 million on MAN Nutzfahrzeuge AG and the Munich Regional Court (I) imposed an administrative fine of €75.3 million on MAN Turbo AG. Payment of the total amount of €150.6 million in December 2009 brought the Public Prosecution Office's investigation against companies of the MAN Group to a close.

The companies of the MAN Group affected by the investigations reached agreement with the tax authorities on payments of back-taxes amounting to approximately €20 million for amounts that were critical from a tax perspective. This does not affect investigations against individuals and the responsible persons of MAN Ferrostaal AG (now Ferrostaal AG), which is no longer a member of the MAN Group of companies.

As a result of the allegations of corruption, MAN terminated around 20 employees and is considering whether to assert claims for damages against individual persons.

The internal inquiries revealed that employees of the MAN Nutzfahrzeuge and MAN Turbo subgroups had breached statutory and internal regulations by making suspicious payments to consultants and agents. In MAN Nutzfahrzeuge's German sales operations, the option to pay "referral commissions" was abused. The number of suspicious payments fell sharply after 2006. A large majority of employees acted compliantly.

At its meeting on December 11, 2009, the Supervisory Board took note of and concurred with the final report by the law firms it had engaged and announced that the internal investigation had consequently been terminated following closure of the investigations by the investigating authorities. The Supervisory Board regarded this as confirmation of the significant contribution it had made in recent months towards the rapid and full clarification of the matter.

27 Contingent liabilities

€ million	12/31/2009	12/31/2008
Contingent liabilities under guarantees	483	155
Contingent liabilities under buyback guarantees	191	193

The contingent liabilities under guarantees relate mainly to guarantees issued for trade obligations of investments, former investments, and other companies. €408 million of the year-on-year increase is attributable to the sale of the 70% interest in Ferrostaal (see Note (6)), less the planned reduction in the liability for non-Group third parties and former investments. MAN's guarantees for Ferrostaal are largely covered by indemnities issued by IPIC, depending on the origination date of the guarantee.

Customer liabilities to financing companies that finance the purchase of the Group's products by third parties are covered by standard industry buyback guarantees. These relate to commercial vehicles and amount to €191 million (previous year: €193 million).

The contingent liabilities disclosed are generally measured in the maximum amount of any claim that may be asserted against MAN. Any recourse claims are not offset.

MAN Nutzfahrzeuge AG and MAN Finance have incurred an obligation to guarantee minimum returns and proportionate additional payment obligations in the event of losses at certain associates.

Purchase commitments for items of property, plant, and equipment amounted to €81 million at the end of the reporting period (previous year: €207 million).

28 Other financial obligations

Other financial obligations comprise rental and lease obligations. The future rental and lease obligations under operating leases are due as follows until expiration of the lease terms:

€ million	12/31/2009	12/31/2008
Investment leases		
Due within one year	19	20
Due between one and five years	38	43
Due after more than five years	10	12
	67	**75**
Rental and lease obligations		
Due within one year	156	213
Due between one and five years	325	388
Due after more than five years	425	387
	906	**988**

The rental and lease obligations contain the sale of leased vehicles held by MAN Finance to Hannover Mobilien Leasing GmbH. These obligations are partly offset by future income from subleases amounting to €62 million (previous year: €152 million).

29 Additional disclosures on nonderivative financial instruments

The following section contains supplemental disclosures on the significance of nonderivative financial instruments and on individual balance sheet and income statement line items relating to financial instruments.

The following table compares the carrying amounts and fair values of the financial instruments.

€ million	12/31/2009		12/31/2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Trade receivables	2,202	2,200	3,015	3,015
Finance lease receivables	1,096	1,073	1,240	1,334
Cash and cash equivalents	502	502	105	105
Other financial assets	692	692	749	749
Available for sale	242	242	80	80
At fair value through profit or loss	159	159	274	274
Derivatives in hedging relationships	135	135	264	264
Other assets	156	156	131	131
Liabilities				
Trade payables	1,368	1,368	1,548	1,548
Financial liabilities	3,270	3,419	1,736	1,736
Other financial liabilities	360	360	595	595
At fair value through profit or loss	138	138	375	375
Derivatives in hedging relationships	87	87	100	100
Other liabilities	135	135	120	120

Fair values were measured on the basis of the market prices available at the end of the reporting period or using the valuation techniques described in the following, and reflect the prices at which one party would assume the rights/and or obligations under these financial instruments from another party in an arm's length transaction. There were no material changes in the valuation techniques applied as against those applied in the previous year.

Cash and cash equivalents, trade receivables, other financial assets, trade payables, and other financial liabilities mostly have short remaining maturities. For this reason, their carrying amounts at the end of the reporting periods are approximately the same as their fair values.

The fair value of finance lease receivables corresponds to the present value of the cash flows expected to be received for the assets, discounted using current interest rate parameters that reflect changes in market and counterparty-related conditions and expectations.

The fair values of listed bonds are based on the quoted prices at the end of the reporting period. The fair value of OTC bonds, fixed-rate bank borrowings, and other financial liabilities is measured as the present value of the cash flows expected to be required to settle the liabilities, discounted using standard market rates of interest for matching maturities.

Available-for-sale financial assets include shares of €242 million (previous year: €80 million) measured at cost. These are securities and shares of unlisted entities that were not measured using a discounted cash flow method because the related cash flows could not be reliably measured.

The carrying amounts of the financial instruments classified by the IAS 39 measurement categories are as follows:

€ million	12/31/2009	12/31/2008
Financial assets		
Loans and receivables	2,358	3,146
Trade receivables	2,202	3,015
Other assets	156	131
Available for sale	242	80
Financial investments and marketable securities	227	70
Other assets	15	10
At fair value through profit or loss	294	538
Financial liabilities		
Financial liabilities at cost	4,773	3,404
Trade payables	1,368	1,548
Financial liabilities	3,270	1,736
Other liabilities	135	120
At fair value through profit or loss	225	475

Fair value hierarchy:
The financial assets and liabilities measured at fair value that are presented in the following table were held as of December 31, 2009.

Measurement and presentation of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is classified as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

€ million	Level 1	Level 2	Level 3	12/31/2009
Financial assets				
At fair value through profit or loss				
Other financial assets	0	159	0	159
Derivatives in hedging relationships	0	135	0	135
Financial liabilities				
At fair value through profit or loss				
Other financial liabilities	0	138	0	138
Derivatives in hedging relationships	0	87	0	87

In fiscal 2009, there were no reclassifications between Level 1 and Level 2 in fair value measurement, and there were no reclassifications to or from Level 3 in relation to fair value measurement.

Net gains and losses on financial instruments are presented in the following table:

€ million	2009	2008
Loans and receivables	–120	–66
Available-for-sale financial assets	–4	151
Financial liabilities at cost	14	–11
Financial assets and liabilities at fair value through profit or loss	61	–54

Net gains and losses on loans and receivables primarily contain changes in valuation allowances, income from payments received on loans and receivables written off, currency translation differences, and reversals of impairment losses.

Net gains and losses on available-for-sale financial assets relate primarily to net gains and losses from the measurement of financial investments. In fiscal 2009, no unrealized gains and losses on available-for-sale financial assets were recognized in other comprehensive income, and no amounts were withdrawn from other comprehensive income and transferred to profit or loss.

Net gains and losses on financial liabilities at cost are principally composed of currency translation differences and income from the derecognition of liabilities.

Net currency expenses on the items mentioned above amounted to €32 million (previous year: €8 million).

Net gains and losses on financial assets and liabilities at fair value through profit or loss contain changes in the fair value of derivative financial instruments for which hedge accounting is not used.

The interest income and expenses relating to financial assets and liabilities are as follows:

€ million	2009	2008
Interest income	296	240
Interest expenses	–327	–185

Interest income on impaired financial assets is insignificant because receipt of payment is expected in the short term in most cases. Interest income of €286 million and interest expenses of €282 million are attributable to items that are not measured at fair value through profit or loss.

30 Derivatives and hedging strategies

The MAN Group is exposed to currency and interest rate risks to a not inconsiderable extent. A Group-wide risk management system has been established to identify, quantify, and mitigate these risks.

a) Risk management

MAN Group companies generally hedge their interest rate and currency risks through MAN SE's Group Treasury on an arm's length basis using derivative and nonderivative financial instruments. Financial instruments are accounted for at the trade date.

Group Treasury's risk positions are hedged externally with banks within defined risk limits. Hedging transactions are entered into on the basis of standard guidelines that adequately reflect the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG—German Act on Control and Transparency in Business) and the risk management requirements applicable to banks. They are subject to rigorous oversight, which is ensured in particular by the strict separation of trading, settlement, and supervision functions.

The MAN Group's interest rate and currency positions are reported regularly to the Executive Board and the Supervisory Board. Compliance with the guidelines is reviewed by the internal audit function.

b) Currency risk

The international nature of the MAN Group's business activities entails a significant volume of cash flows in a variety of currencies. A currency risk arises for each MAN company if it enters into transactions with international contractual partners resulting in future cash flows that are not denominated in that MAN company's functional currency. To mitigate the effects of exchange rate movements, MAN SE continuously quantifies the currency risk and hedges all material risks, primarily through the use of currency forwards and currency options. In countries whose exchange controls do not permit direct hedging by MAN SE—especially Brazil—currency derivatives are entered into by MAN SE on behalf of and for the account of the Group company concerned.

In the MAN Group, all firm customer orders (firm commitments) and the Group's own purchases denominated in foreign currencies are hedged as a matter of principle. We also enter into hedges for forecasted foreign currency revenue from the series production business within defined hedging limits, and for highly probable customer projects.

There were currency hedges in all major European currencies at the end of the reporting period, as well as in U.S. dollars, Canadian dollars, Japanese yen, and in further currencies in the Latin America, Asia, and Africa regions. Currencies that are highly correlated with the euro, such as the Danish krone, are only hedged in specific instances. There is no requirement to hedge equity investments or equity-equivalent loans in foreign currencies.

Although we endeavor to fully hedge all foreign currency positions, open foreign currency positions do arise at the end of the reporting period, for example in sterling. The following opportunities (positive values) and risks (negative values) would arise if all foreign currencies were to decline by 10% against the euro.

€ million		
	2009	2008
Firm commitments	–2	2
Forecast transactions	–1	–2

Both cash flow hedges and fair value hedges are used for hedge accounting. Based on a currency sensitivity analysis, almost half of the resulting gains and losses would be recognized in other comprehensive income, and the other half would be recognized in net income for the period. If the currency sensitivity analysis (devaluation of all foreign currencies by 10% versus the euro) were to be restricted to financial instruments, the effect would be €6 million (previous year: €–7 million). These effects are due primarily to sterling, Danish krone, and Swiss francs.

