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ENGINEERING THE FUTURE – SINCE 1758

Annual Report 2007
MAN AG

At a glance

€ million	2007	2006	Change in %
Order intake	19,374	16,567	17
Germany	4,929	4,151	19
abroad	14,445	12,416	16
Net sales	15,508	13,049	19
Germany	4,343	3,394	28
abroad	11,165	9,655	16
Order backlog [1]	14,750	11,298	31
Headcount [1, 2]	55,086	53,715	3
thereof temporary employees	4,031	3,425	18
Germany	31,611	31,368	1
abroad	23,475	22,347	5

			Change in € mill.
Operating profit	1,730	1,105	625
EBT (earnings before taxes)	1,852	1,023	829
Net income	1,225	925	300
EpS (earnings per share) of continuing operations (€)	8.24	5.05	3.19
Dividend per share in € [3]	3.15	2.00	1.15
ROS (%)	11.2	8.5	–
ROCE (%)	31.9	28.0	–
MAN value added (MAN VA)	1,148	717	431
Capital outlays	764	1,660	–896
Amortization/depreciation/write-down of fixed assets	425	328	97
R&D expenditures	433	396	37
Cash earnings	1,661	963	698
Cash flow from operating activities	2,109	777	1,332
Cash flow from investing activities	(426)	(1,329)	903
Free cash flow	1,683	(552)	2,235
Cash and cash equivalents [1]	1,266	1,162	104
Net liquid assets/(Net financial debt) [1]	(447)	(946)	499
Equity [1]	5,177	3,779	1,398

[1] Year-on-year as of December 31, 2007 vs. 2006
[2] Since 2007 including temporary employees, prior-year data adjusted
[3] 2007: proposed dividend

The MAN Group

MAN Nutzfahrzeuge

is the biggest among the MAN Group companies and one of the leading suppliers of commercial vehicles and transport solutions.

– Trucks from 7.5 to 60 t for every application
– Buses and coaches for regular services and luxury tourist travel
– Complete services for all vehicle-related aspects
– Vehicle, marine and industrial engines

MAN Nutzfahrzeuge		
€ million	2007	2006
Order intake	12,684	10,103
Sales	10,410	8,685
Operating profit	1,039	698
Headcount at Dec. 31*	36,591	36,206
ROS (%)	10.0	8.0

* including temporary employees

MAN Diesel

is the world leader in two-stroke marine main engines and among the leaders in the global market for large 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
– Combustion ignition and spark-ignited engines for stationary power applications, on shore and offshore
– Exhaust-driven turbochargers and propulsion systems
– MAN Diesel PrimeServ: worldwide aftermarket services

MAN Diesel		
€ million	2007	2006
Order intake	3,371	2,619
Sales	2,179	1,802
Operating profit	313	229
Headcount at Dec. 31*	7,383	6,862
ROS (%)	14.4	12.7

* including temporary employees

MAN Turbo

is among the worldwide leading manufacturers of thermal turbomachines; it has production plants in Germany, Switzerland, and Italy.

– Broad product range of compressors, turbines, and chemical reactors
– Engineering, manufacture, installation and servicing of complete machine lines and complexes for the oil and gas sector, primary materials industry, and for power generation
– Worldwide unique center for assembling and testing machine lines of up to 1,000 t

MAN Turbo		