In the course of the year, gains of €21 million (previous year: losses of €21 million) from cash flow hedges were reclassified from equity to revenue. In addition, a loss of €13 million was transferred to net income because the underlying did not reach the volume originally planned. In fiscal 2009, net unrealized gains (before taxes) from the measurement of derivatives amounting to €49 million (previous year: €1 million) were recognized in other comprehensive income.

If the results of the retrospective effectiveness test applied to cash flow hedge accounting indicate that effectiveness is not 100% but still within the effectiveness range of 80–125%, the resulting hedge ineffectiveness is recognized in net income for the period and the cost of the assets in question. For fiscal 2009, this related to total hedge ineffectiveness of +€355 thousand (previous year: €–62 thousand). This was attributable mainly to ineffectiveness from export-related hedges that was recognized in net income. Only an ineffectiveness of +€116 thousand (previous year: €–21 thousand) was recognized as an increase (previous year: decrease) in cost.

The maximum remaining term of cash flow hedges of forecast transactions was 48 months at the end of the fiscal year. Just under half of the hedged forecast transactions are expected to occur and thus affect net income in the first quarter of 2010. A further 44% of the forecast transactions are expected to be implemented by the end of 2010.

Early termination of cash flow hedges resulted in gains of €8 million (previous year: €11 million) in fiscal 2009, as the hedged transactions are no longer expected to occur (e.g., because of order cancellations by customers).

Losses/gains on hedging instruments used in fair value hedges amounted to €–56 million (previous year: €146 million). Gains/losses on the related underlyings amounted to €57 million (previous year: losses of €145 million).

c) Interest rate risk

The MAN Group holds assets and liabilities that are sensitive to interest rate movements because of its cash generation and investment activities. Interest rate-sensitive assets result primarily from customer financing, especially leases, which are mainly entered into at fixed rates of interest. Interest rate-sensitive financial liabilities at the end of the reporting period related in particular to fixed-rate euro bond issues and other fixed and variable-rate financial liabilities.

Interest rate-sensitive financial instruments are exposed to interest rate risk in the form of a fair value risk or a cash flow risk. Fair value risk is a measure of the sensitivity of the carrying amount of a financial instrument to changes in market rates of interest. By contrast, cash flow risk describes the exposure to variability in future interest payments in response to interest rate movements. Interest rate risk is analyzed and managed centrally in the MAN Group using sensitivity analyses. These sensitivity analyses are based on the following assumptions:

In the case of nonderivative financial instruments bearing variable rates of interest and interest rate derivatives that do not form part of a hedging relationship in accordance with IAS 39, changes in market rates of interest affect future interest payments and are therefore included in the calculation of cash flow and fair value risk.

Fixed-rate nonderivative financial instruments measured at amortized cost and fixed-rate financial instruments and hedging instruments included in a fair value hedge are not exposed to any interest rate risk, because interest rate-related changes in the value of the hedged item and the hedging instrument offset each other almost entirely in profit or loss in the same period.

A 100 basis point parallel increase in the yield curve is assumed to calculate interest rate sensitivity. This would produce the following opportunities (positive values) and risks (negative values):

€ million	12/31/2009	12/31/2008
Variable-rate nonderivative financial instruments (cash flow risk)	–15	–6
Derivatives (fair value risk)	14	19

The earnings effects of the interest rate sensitivity analysis would be recognized in full in net income for the period.

We use derivatives such as interest rate swaps, forward swaps, and, if appropriate, caps and floors to limit the interest rate risk resulting from nonderivative financial instruments; the volumes and maturities are based on the redemption structure of the defined customer portfolios or of the financial liability, and on the target hedging level.

If the derivatives employed are designed not to hedge the risk of individual financial instruments, but of a portfolio, this hedging strategy does not meet the criteria for hedge accounting in accordance with IAS 39. However, the interest rate risk is still economically hedged.

d) Credit risk

From the MAN Group's perspective, credit risk defines the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the MAN Group. Credit risk comprises both the direct default risk and the risk that the creditworthiness of a counterparty will deteriorate, as well as any clustering of individual risks.

The MAN Group is exposed to credit risk because of its business operations and its financing and leasing activities. The maximum credit risk is reflected by the carrying amount of the financial assets recognized in the balance sheet (see Note 29). The following measures in particular are used to minimize credit risk and measure risk provisions:

Liquidity management and investment is handled by the central Cash Management function. This carefully selects the financial institutions and investment forms when investing cash funds, focusing on a conservative investment strategy.

To reduce the default risk of derivatives, we only enter into derivatives transactions with prominent, prime-rated banks (investment grade institutions).

In the operating business, country and counterparty risks are continuously assessed locally; risks are classified and profiled on this basis. Outstanding balances are continuously monitored locally. Valuation allowances are recognized to reflect default risks. Credit risk is mitigated by various forms of protection, which may also be country-specific if appropriate. Examples include documentary credits, credit insurance, sureties, guarantees, and retention of title, as well as customer prepayments. In the project business, the default risk is minimized by requiring prepayments and obtaining collateral.

The MAN Group recognizes adequate risk provisions for the credit risk resulting from the operating business. This is achieved by continuously monitoring all receivables and by recognizing bad debt allowances if there is objective evidence of default or other breach of contract. Material individual receivables, as well as receivables whose collectibility is in doubt, are measured on an item-by-item basis. The contract terms of receivables amounting to €50 million were renegotiated (e.g. by prolonging payment periods). The remaining receivables are combined into groups of similar contracts and then tested for impairment, reflecting country-specific risks and any collateral received.

Credit risk from financing and lease activities is monitored on the basis of the portfolio at risk. Customer creditworthiness is continuously monitored by assigning customers to risk classes, based on information from the local Financial Services companies as well as from standard external sources. Nonrecourse factoring of parts of the receivables portfolio additionally limits the maximum credit risk. As a rule, additional collateral is provided by assignment of the financed vehicle as security, as well as by customer prepayments if appropriate.

The MAN Group recognizes adequate risk provisions for the credit risk from financing and leasing activities. If individual contracts are breached, measures are taken to renegotiate the existing contract terms in line with the customer's economic situation or to recover the financed asset. In 2009, the terms of a total of 7,587 contracts with a volume of €478 million were renegotiated. Contract terms are renegotiated only if the customer's liquidity problems are deemed to be no more than temporary and MFI's risk long-term assessment indicates an improvement. Additionally, customer-specific risk provisions are recognized to reflect certain criteria. These provisions cover expected losses due to the uncollectibility of installments, potential realization losses from marketing the financed assets, as well as other expenses expected to be incurred if the contract is terminated prematurely. Measurement of the risk provision reflects the estimated fair value of the financed assets serving as collateral, as well as repayments received and other collateral. As a rule, the value of the assets serving as collateral for loans depends on the amount of the financed asset. In addition, collective risk provisions are recognized depending on certain indicators. The amount of these provisions is measured in particular on the basis of actual credit losses in the recent past.

In light of the financial market crisis and its effects on the real economy, the MAN Group took steps at an early stage to keep the risks from possible credit losses as low as possible. As part of this, receivables management was stepped up and credit risk management measures are continuously adapted to changes in market conditions.

The following table presents information on receivables that are past due but not individually impaired:

€ million	12/31/2009		12/31/2008	
	Receivables from customers and investments	Finance lease receivables	Receivables from customers and investments	Finance lease receivables
30 days or less	250	6	425	19
31—90 days	160	8	221	10
91—180 days	101	9	80	4
181 days—1 year	47	3	34	2
More than 1 year	30	1	19	–

Collective impairment losses are recognized for groups of financial assets on the basis of past experience to cover the credit risk from these receivables and from receivables not past due.

In the case of receivables that are neither individually impaired nor past due, there are no indications at the end of the reporting period that their credit quality is impaired.

e) Liquidity risk

Liquidity risk describes the risk that we will encounter difficulty in meeting obligations associated with financial liabilities.

To counter this risk, the MAN Group has an effective financial management system that continuously monitors and manages cash inflows and outflows and due dates. Cash funds are primarily generated by our operating business and by external financing arrangements. Financial management for the operating units is implemented centrally using a cash pooling process. Daily pooling of cash funds manages liquidity surpluses and requirements both at individual Group companies and in the MAN Group to ensure that all of their needs are met. For external financing purposes, the opportunities available on the financial market are tracked continuously to ensure the MAN Group's financial flexibility and limit inappropriate refinancing risks. Further information on existing short-term and long-term external financing arrangements is contained in Note (22). Cash outflows result mainly from financing working capital, investments, and cover for financing requirements in the leasing and sales financing business. Management is informed regularly about cash inflows and outflows, as well as sources of finance.

In accordance with the requirements of IFRS 7, the information presented in the following table is restricted to cash outflows attributable to contractual interest and principal payments for nonderivative financial liabilities and to derivatives with a negative fair value. If no contractual maturity has been agreed, the liability refers to the earliest maturity date. Variable-rate interest payments reflect the conditions at the end of the reporting period. It is generally assumed that the cash outflows will not occur earlier than shown below.

€ million	2010	2011	2012	2013	2014	> 2014
Financial liabilities	1,266	399	470	1,090	43	574
Trade payables	1,365	2	1	0	0	0
Other financial liabilities	126	1	1	1	1	5
Derivatives and measurement of hedged items	139	30	11	2	0	43
	2,896	**432**	**483**	**1,093**	**44**	**622**

f) Classification of hedging instruments by type of hedge
The following table shows the fair values of hedging instruments.

€ million	12/31/2009	12/31/2008
Fair value hedges	6	163
Cash flow hedges	42	1
	48	164

31 Share-based payment

Share-based payment for members of MAN SE's Executive Board and the directors and other beneficiaries of MAN companies is based on the MAN Stock Program (MSP) established in 2005. Under the MSP, the beneficiaries receive taxable cash payments on condition that they use 50% of the payment amount to purchase MAN SE common shares. Purchase and safekeeping of the shares is undertaken centrally by MAN SE on behalf and for the account of the beneficiaries. The MSP participants may freely dispose of the purchased shares after a three-year vesting period. During the vesting period, the shares may not be sold, pledged, or hedged. If the beneficiary retires or leaves the MAN Group for other reasons, the vesting period is reduced to one year from the date the beneficiary leaves the MAN Group.

In addition, under the terms of the MSP, the beneficiaries are required to use 16.67% of their annual variable remuneration (bonus) to purchase MAN SE common shares (share bonus); the vesting period for shares purchased in this way is two years.

In fiscal 2009, the beneficiaries received a total of 39,947 (previous year: 23,932) MAN common shares under the MSP 2009 at an average price of €43.26 (previous year: €78.54). Payments for these shares amounted to €1,728 thousand (previous year: €1,880 thousand). The part of the variable remuneration required to be used to purchase MAN common shares amounted to €437 thousand (previous year: €2,775 thousand). Based on the closing price of €54.44 at December 31, 2009 (previous year: €38.72), this corresponds to 8,031 (previous year: 71,655) MAN common shares. The total expense from the MSP 2009 and the variable remuneration to be used for share purchases under the MSP was €4,343 thousand (previous year: €9,326 thousand). Corresponding provisions were recognized for the share purchases to be made in 2010.

In fiscal 2009, the members of the Executive Board received a total of 15,883 (previous year: 9,347) MAN common shares under the MSP 2009 at an average price of €42.96 (previous year: €78.55). Payments for these shares amounted to €682 thousand (previous year: €734 thousand). The members of the Executive Board will not receive any variable share bonus for fiscal 2009 (see Note (33) for further information). For fiscal 2008, the part of the variable remuneration earmarked for the purchase of MAN common shares amounted to €1,475 thousand. Based on the closing price of €38.72 at December 31, 2008, this corresponded to 38,094 MAN common shares. The total expense from the MSP 2009 and the variable remuneration to be used for share purchases under the MSP was €1,365 thousand (previous year: €4,425 thousand).

32 Related party disclosures

In accordance with the notification pursuant to section 21(1) sentence 1 of the WpHG received in February 2007, Volkswagen AG holds a 29.9% interest in MAN SE. Goods and services amounting to €21 million (previous year: €8 million) were purchased from Volkswagen AG in fiscal 2009. These resulted in liabilities to Volkswagen AG of €4 million (previous year: €0.4 million) as of December 31, 2009.

In addition, the Company purchased a call option on Scania shares from Volkswagen AG in 2008; see Notes (6) and (16). See Note (6) for information on the purchase of VW Truck & Bus from Volkswagen AG.

Related party entities that are significant for the MAN Group are the associates and joint ventures with which it exchanges goods and services as part of normal business transactions. The following table shows the volume of such relationships.

€ million		
	12/31/2009	12/31/2008
Revenue	512	802
Other income	33	7
Purchased services	106	167
Receivables	109	199
Liabilities	41	8

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to Notes (33) and (34) below.

33 Remuneration of the Executive Board

The remuneration of the members of the Executive Board was as follows:

€ thousand		
	2009	2008
Executive Board members in office as of December 31, 2009[1]		
Fixed remuneration	863	548
Variable cash bonus	0	1,030
Variable stock bonus and MSP[3]	405	773
Pension expense	339	191
Former Executive Board members[2]		
Fixed remuneration	2,042	2,650
Variable cash bonus	0	4,870
Variable stock bonus and MSP[3]	960	3,652
Pension expense	1,098	1,130
Total	**5,707**	**14,844**

[1] Dr.-Ing. Georg Pachta-Reyhofen (CEO), Frank H. Lutz since December 11, 2009, Jörg Schwitalla since May 19, 2009

[2] Dipl.-Ing. Håkan Samuelsson (former Executive Board Chairman) until November 23, 2009, Prof. Dr. h.c. Karlheinz Hornung until December 11, 2009, Dr. jur. Matthias Mitscherlich until March 25, 2009, Dipl.-Ökonom Anton Weinmann until November 30, 2009

[3] 2009: MSP only (see note (31) for further information).

In addition, severance payments amounting to a total of €21,064 thousand (including €2,541 thousand for pensions) are attributable to the four Executive Board members who left in fiscal 2009. These termination benefits relate to Dipl.-Ing. Håkan Samuelsson (total of €7,323 thousand), Prof. Dr. h.c. Karlheinz Hornung (total of €4,494 thousand), Dipl.-Ökonom Anton Weinmann (total of €4,839 thousand) and Dr. jur. Matthias Mitscherlich (€4,408 thousand). €4,408 thousand was already paid in fiscal 2009 for Dr. jur. Matthias Mitscherlich and €604 thousand for the other three former Executive Board members. Appropriate provisions were recognized as of December 31, 2009 for the committed termination benefits in excess of these amounts. Excluding these termination benefits, the total remuneration of the Executive Board members declined significantly year-on-year in 2009. This significant decline is attributable mainly to the development of MAN value added (MVA) in the MAN Group in fiscal 2009. The performance-related remuneration of the Executive Board members is determined primarily by MVA. The target MVA defined in advance for 2009 was not reached. In accordance with the bonus rules, the members of the Executive Board will not receive any bonus for fiscal 2009. This relates to both the cash and the share bonus.

The present value of pension obligations as of December 31, 2009, to members of the Executive Board in office as of the end of the year amounted to €2,008 thousand (previous year: €9,320 thousand). The total expense from the addition to the provision amounted to €1,997 thousand (previous year: €1,679 thousand), of which €1,437 thousand (previous year: €1,321 thousand) related to current service and €560 thousand (previous year: €358 thousand) to interest. The expense from the addition to the provision for fiscal 2009 includes both the current service and the interest cost for the Executive Board members who left in 2009 on a pro rata basis until the date they left the Executive Board. The pension expense includes the service cost resulting from pension provisions.

Pension payments to former Executive Board members, including amounts paid in the first year after termination of contract and retirement, and to their surviving dependents amounted to €3,367 thousand as of December 31, 2009 (previous year: €3,690 thousand). A total of €47,792 thousand (previous year: €36,409 thousand) was recognized as of December 31, 2009 for provisions for pension obligations to former Executive Board members and their surviving dependents. The amount as of December 31, 2009 also includes the pension obligations of the Executive Board members who left in 2009.

The members of the Executive Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on pages 202 et seq., and more detailed information on the remuneration structure and its components is disclosed on pages 18 et seq. of this Annual Report.

The individual remuneration of the members of the Executive Board is shown in the following table:

Executive Board remuneration 2009 (2008)
€ thousand

	Fixed remuneration	Variable cash bonus	Variable stock bonus and MSP [1]	Pension expense	Total	No. of shares vested in fiscal year
Executive Board members in office as of December 31, 2009						
Dr.-Ing. Georg Pachta-Reyhofen	548	0	257	241	**1,046**	2,995
(CEO)	(548)	(1,030)	(773)	(191)	**(2,542)**	(8,282)
Frank H. Lutz	–	0	–	67	**67**	–
(since December 11, 2009)	(–)	(–)	(–)	(–)	**(–)**	(–)
Jörg Schwitalla	315	0	148	31	**494**	1,721[2]
(since May 19, 2009)	(–)	(–)	(–)	(–)	**(–)**	(–)
Former Executive Board members						
Dipl.-Ing. Håkan Samuelsson	795	0	425	402	**1,622**	4,944
(former CEO) (until November 23, 2009)	(891)	(1,700)	(1,275)	(378)	**(4,244)**	(13,670)
Prof. Dr. h.c. Karlheinz Hornung	533	0	257	239	**1,029**	2,995
(until December 11, 2009)	(571)	(1,030)	(773)	(253)	**(2,627)**	(8,282)
Dr. jur. Matthias Mitscherlich	137	0	0	229	**366**	0
(until March 25, 2009)	(555)	(1,030)	(773)	(250)	**(2,608)**	(8,282)
Dipl.-Ökonom Anton Weinmann	577	0	278	228	**1,083**	3,228
(until November 30, 2009)	(633)	(1,110)	(831)	(249)	**(2,823)**	(8,925)
	2,905	**0**	**1,365**	**1,437**	**5,707**	**15,883**
Total	**(3,198)**	**(5,900)**	**(4,425)**	**(1,321)**	**(14,844)**	**(47,441)**

[1] 2009: MSP only (see Note (31) for further information).
[2] Pro rata corresponding to membership of the Executive Board.

The cost of the shares purchased in the fiscal year is contained in the amounts shown for the variable stock bonus and MSP.

34 Remuneration of the Supervisory Board

The components of the remuneration of the Supervisory Board are as follows:

€ thousand	2009	2008
Fixed remuneration	675	771
Variable remuneration	0	1,540
Remuneration for committee membership	266	317
Total	**941**	2,628

The members of the Supervisory Board are listed on pages 160 et seq. The list includes their memberships of other statutory supervisory boards and comparable supervisory bodies; additional information on the remuneration structure and its components is disclosed on pages 18 et seq. in this Annual Report.

The individual remuneration of the active members of the Supervisory Board is shown in the following table:

Supervisory Board remuneration
€ thousand

	Period of membership	Fixed remuneration	Variable remuneration	Remuneration for committee membership	Total 2009	Total 2008
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman	Full-year	70	0	48	118	280
Thomas Otto, Deputy Chairman, since Feb. 18, 2009	Full-year	50	0	40	90	140
Dr.-Ing. Ekkehard D. Schulz, Deputy Chairman	Full-year	53	0	24	77	193
Michael Behrendt	Full-year	35	0	42	77	158
Marek Berdychowski	since May 19, 2009	22	0	0	22	–
Detlef Dirks	Full-year	35	0	0	35	105
Jürgen Dorn	Full-year	35	0	37	72	123
Jürgen Hahn	until March 25, 2009	8	0	0	8	105
Dr.-Ing. Uwe Hansult	until May 19, 2009	13	0	0	13	105
Dr. jur. Heiner Hasford	Full-year	35	0	0	35	105
Dr. phil. Klaus Heimann	until May 19, 2009	13	0	0	13	105
Jürgen Kerner	Full-year	35	0	0	35	105
Prof. Dr. rer. pol. Renate Köcher	Full-year	35	0	0	35	105
Dr. jur. Thomas Kremer	until May 19, 2009	13	0	0	13	105
Gerhard Kreutzer	Full-year	35	0	22	57	–
Wilfrid Loos	until May 19, 2009	13	0	0	13	105
Nicola Lopopolo	Full-year	35	0	0	35	105
Dipl.-Kfm. Stefan W. Ropers	Full-year	35	0	18	53	123
Dr.-Ing. E.h. Rudolf Rupprecht	Full-year	35	0	0	35	105
Stephan Schaller	until May 19, 2009	13	0	0	13	105
Erich Schwarz	since May 19, 2009	22	0	0	22	–
Rupert Stadler	Full-year	35	0	35	70	140
Members who left the Supervisory Board in 2008						211
Total 2009		**675**	**0**	**266**	**941**	–
Total 2008		771	1,540	317	–	2,628

For their membership of supervisory boards of other companies in the MAN Group, Mr. Dorn received €10 thousand (previous year: €10 thousand), Mr. Hahn received €0 thousand (previous year: €20 thousand), Mr. Kerner received €5 thousand (previous year: €5 thousand), Mr. Loos received €3 thousand (previous year: €3 thousand), and Mr. Otto received €21 thousand (previous year: €20 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €111 thousand in fiscal 2009 (previous year: €77 thousand).

35 Corporate Governance Code

The Executive Board and Supervisory Board of MAN SE issued their annual declaration of conformity in accordance with section 161 of the AktG in December 2009. The joint declaration of conformity by the Executive Board and the Supervisory Board has been published on the MAN Group's website at www.man.eu.

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

36 Events after the reporting period

Klaus Stahlmann was appointed to the Executive Board of MAN SE effective January 1, 2010.

The contractually agreed put option on the remaining 30% interest in Ferrostaal was exercised at the beginning of 2010. Please see Note (6) for more information relating to the sale of Ferrostaal.

37 Segment reporting

The adoption of IFRS 8 has no impact on the structure of segment reporting in the MAN Group. VW Truck & Bus, which was consolidated as of March 31, 2009, is managed as a new division and represents a separate operating segment (for more detailed information, see Note (6)).

Effective from the first quarter of 2009, the activities of the MAN Group are therefore classified into the following reportable segments: MAN Nutzfahrzeuge, MAN Latin America, MAN Diesel, and MAN Turbo. These segments are identical to those divisions. Management of each of these segments reports directly to MAN SE's Executive Board in the latter's role as chief operating decision-maker. The Renk industrial subsidiary and MAN's Corporate Center are allocated to "Others/Consolidation and Reconciliation." Companies with no operating activities and the equity-method investments manroland and Scania are allocated to the Corporate Center.

The segment information represents continuing operations. The segment disclosures for the current and the previous period therefore do not include the corresponding information for discontinued operations, although it is contained in the consolidated financial statements. For further information on discontinued operations, see Note (6).

The key measure for assessing and managing the performance of a segment is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). To enhance the long-term assessment of operating activities, the effects of tangible and intangible assets resulting from business combinations are eliminated from operating profit. In individual cases, an adjustment is made for nonrecurring items, which represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. Segment assets and liabilities correspond to the total assets and liabilities of the individual divisions. "Net liquidity/net financial debt" is a financial control measure and is calculated as cash and cash equivalents and marketable securities, less financial liabilities.

The following table contains segment-related information and a reconciliation from operating profit to net income, and from net liquidity/net financial debt to free cash flow.

Segment financial information is presented in accordance with the disclosure and measurement policies applied to preparation of the consolidated financial statements. Order intake data is derived from the Group's reporting system and has not been audited. Revenues between the segments are transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to the intangible assets, property, plant, and equipment, investment property, and investments (excluding assets leased out) allocated to the individual divisions. Please see "Control system and value management" in the Group management report for information on the key performance indicators ROS and ROCE.

Segment information

€ million

									Commercial Vehicles	
							MAN Nutzfahrzeuge		MAN Latin America	
	MAN Nutzfahrzeuge		MAN Finance		Consolidation		MAN Nutzfahrzeuge incl. MAN Finance			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Segment order intake[1]	**5,224**	9,130	**–**	–	**–**	–	**5,224**	9,130	**1,412**	–
of which: Germany	2,043	2,700	–	–	–	–	2,043	2,700	–	–
of which: other countries	3,181	6,430	–	–	–	–	3,181	6,430	1,412	–
Intersegment order intake	–5	–18	–	–	–	–	–5	–18	–	–
Group order intake	5,219	9,112	–	–	–	–	5,219	9,112	1,412	–
Segment revenue	**6,395**	10,610	**–**	–	**–**	–	**6,395**	10,610	**1,412**	–
of which: Germany	2,175	2,993	–	–	–	–	2,175	2,993	–	–
of which: other countries	4,220	7,617	–	–	–	–	4,220	7,617	1,412	–
Intersegment revenue	–11	–18	–	–	–	–	–11	–18	–	–
Group revenue	6,384	10,592	–	–	–	–	6,384	10,592	1,412	–
Order backlog at December 31, 2009 and December 31, 2008	**2,603**	4,007	**–**	–	**–**	–	**2,603**	4,007	**–**	–
Total assets at December 31, 2009 and December 31, 2008	**7,206**	8,220	**2,135**	2,466	**–1,374**	–619	**7,967**	10,067	**2,556**	–
of which: inventories	1,552	1,901	48	86	–	–	1,600	1,987	133	–
of which: trade receivables	914	1,782	1,402	1,670	–43	–121	2,273	3,331	199	–
of which: cash and cash equivalents, marketable securities	878	383	47	27	–838	–1	87	409	399	–
Segment liabilities at December 31, 2009 and December 31, 2008	**5,061**	6,236	**1,990**	2,339	**–1,375**	–619	**5,676**	7,956	**1,104**	–
of which: trade payables	582	883	49	128	–43	–121	588	890	203	–
Operating profit/(loss)	**–49**	1,056	**–42**	7	**0**	–1	**–91**	1,062	**142**	–
Earnings effects from purchase price allocations	–	–	–	–	–	–	–	–	–62	–
Gains/losses from nonrecurring items	–111	–171	–	–	–	–	–111	–171	–	–
Earnings before interest and taxes (EBIT)	**–160**	885	**–42**	7	**0**	–1	**–202**	891	**80**	–
Net interest income/(expense)	–56	–35	0	0	0	1	–56	–34	8	–
Earnings before tax (EBT) of continuing operations	**–216**	850	**–42**	7	**0**	0	**–258**	857	**88**	–
Earnings before interest, taxes, depreciation, and amortization (EBITDA) of continuing operations	**63**	1,110	**–40**	9	**0**	–1	**23**	1,118	**168**	–
of which: depreciation and amortization	–223	–224	–2	–2	–	–	–225	–226	–88	–
of which: impairment losses	0	–1	–	–	–	–	0	–1	–	–
Net liquidity/net financial debt	**–190**	–1,063	**–1,812**	–2,099	**1**	–1	**–2,001**	–3,163	**181**	–
Reconciliation to free cash flow	–655	–948	–2,053	–1,476	33	18	–2,675	–2,406	63	–
Free cash flow	**465**	–115	**241**	–623	**–32**	–19	**674**	–757	**118**	–
of which: net cash flows from operating activities	639	344	242	–588	–32	–19	849	–263	140	–
of which: net cash flows from investing activities	–174	–459	–1	–35	–	–	–175	–494	–22	–
Capital expenditures	**204**	492	**1**	36	**–**	–	**205**	528	**24**	–
Additional information:										
Headcount including subcontracted employees at December 31, 2009 and December 31, 2008 (no.)	**31,285**	36,010	**234**	241	**–**	–	**31,519**	36,251	**1,510**	–
of which: Germany	18,205	19,751	104	111	–	–	18,309	19,862	0	–
of which: other countries	13,080	16,259	130	130	–	–	13,210	16,389	1,510	–
Headcount at December 31, 2009 and December 31, 2008 (no.)	**30,552**	34,934	**230**	235	**–**	–	**30,782**	35,169	**1,510**	–
Key performance indicators										
ROS (%)	–0.8	10.0	–	–	–	–	–1.4	10.0	10.1	–
MVA	–362	762	–62	–12	–	–	–424	750	112	–

[1] This supplementary information on order intake is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

[2] Corporate Center: MAN SE, Shared Services, and holding companies

Power Engineering				Others/Consolidation and Reconciliation								Group	
MAN Diesel		MAN Turbo		Renk		Corporate Center[2]		Cons./Reconcil.		Total			
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
1,899	3,089	1,038	1,426	294	443	122	223	–129	–278	287	388	9,860	14,033
130	191	118	276	97	162	122	223	–122	–246	97	139	2,388	3,306
1,769	2,898	920	1,150	197	281	–	0	–7	–32	190	249	7,472	10,727
–3	–8	–2	–4	–11	–24	–108	–214	129	268	10	30	0	0
1,896	3,081	1,036	1,422	283	419	14	9	0	–10	297	418	9,860	14,033
2,411	2,542	1,386	1,328	474	527	122	178	–174	–240	422	465	12,026	14,945
191	263	242	262	173	211	122	178	–152	–203	143	186	2,751	3,704
2,220	2,279	1,144	1,066	301	316	–	0	–22	–37	279	279	9,275	11,241
–5	–7	–16	–5	–32	–35	–108	–167	172	232	32	30	0	0
2,406	2,535	1,370	1,323	442	492	14	11	–2	–8	454	495	12,026	14,945
2,985	4,102	1,438	1,822	415	612	0	305	–19	–432	396	485	7,422	10,416
1,818	1,935	1,191	1,143	393	399	4,696	5,691	–2,726	–2,705	2,363	3,385	15,895	16,530
865	864	322	297	121	154	0	2	–4	–29	117	127	3,037	3,275
447	514	297	316	93	111	6	10	–17	–27	82	94	3,298	4,255
74	178	276	233	53	23	2,238	3,088	–2,491	–3,826	–200	–715	636	105
1,187	1,308	815	872	201	240	4,429	3,879	–2,646	–3,121	1,984	998	10,766	11,134
300	361	235	240	38	51	14	34	–10	–28	42	57	1,368	1,548
342	390	158	148	66	80	–112	49	–1	0	–47	129	504	1,729
–	–	–	–	–	–	–	–	–	–	–	–	–62	–
–23	–	–77	–	–	–	–445	65	–	–	–445	65	–656	–106
319	390	81	148	66	80	–557	114	–1	0	–492	194	–214	1,623
0	16	0	10	–1	0	–68	28	–	0	–69	28	–117	20
319	406	81	158	65	80	–625	142	–1	0	–561	222	–331	1,643
369	427	105	168	77	91	–151	143	–1	0	–75	234	590	1,947
–44	–36	–23	–19	–11	–11	–23	–29	–	0	–34	–40	–414	–321
–6	–1	–1	–1	–	0	–383	0	–	0	–383	0	–390	–3
74	176	260	223	53	23	–1,201	660	0	450	–1,148	1,133	–2,634	–1,631
–29	16	267	129	11	–17	1,155	295	–304	922	862	1,200	–1,512	–1,061
103	160	–7	94	42	40	–2,356	365	304	–472	–2,010	–67	–1,122	–570
197	250	32	148	62	68	–272	401	454	–467	244	2	1,462	137
–94	–90	–39	–54	–20	–28	–2,084	–36	–150	–5	–2,254	–69	–2,584	–707
101	93	40	54	20	29	1,916	173	–3	–4	1,933	198	2,303	873
7,715	7,986	4,796	4,493	1,903	2,041	300	550	–	–	2,203	2,591	47,743	51,321
3,380	3,505	3,035	2,964	1,747	1,876	297	546	–	–	2,044	2,422	26,768	28,753
4,335	4,481	1,761	1,529	156	165	3	4	–	–	159	169	20,975	22,568
7,353	7,387	4,288	4,118	1,868	1,906	299	544	–	–	2,167	2,450	46,100	49,124
14.2	15.4	11.4	11.1	13.9	15.1	–	–	–	–	–	–	4.2	11.6
261	335	123	123	47	62	–	–	–	–	–	–	–206	1,377

Segment information by region

€ million	Germany	Rest of Europe	Rest of World	Total
2009				
Non-current assets (excl. financial instruments and deferred taxes) at December 31	2,348	1,306	1,669	5,323
Capital expenditures	280	87	1,936	2,303
Revenue	2,750	4,666	4,610	12,026
Headcount at December 31 (no.)	25,962	16,433	3,705	46,100
Headcount including subcontracted employees at December 31	26,768	16,891	4,084	47,743
2008				
Non-current assets (excl. financial instruments and deferred taxes) at December 31	2,490	1,360	56	3,906
Capital expenditures	647	198	28	873
Revenue	3,704	7,341	3,900	14,945
Headcount at December 31 (no.)	27,588	19,640	1,896	49,124
Headcount including subcontracted employees at December 31	28,753	20,363	2,205	51,321

Overview by Quarter (1/2)

€ million

					2009					2008
	Total 2009	**Q 4**	**Q3**	**Q2**	**Q1**	**Total 2008**	**Q4**	**Q3**	**Q2**	**Q1**
Order intake by division										
MAN Nutzfahrzeuge	5,224	1,360	1,203	1,296	1,365	9,130	930	1,914	2,766	3,520
MAN Latin America	1,412	571	453	388	–	–	–	–	–	–
MAN Diesel	1,899	375	660	301	563	3,089	660	626	899	904
MAN Turbo	1,038	257	259	222	300	1,426	271	418	369	368
Others/Consolidation	287	72	82	71	62	388	94	117	77	100
Order intake	**9,860**	**2,635**	**2,657**	**2,278**	**2,290**	**14,033**	**1,955**	**3,076**	**4,111**	**4,892**
Commercial Vehicles order intake (units)	**73,826**	**22,479**	**20,468**	**20,179**	**10,700**	**75,497**	**1,810**	**15,962**	**22,917**	**34,808**
of which: MAN Nutzfahrzeuge	37,984	9,601	8,443	9,240	10,700	75,497	1,810	15,962	22,917	34,808
of which: MAN Latin America	35,842	12,878	12,025	10,939	–	–	–	–	–	–
Revenue by division										
MAN Nutzfahrzeuge	6,395	1,574	1,565	1,641	1,615	10,610	2,695	2,535	2,830	2,550
MAN Latin America	1,412	571	453	388	–	–	–	–	–	–
MAN Diesel	2,411	639	611	605	556	2,542	709	634	629	570
MAN Turbo	1,386	350	374	357	305	1,328	429	328	317	254
Others/Consolidation	422	122	101	119	80	465	128	115	116	106
Revenue	**12,026**	**3,256**	**3,104**	**3,110**	**2,556**	**14,945**	**3,961**	**3,612**	**3,892**	**3,480**
Commercial Vehicles unit sales (units)	**82,609**	**24,165**	**23,159**	**23,078**	**12,207**	**103,705**	**24,786**	**25,612**	**28,201**	**25,106**
of which: MAN Commercial Vehicles	46,767	11,287	11,134	12,139	12,207	103,705	24,786	25,612	28,201	25,106
of which: MAN Latin America	35,842	12,878	12,025	10,939	–	–	–	–	–	–
Order backlog [1]	**7,422**	**7,422**	**8,160**	**8,661**	**9,662**	**10,416**	**10,416**	**12,924**	**13,554**	**13,513**

[1] As of December 31, 2009

This supplementary information on the overview by quarter is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Overview by Quarter (2/2)

€ million					2009					2008
	Total 2009	Q 4	Q3	Q2	Q1	Total 2008	Q4	Q3	Q2	Q1
Operating profit/(loss) by division										
MAN Nutzfahrzeuge	–91	–32	–42	–22	5	1,062	191	268	323	280
MAN Latin America	142	65	42	35	–	–	–	–	–	–
MAN Diesel	342	83	86	90	83	390	117	94	95	84
MAN Turbo	158	43	43	38	34	148	49	36	35	28
Others/Consolidation	–47	–33	5	3	–22	129	1	24	73	31
Operating profit/(loss)	**504**	**126**	**134**	**144**	**100**	**1,729**	**358**	**422**	**526**	**423**
Earnings effects of purchase price allocations	–62	–22	–40	–	–	–	–	–	–	–
Gains/(losses) from nonrecurring items	–656	–563	–22	–61	–10	–106	–171	–	65	–
Earnings before interest and taxes (EBIT)	**–214**	**–459**	**72**	**83**	**90**	**1,623**	**187**	**422**	**591**	**423**
Depreciation, amortization, and impairment losses	804	509	129	88	78	324	85	83	82	74
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**590**	**50**	**201**	**171**	**168**	**1,947**	**272**	**505**	**673**	**497**
Earnings before tax (EBT)	**–331**	**–486**	**37**	**38**	**80**	**1,643**	**206**	**426**	**591**	**420**
Income taxes	–53	13	–31	–11	–24	–488	–73	–129	–163	–123
Income from discontinued operations, net of tax	126	1	–	–	125	92	44	5	18	25
Net income/(loss)	**–258**	**–472**	**6**	**27**	**181**	**1,247**	**177**	**302**	**446**	**322**
ROS (%)	**4.2**	**3.9**	**4.3**	**4.6**	**3.9**	**11.6**	**9.0**	**11.7**	**13.5**	**12.1**
MAN Nutzfahrzeuge	–1.4	–2.0	–2.7	–1.3	0.3	10.0	7.1	10.6	11.4	11.0
MAN Latin America	10.1	11.5	9.1	9.1	–	–	–	–	–	–
MAN Diesel	14.2	13.0	14.0	15.0	14.9	15.4	16.5	14.8	15.0	14.8
MAN Turbo	11.4	12.3	11.6	10.8	11.0	11.1	11.3	11.0	11.0	11.0
Cash earnings	396	–28	91	175	158	1,619	361	379	533	346
Net cash provided by/(used in) operating activities	1,462	504	559	258	141	137	–366	–10	294	219
Net cash used in investing activities	–2,584	–709	–25	–76	–1,774	–707	–327	–96	–138	–146
Free cash flow	**–1,122**	**–205**	**534**	**182**	**–1,633**	**–570**	**–693**	**–106**	**156**	**73**
Net financial debt [1]	**–2,634**	**–2,634**	**–2,385**	**–2,955**	**–2,831**	**–1,631**	**–1,631**	**–973**	**–672**	**–366**
Headcount (no.)[1, 2]	**47,743**	**47,743**	**48,621**	**49,472**	**50,722**	**51,321**	**51,321**	**52,660**	**52,397**	**51,470**
of which: subcontracted employees	1,643	1,643	1,734	1,738	1,925	2,197	2,197	3,389	3,484	3,521
Capital markets information										
Earnings per share from continuing operations (€)	**–2.69**	**–3.23**	**0.02**	**0.15**	**0.37**	**7.76**	**0.88**	**1.99**	**2.89**	**2.00**
Earnings per share from continuing operations excl. effects of purchase price allocations and nonrecurring items (in €)	**1.47**	**0.30**	**0.32**	**0.44**	**0.41**	**8.12**	**1.68**	**1.99**	**2.46**	**2.00**
MAN share price[3]										
High	61.23	60.96	61.23	50.29	41.78	110.91	45.72	71.48	104.48	110.91
Low	30.31	52.10	40.47	35.10	30.31	27.78	27.78	46.22	70.51	77.22
Quarter-end	54.44	54.44	56.40	43.70	32.80	38.72	38.72	47.30	70.51	84.14
MAN share performance (percentage points)										
Performance of MAN shares [4]	40.6	40.6	45.7	12.9	–15.3	–66.0	–66.0	–58.4	–38.0	–26.1
Dax® performance® [4]	23.9	23.9	18.0	0.0	–15.1	–40.4	–40.4	–27.7	–20.4	–19.0

[1] As of December 31, 2009

[2] including subcontracted employees

[3] Xetra closing prices, Frankfurt

[4] Cumulative compared with prior-year closing price

This supplementary information on the overview by quarter is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Consolidated Financial Statements
Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, January 27, 2010

MAN SE

The Executive Board

Dr. Georg Pachta-Reyhofen
CEO

Frank H. Lutz
Chief Financial Officer

Jörg Schwitalla
Member of the Executive Board

Klaus Stahlmann
Member of the Executive Board

Consolidated Financial Statements
Auditors' report

We have audited the consolidated financial statements—comprising the income statement, reconciliation of comprehensive income for the period, balance sheet, statement of cash flows, statement of changes in equity, and the notes—and the group management report prepared by MAN SE, Munich, for the fiscal year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the *Handelsgesetzbuch* (HGB—German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Munich, January 29, 2010

KPMG AG Wirtschaftsprüfungsgesellschaft

Kozikowski	**Wolper**
Wirtschaftsprüfer	Wirtschaftsprüfer

05
Further Information

05
Further Information

Pages 158–172

160 Supervisory Board – Memberships in other governing bodies
162 Supervisory Board Committees of MAN AG
162 Supervisory Board Committees of MAN SE
163 Executive Board – Memberships in other governing bodies
164 Executive and Management Boards of Group Companies
166 Selected consolidated companies
168 Glossary
170 Index
172 Financial diary

Finland

+33.3%

Growth

2005
28.5%

2020
38%

Latvia

+22.7%

Growth

2005
32.6%

2020
40%

Austria

+45.9%

Growth

2005
23.3%

2020
34%

Portugal

+51.2%

Growth

2005
20.5%

2020
31%

Sweden

+23.1%

Growth

2005
39.8%

2020
49%

The top five for renewable energy in Europe

Nearly 10 percent of the European power supply is currently based on renewable energy sources—such as hydropower, biomass and solar energy. There are considerable differences between the EU member states in terms of the amount and the structure of the renewable energy share in national power consumption. Locally available natural resources play a vital role in this regard.

Source: Eurostat, 2009

Further Information
Memberships in other governing bodies

Supervisory Board – Memberships in other governing bodies

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

[1] Volkswagen AG (Chairman)
AUDI AG
Dr. Ing. h.c. F. Porsche AG
Porsche Automobil Holding SE

[3] Porsche Ges.m.b.H.
Porsche Holding GmbH

Thomas Otto*
Ottweiler,
Trade Union Secretary of IG Metall
Deputy Chairman

[1] MAN Nutzfahrzeuge AG
MAN Truck & Bus Deutschland GmbH
MAN Turbo AG

Dr.-Ing. Ekkehard D. Schulz
Düsseldorf,
CEO of ThyssenKrupp AG
Deputy Chairman

[1] AXA Konzern AG
Bayer AG
RWE AG

[2] ThyssenKrupp Elevator AG (Chairman)
ThyssenKrupp Steel Europe AG (Chairman)

Michael Behrendt
Hamburg,
CEO of Hapag-Lloyd AG

[1] Barmenia Allgemeine Versicherungs-AG
Barmenia Krankenversicherung a. G. (Deputy Chairman)
Barmenia Lebensversicherung a. G. (Deputy Chairman)
Esso Deutschland GmbH
ExxonMobil C. E. Holding GmbH
Hamburgische Staatsoper GmbH

Marek Berdychowski*
Tarnovo, Podgórne, Poland,
Works Council Chairman of MAN Bus Sp. z o.o., Poland
(as from May 19, 2009)

Detlef Dirks*
Augsburg,
Works Council Chairman of MAN Diesel SE,
Augsburg plant

Jürgen Dorn*
Munich,
Chairman of the Group Works Council of MAN SE,
as well as the SE Works Council

[1] MAN Nutzfahrzeuge AG (Deputy Chairman)

Jürgen Hahn*
Essen,
Works Council Chairman of Ferrostaal AG
(until March 25, 2009)

[1] Ferrostaal AG

Dr.-Ing. Uwe Hansult*
Augsburg,
Senior Vice-President BU Production of MAN Diesel SE
(until May 19, 2009)

Dr. jur. Heiner Hasford
Munich,
Former Executive Board member of
Münchener Rückversicherungs-Gesellschaft AG

[1] D.A.S. Deutscher Automobil Schutz Allgemeine
Rechtsschutz-Versicherungs-AG
ERGO Versicherungsgruppe AG
Nürnberger Beteiligungs-AG
VICTORIA Versicherung AG

Dr. phil. Klaus Heimann*
Frankfurt am Main,
Trade Union Secretary of IG Metall
(until May 19, 2009)

[1] Krones AG

Jürgen Kerner*
Augsburg,
1st Delegate of IG Metall Augsburg

[1] Eurocopter Deutschland GmbH
KUKA AG
MAN Diesel SE
manroland AG
Premium Aerotec GmbH

Prof. Dr. rer. pol. Renate Köcher
Constance,
General Manager of the Institut für Demoskopie Allensbach

[1] Allianz SE
BMW AG
Infineon Technologies AG

Dr. jur. Thomas Kremer
Düsseldorf,
Chief Legal Counsel of ThyssenKrupp AG
(until May 19, 2009)

[1] Howaltswerke-Deutsche Werft GmbH

[4] ThyssenKrupp Italia S.p.A.

Gerhard Kreutzer*
Oberhausen,
General Works Council Chairman of MAN Turbo AG

[1] MAN Turbo AG

Wilfrid Loos*
Dortmund,
General Works Council Chairman of MAN Truck & Bus Deutschland GmbH
(until May 19, 2009)

[1] MAN Truck & Bus Deutschland GmbH (Deputy Chairman)

Nicola Lopopolo*
Hanover,
Works Council Chairman of Renk AG,
Hanover plant

Dipl.-Kfm. Stefan W. Ropers
Munich,
Executive Board member of Bayerische Landesbank

[1] KG Allgemeine Leasing GmbH & Co. KG (Deputy Chairman)

[2] BayernInvest Kapitalanlagegesellschaft mbH (Deputy Chairman)
BayernLB Equity Management GmbH (Deputy Chairman)

Dr.-Ing. E.h. Rudolf Rupprecht
Augsburg,
Former CEO of MAN AG

[1] Bayerische Staatsforsten AöR
Bilfinger & Berger AG
Demag Cranes AG
Salzgitter AG

Stephan Schaller
Hanover,
Spokesman of the Brand Board of Management of Volkswagen Nutzfahrzeuge
(until May 19, 2009)

[1] SCHOTT AG
TÜV NORD AG

[4] Volkswagen Poznan Sp. z o.o. (Chairman)

Erich Schwarz*
Steyr, Austria,
Central Works Council Chairman
MAN Nutzfahrzeuge Österreich AG
(as from May 19, 2009)

[4] MAN Nutzfahrzeuge Österreich AG

Rupert Stadler
Ingolstadt,
CEO of AUDI AG

[1] FC Bayern München AG
MAN Nutzfahrzeuge AG (Chairman)

[4] Automobili Lamborghini Holding S.p.A. (Chairman)
VOLKSWAGEN GROUP ITALIA S.P.A. (Chairman)

* employee representative
As of January 27, 2010, or date of departure
[1] Membership of supervisory boards of German companies
[2] Membership of supervisory boards of German companies, Group appointments
[3] Membership of comparable German or foreign governing bodies
[4] Membership of comparable German or foreign governing bodies, Group appointments

Supervisory Board Committees of MAN AG As of May 19, 2009

Standing Committee

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)

Michael Behrendt

Jürgen Dorn

Thomas Otto

Dr.-Ing. Ekkehard D. Schulz

Executive Personnel & Nomination Committee
For Executive Board Personnel Matters:

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)

Michael Behrendt

Jürgen Dorn

Thomas Otto

Dr.-Ing. Ekkehard D. Schulz

For Supervisory Board Membership Candidates:

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)

Michael Behrendt

Dr.-Ing. Ekkehard D. Schulz

Audit Committee

Rupert Stadler (Chairman)

Michael Behrendt

Jürgen Dorn

Thomas Otto

Dipl.-Kfm. Stefan W. Ropers

Mediation Committee pursuant to section 27 (3) of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act)

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)

Jürgen Dorn

Thomas Otto

Dr.-Ing. Ekkehard D. Schulz

Supervisory Board Committees of MAN SE As of January 27, 2010

Presiding Committee

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)

Michael Behrendt

Jürgen Dorn

Gerhard Kreutzer

Thomas Otto

Dr.-Ing. Ekkehard D. Schulz

Audit Committee

Rupert Stadler (Chairman)

Thomas Otto (Deputy Chairman)

Michael Behrendt

Jürgen Dorn

Gerhard Kreutzer

Dipl.-Kfm. Stefan W. Ropers

Executive Board – Memberships in other governing bodies

Dr.-Ing. Georg Pachta-Reyhofen
Niederpöcking,
CEO
(as from January 1, 2010)

[2] MAN Diesel SE
MAN Turbo AG (Chairman)
Renk AG (Chairman)

Dipl.-Ing. Håkan Samuelsson
Munich,
Chairman
(until November 23, 2009)

[1] manroland AG
Ferrostaal AG
Siemens AG

[2] MAN Nutzfahrzeuge AG (Chairman)
MAN Diesel SE (Chairman)
MAN Turbo AG (Chairman)
Renk AG (Chairman)

[4] MAN Latin America S.A., Brazil (Chairman)
Sinotruk (Hong Kong) Ltd.

Prof. Dr. h. c. Karlheinz Hornung
Munich
(until December 11, 2009)

[1] Demag Cranes AG

[4] MAN Capital Corporation, USA (Chairman)

Frank H. Lutz
Munich,
Deputy member
(as from December 11, 2009)

[1] Ferrostaal AG
manroland AG

[2] MAN Nutzfahrzeuge AG
MAN Pensionsfonds AG (Chairman)
MAN Turbo AG

[4] MAN Capital Corporation, USA

Dr. jur. Matthias Mitscherlich
Mülheim/Ruhr
(until March 25, 2009)

[1] National Bank AG
RWE Dea AG

[2] MAN Turbo AG (Deputy Chairman)

Jörg Schwitalla
Besigheim
(as from May 19, 2009)

[2] MAN Diesel SE
MAN Nutzfahrzeuge AG
MAN Turbo AG
MAN Pensionsfonds AG

Dipl.-Wirtsch.-Ing Klaus Stahlmann
Kempen,
Deputy member
(as from January 1, 2010)

[4] MAN Turbo AG Schweiz (Chairman)
MAN Turbo Inc. USA (Chairman.)
MAN Turbo (Changzhou) Ltd. (Chairman)

Dipl.-Ökonom Anton Weinmann
Landensberg
(until November 30, 2009)

[2] MAN Truck & Bus Deutschland GmbH (Chairman)
NEOPLAN Bus GmbH
Renk AG

[4] MAN Latin America S.A., Brazil
MAN Nutzfahrzeuge Österreich AG (Deputy Chairman)
MAN Region West B.V.
Sinotruk (Hong Kong) Ltd.

As of January 27, 2010, or date of departure
[1] Membership of supervisory boards of German companies
[2] Membership of supervisory boards of German companies, Group appointments
[3] Membership of comparable German or foreign governing bodies
[4] Membership of comparable German or foreign governing bodies, Group appointments

Executive and Management Boards of Group companies

MAN Nutzfahrzeuge AG
Munich

Dr.-Ing. Georg Pachta-Reyhofen
CEO
(as from January 1, 2010)

Dipl.-Ökonom Anton Weinmann
Chairman
(until November 30, 2009)

Dipl.-Kffr. Sabine Drzisga
(until December 17, 2009)

Peter Erichreineke
(until July 14, 2009)

Karl Gadesmann
(as from January 1, 2010)

Dr. Frank Hiller
(as from October 1, 2009)

Dipl.-Ing. Bernd Maierhofer

Prof. Dr.-Ing. Karl Viktor Schaller
(until March 6, 2009)

Dipl.-Ing. Lars Wrebo

MAN Latin America Ltda.
São Paulo

Antonio Roberto Cortes
Chairman

Helmut Dieter Hümmerich

MAN Diesel SE
Augsburg

Dr.-Ing. Georg Pachta-Reyhofen
Chairman
(until December 31, 2009)

Jan Gurander

Dr.-Ing. Stefan Spindler

Dr.-Ing. Stephan Timmermann

MAN Turbo AG
Oberhausen

Dipl.-Wirtsch.-Ing. Klaus Stahlmann
Chairman

Jan Gurander
(as from December 22, 2009)

Dr. rer. pol. Stephan Funke
(until December 22, 2009)

Dr.-Ing. Hans-O. Jeske

Prof. Dr. rer. oec. Gerhard Willi Reiff
(until December 22, 2009)

Renk AG
Augsburg

Dipl.-Ing. (FH) Florian Hofbauer
Spokesman of the Executive Board

Ulrich Sauter

As of January 27, 2010

Further Information
Selected consolidated companies

As of December 31, 2009

	Equity interest %	Revenue € million	Headcount as of Dec. 31, 2009
MAN Nutzfahrzeuge AG, Munich, Germany	**100**	4,769	**12,784**
MAN Truck & Bus Deutschland GmbH, Munich, Germany	100	2,117	4,864
MAN Nutzfahrzeuge Österreich AG, Steyr, Austria	100	1,250	3,078
MAN Truck & Bus UK Limited, Swindon (Wiltshire), UK	100	645	862
MAN Nutzfahrzeuge Vertrieb Süd AG, Vienna, Austria	100	480	839
MAN Bus Sp. z o.o., Tarnowo Podgórne, Poland	100	402	2,759
MAN Trucks Sp. z o.o., Niepolomice, Poland	100	303	378
MAN Vehiculos Industriales (España) S.A.U., Coslada (Madrid), Spain	100	280	486
MAN Türkiye A.S., Akyurt Ankara, Turkey	100	277	1,406
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg, South Africa	100	204	705
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn, Poland	100	160	242
MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey	100	144	130
MAN Avtomobili Rossiya, Moscow, Russian Federation	100	135	368
MAN Nutzfahrzeuge (Schweiz) AG, Otelfingen, Switzerland	100	124	105
Neoplan Omnibus GmbH, Plauen, Germany	84	111	409
MAN Last og Bus A/S, Glostrup, Denmark	100	92	174
MAN Last og Buss A/S, Lorenskog, Norway	100	81	210
MAN uzitková vozidla Ceská republika spol.s.r.o., Cestlice, Czech Republic	100	59	91
MAN Veiculos Industriais (Portugal) S.U. Lda., Algés (Lisbon), Portugal	100	48	87
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100	39	101
MAN Engines & Components Inc., Pompano Beach, USA	100[3]	32	43
MAN Hellas Truck & Bus S.A., Peristeri-Athens, Greece	100	25	22
MAN Truck & Bus Mexico S.A. de C.V., El Marques, Mexico	100	24	80
MAN Gospodarska vozila Slovenija d.o.o., Ljubljana, Slovenia	100	20	39
MAN Úzitkové Vozidlá Slovakia s.r.o., Bratislava, Slovakia	100	20	45
NEOPLAN Bus GmbH, Pilsting, Germany	100	16	0
TOV MAN Truck & Bus Ukraine, Kiev, Ukraine	100	3	20
MAN Nutzfahrzeuge Österreich Holding, Steyr, Austria	100	3	0
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	**100**	1,412	**1,510**
MAN Diesel SE, Augsburg, Germany	**100**	2,057	**5,369**
MAN Diesel SAS, Villepinte, France	100	176	595
MAN Diesel Canada Ltd., Oakville, Canada	100	94	59
MAN Diesel Ltd., Stockport, UK	100	81	231
MAN Diesel Singapore Pte. Ltd., Singapore, Singapore	100	52	167
MAN Diesel North America Inc., New York, USA	100[3]	49	163
MAN Diesel Benelux NV, Antwerp, Belgium	100	25	50
PBS Turbo s.r.o., Velká Bíteš, Czech Republic	100	19	167
MAN Diesel Benelux B.V., Schiedam, Netherlands	100	15	55
MAN Diesel Australia Pty. Ltd., North Ryde, Australia	100	15	42
MAN Diesel Shanghai Co. Ltd., Shanghai, China	100	13	163
Rostock Diesel Service GmbH, Rostock, Germany	100	8	29
MAN Diesel India Ltd., Aurangabad, India	73	7	208

As of December 31, 2009	Equity interest %	Revenue € million	Headcount as of Dec. 31, 2009
MAN Turbo AG, Oberhausen, Germany [1]	**100**	905	**2,684**
MAN Turbo AG Schweiz, Zurich, Switzerland	100	500	789
MAN Turbo S.r.l. De Pretto, Schio, Italy	100	48	230
MAN Turbo (Changzhou) Co. Ltd., Changzhou, China	100	0	159
MAN Turbo Inc. USA, Houston, USA	100[3]	59	188
MAN Turbo South Africa (Pty) Ltd., Elandsfontein, South Africa	100	15	86
MAN Turbo Trading (Shanghai) Co., Ltd., Shanghai, China	100	14	43
MAN Turbo (UK) Limited, London, UK	100	9	44
MAN Turbo India PvT Ltd., Baroda (Vadodara), India	100	4	65
Renk Aktiengesellschaft, Augsburg, Germany	**76**	416	**1,645**
RENK-MAAG GmbH, Winterthur, Switzerland	100[4]	25	85
RENK Test System GmbH, Augsburg, Germany	100[4]	20	70
Société d'Equipements Systèmes et Mécanismes, Saint-Ouen-l'Aumône, France	100[4]	13	47
MAN Finance International GmbH, Munich, Germany [2]	**100**	–	**35**
MAN Financial Services GmbH, Munich, Germany	100	–	69
MAN Financial Services España S.L., Coslada (Madrid), Spain	100	–	15
MAN Financial Services SpA, Agrate Brianza MI, Italy	100	–	12
MAN Financial Services plc, Swindon (Wiltshire), UK	100	–	37
MAN Financial Services SAS, Evry Cedex, France	100	–	8
MAN Financial Services GesmbH, Eugendorf, Austria	100	–	5
MAN Financial Services Tüketici Finansmani A.S., Ankara, Turkey	100	–	11
MAN Financial Services OOO, Moscow, Russian Federation	100	–	24
MAN Financial Services Poland Sp. z o. o., Nadarzyn, Poland	100	–	9

[1] MAN DWE GmbH, Deggendorf, was merged with MAN Turbo AG, Oberhausen, in fiscal 2009.
[2] Selected by financing volume; Financial Services income is reported as other operating income, (see p. 118) so no revenue is disclosed.
[3] Shares held by MAN Capital Corporation, New Jersey.
[4] Equity interest of Renk Aktiengesellschaft, Augsburg.

Further Information
Glossary

C

Capital employed (CE)
The MAN Group's CE is derived from the capital side. It comprises total equity, pension provisions, and financial liabilities, less the financing business (leasing) not covered by the equity of Financial Services. The earnings measure also includes the operating profit or loss of discontinued operations up to the date of disposal. The business areas' CE is derived from the asset side. For the Industrial Business it comprises total assets excluding certain liquid assets and tax assets, less all provisions and liabilities with the exception of financial liabilities, pension provisions, and income taxes. Effects from acquisitions relating to finite-lived tangible and intangible assets are also eliminated when calculating CE. Prepayments received are only deducted if they have already been used in order processing

Cash Earnings
Cash earnings reflect the net cash provided by or used in operating activities. They are the net amount of operating profit, interest, taxes (excl. deferred taxes), depreciation, amortization, and impairment losses, and other noncash income and expense.

Contractual trust arrangement (CTA)
Trust arrangement for funding pension provisions under which a company assigns assets to an autonomous and legally independent trustee as security that it will meet its pension funding obligations.

COSO
Framework for Enterprise Risk Management and Internal Control (Committee of Sponsoring Organizations of the Treadway Commission)

D

Derivatives / derivative financial instruments
Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e.g., stocks, foreign currency, interest-bearing securities).

E

Equity method
Method of including investments that are not consolidated in the investor's consolidated financial statements in cases where the investor exercises significant influence over the investment's financial and operating policy decisions. The carrying amount of the investment is adjusted for any changes in the investor's share of the investment's equity. These changes are usually reported in the owner's income statement.

Equity ratio
Indicates the ratio of total equity to total capital.

Equity-to-assets ratio
Indicates the extent to which noncurrent assets (intangible assets; property, plant, and equipment; and investments) are covered by equity.

F

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow reflects the funds generated by a company during the fiscal year.

Functional expenses
Functional expenses comprise the cost of goods sold and services rendered, selling expenses, and general and administrative expenses.

I

International Financial Reporting Standards (IFRSs)
Internationally applicable accounting standards that are designed to ensure comparability of financial accounting and reporting. They are issued by the International Accounting Standards Board (IASB), an international private body. IFRSs also comprise those International Accounting Standards (IASs) that are still effective.

M

MAN value added (MVA)
A measure that indicates whether the MAN Group and its business areas have earned their cost of capital and additionally added value.
MVA = (ROCE – WACC) x $CE_{\text{capital employed}}$

N

Net liquidity/net financial debt
Net liquidity/net financial debt is a financial control measure comprising cash and cash equivalents and marketable securities, less financial liabilities.

O

Other comprehensive income (OCI)
OCI is a separate category within total equity. It comprises gains and losses that are recognized in the balance sheet but not in the income statement, in particular from the fair value measurement of marketable securities and hedges (marking to market) and changes in actuarial gains and losses on pensions, after adjustment for deferred taxes

Operating profit
Key measure for assessing and measuring the performance of MAN Group's divisions. As a rule, it corresponds to earnings before interest and taxes (EBIT). An adjustment is made for earnings effects from purchase price allocation and, in individual cases, for nonrecurring Items. These items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business.
Operating profit = EBIT ± nonrecurring factors + earnings effects of purchase price allocation

Option
Agreement under which the purchaser is entitled, but not obligated, to acquire (call option) or sell (put option) the underlying asset at a future date for a predefined price. By contrast, the seller of the option is obligated to sell or purchase the asset and usually receives a premium for granting the option rights.

P

Percentage of completion (PoC) method
Revenue and profit recognition method that is based on the stage of completion in accordance with IAS 11. This method is applicable to dedicated construction contracts for which the total revenue, total costs, and stage of completion can be reliably determined. Earnings contributions are recognized in accordance with the stage of completion even if the contract has not yet been completed in full and invoiced to the customer.

Projected unit credit method
Method used to measure pension obligations in accordance with IAS 19 that reflects expected future pay and pension increases in addition to the vested pension rights and entitlements existing at the end of the reporting period.

R

Rating
Assessment of a company's creditworthiness issued by independent rating agencies on the basis of a thorough analysis. Ratings are expressed by means of rating classes, which are defined differently by individual rating agencies.

ROCE
Return on capital employed. Ratio of operating profit to average capital employed.

$$\text{ROCE} = \frac{\text{Operating profit}}{\text{CE}_{\text{Capital Employed}}}$$

ROS
Return on sales. Ratio of operating profit to revenue.

$$\text{ROS} = \frac{\text{Operating profit}}{\text{revenue}}$$

S

Swap
Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

Syndicated credit line
Committed credit line granted by a banking syndicate.

W

WACC
Weighted average cost of capital. For management purposes, the MAN Group's WACC is fixed for the long term at 11% before tax. The equity portion is measured at fair value. The debt portion includes pension provisions and financial liabilities.

Further Information
Index

A

Acquisitions p 58, pp 117
Asset and capital structure p 70
Assets held for sale p 140
Assets leased out p 125

B

Bad debt allowances on receivables pp 125
Balance sheet p 105
Bonds p 69, pp 130

C

Capital expenditures p 76, p 99
Cash flow pp 67, p 106, p 116
Compliance pp 17, p 97
Corporate governance pp 14, p 149
Current financial liabilities p 130, p 136

D

Depreciation and amortization expense p 121
Directors' dealings p 18
Discontinued operations p 118
Divestments p 58, pp117
Dividends pp 12, p 64, p 129
Divisions pp 81

E

Earnings per share p 120
Employees pp 78, p 121
Equity-method investments p 124
Executive board pp 26, p 163
Executive board remuneration pp 18, pp 146

F

Financial diary p 172
Financial investments p 124
Financial labilities pp 130
Financial position pp 67
Financial statements of MAN SE p 89
Funding p 69

I

Impairment losses p 121, p 122, p 124
Income from discontinued operations p 118
Income statement pp 62, p 103, p 118, 121
Income taxes pp 119
Intangible assets p 122
Inventories p 125
Investigations by the public prosecution authorities pp 95, pp 137
Investment property p 76, p 124
Investor relations pp 12

L

Letter to shareholders pp 6

M

MAN Diesel pp 84
MAN Nutzfahrzeuge pp 81
MAN Latin America pp 83
MAN Turbo pp 87
MAN value added pp 65

N

Net interest income/expense p 119
Noncurrent financial liabilities pp 130
Nonrecurring items p 63

O

Operating profit pp 61, p 64
Order backlog p 60
Order intake pp 59
Other assets p 126
Other liabilities p 136
Other operating expenses p 119
Other operating income p 118
Outlook pp 98

P

Pension obligations pp 131
Property, plant and equipment p 123
Provisions p 131, p 135
Purchasing p 77

R

Rating p 69
Report of the Supervisory Board pp 6
Research and development pp 74
Reserves p 129
Revenue pp 60
Risk management pp 90, p 141
ROCE p 65
ROS p 64

S

Segment information pp 149
Shares pp 12
Six-year overview p IV
Statement of cash flows pp 67, p 106, p 116
Stockholder structure p 13
Stock performance p 12
Strategy pp 28, pp 56
Supervisory board pp 160
Supervisory board remuneration pp 20, p 148
Sustainability p 80

T

Taxes pp 119
Total equity p 69, p 70, p 107, pp 127
Trade receivables pp 125

W

Weighted average cost of capital p 65

Further Information
Financial diary

Financial diary of MAN SE	
Annual General Meeting for fiscal 2009	April 1, 2010
Report on Q1/2010	April 29, 2010
Half-yearly report	July 29, 2010
Report on Q3/2010	October 28, 2010
Annual press conference	February 23, 2011
Internet publication of annual report	February 23, 2011
Annual General Meeting for fiscal 2010	April 8, 2011
Report on Q1/2011	May 3, 2011
Half-yearly report	July 28, 2011

MAN Group: Six-year overview

€ million	2009	2008	2007	2006	2005	2004
Order intake	**9,860**	**14,033**	**17,818**	**16,567**	**14,338**	**15,645**
of which: Germany	2,388	3,306	4,549	4,151	3,373	3,850
of which: other countries	7,472	10,727	13,269	12,416	10,965	11,795
Order intake by division						
MAN Nutzfahrzeuge	5,224	9,130	12,684	10,103	9,434	7,589
MAN Latin America	1,412	–	–	–	–	–
MAN Diesel	1,899	3,089	3,371	2,619	2,203	1,872
MAN Turbo	1,038	1,426	1,454	1,498	850	675
Others/Consolidation	287	388	309	2,347	1,851	5,509
Revenue	**12,026**	**14,945**	**14,063**	**13,049**	**11,379**	**14,038**
of which: Germany	2,750	3,704	4,073	3,394	3,103	3,540
of which: other countries	9,276	11,241	9,990	9,655	8,276	10,498
Revenue by division						
MAN Nutzfahrzeuge [1]	6,395	10,610	10,410	8,685	7,377	6,799
MAN Latin America	1,412	–				
MAN Diesel	2,411	2,542	2,179	1,802	1,666	1,421
MAN Turbo	1,386	1,328	1,108	908	694	659
Others/Consolidation	422	465	366	1,654	1,642	5,159
Order backlog [2]	**7,422**	**10,416**	**12,335**	**11,298**	**8,496**	**7,954**
of which: Germany	1,107	1,626	2,331	1,820	1,422	1,815
of which: other countries	6,315	8,790	10,004	9,478	7,074	6,139
Headcount including subcontracted employees [2]	**47,743**	**51,321**	**50,399**	**53,715**	**51,412**	**61,325**
of which: Germany	26,768	28,753	28,963	31,368	30,275	38,844
of which: other countries	20,975	22,568	21,436	22,347	21,137	22,481
Subcontracted employees [2]	**1,643**	**2,197**	**3,519**	**3,425**	**2,251**	**2,317**
Headcount [2]	**46,100**	**49,124**	**46,880**	**50,290**	**49,161**	**59,008**
Annual average headcount	**47,365**	**48,787**	**47,128**	**49,994**	**49,770**	**60,371**
MAN share data						
Common shares (in €) [2]	54.44	38.72	113.80	68.46	45.08	28.34
Common shares, high (in €)	61.23	110.91	123.73	74.00	45.24	32.23
Common shares, low (in €)	30.31	27.78	68.46	44.36	29.00	24.33
Common shares, price/earnings ratio [2,3]	–	5.0	15.7	13.6	16.4	13.6
Preferred shares (in €) [2]	41.00	43.05	108.65	63.35	41.00	24.75
Preferred shares, high (in €)	49.95	110.00	117.39	69.78	41.00	29.59
Preferred shares, low (in €)	35.45	32.56	62.69	40.35	25.44	20.00
Preferred shares, price/earnings ratio [2,3]	–	5.5	14.9	12.5	14.9	11.9
Dividend per share (in €)	0.25	2.00	3.15	2.00	1.35	1.05
Earnings per share (IAS 33) (in €) [3]	– 2.69	7.76	7.27	5.05	2.75	2.08
Cash earnings per share (in €)	2.52	10.43	10.52	6.40	5.90	5.00
Equity per share (in €)	35.50	35.70	30.30	22.90	19.50	18.80

Information on comparability:
The Others data includes Industrial Services up to 2006 and Printing Systems and Financial Services up to 2004 (revenue reported in other operating income from 2005)

[1] Commercial vehicles revenue subject to repurchase obligations has been accounted for as operating leases since 2004.

[2] Number at December 31

[3] For continuing operations

€ million	2009	2008	2007	2006	2005	2004
Noncurrent assets	7,923	6,010	6,891	6,998	5,689	5,400
Inventories	3,037	3,275	3,279	3,032	3,453	3,393
Other current assets	4,299	7,140	4,471	4,054	3,819	3,825
Marketable securities and cash and cash equivalents	636	105	1,520	1,162	1,191	761
Equity [1]	5,129	5,396	5,177	3,779	3,025	2,965
Pension obligations [1]	160	74	132	946	1,499	1,716
Noncurrent and current financial liabilities	3,270	1,736	1,967	2,108	1,018	753
Prepayments received	913	1,099	2,031	1,557	1,740	1,399
Other liabilities and provisions	6,423	8,225	6,854	6,856	6,870	6,546
Total assets/total capital	**15,895**	**16,530**	**16,161**	**15,246**	**14,152**	**13,379**
Revenue	**12,026**	**14,945**	**14,063**	**13,049**	**11,379**	**14,038**
Cost of goods sold and services rendered [2]	– 9,455	– 11,243	– 10,722	– 10,161	– 8,943	– 11,276
Gross margin	**2,571**	**3,702**	**3,341**	**2,888**	**2,436**	**2,762**
Other income and expenses [3]	– 2,067	– 1,973	–1,790	– 1,783	– 1,762	– 2,205
Operating profit [4]	**504**	**1,729**	**1,551**	**1,105**	**674**	**557**
Earnings effects from purchase price allocations	– 62	–	–	–	–	–
Gains/losses from nonrecurring items	– 656	– 106	183	–	– 37	–
Net interest income/(expense)	– 117	20	– 55	– 82	– 62	– 115
Earnings before tax (EBT)	**– 331**	**1,643**	**1,679**	**1,023**	**575**	**442**
Income taxes	– 53	– 488	– 600	– 273	– 160	– 122
Income/(loss) from discontinued operations, net of tax	126	92	146	175	57	– 2
Net income/(loss)	**– 258**	**1,247**	**1,225**	**925**	**472**	**318**
Noncontrolling interests	– 12	– 14	– 9	– 7	– 10	– 15
Withdrawals from/(transfer to) reserves	307	– 939	– 753	– 624	– 263	– 149
Total dividend paid by MAN SE	**37**	**294**	**463**	**294**	**199**	**154**
EBITDA	**590**	**1,947**	**2,131**	**1,433**	**972**	**1,011**
Depreciation, amortization, and impairment of noncurrent assets	804	324	397	328	335	402
Earnings before interest and taxes (EBIT)	**– 214**	**1,623**	**1,734**	**1,105**	**637**	**609**
Capital expenditures and financing						
Property, plant, and equipment and intangible assets	366	603	459	446	376	357
Investments	1,937	270	259	1,214	28	32
Research and development expenditures	504	493	433	396	385	476
Cash earnings	396	1,619	1,661	963	876	762
Net cash provided by operating activities	1,462	137	2,109	777	1,267	946
Net cash used in investing activities	– 2,584	– 707	– 426	– 1,329	– 378	– 341
Free cash flow	– 1,122	– 570	1,683	– 552	889	605
Key performance indicators						
ROS (%)	4.2	11.6	11.0	8.5	5.9	4.0
ROCE (%)	7.9	40.2	31.9	28.0	19.1	13.0
MVA	– 206	1,377	1,148	717	321	82

Information on comparability:
The data includes Industrial Services up to 2006 and Printing Systems and Financial Services up to 2004
(revenue reported in other operating income from 2005)

[1] Change in accounting treatment of pensions from 2005

[2] In the previous year, figure after reclassification of € – 61 million (2007: € – 35 million) of cost of goods sold and services rendered to gains/losses from nonrecurring items

[3] Incl. net interest income of Financial Services

[4] Printing Systems and Steel Trade reported as discontinued operations from 2005: Industrial Services reported as discontinued operations from 2007

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Engineering the Future – since 1758.

2009 Annual Report

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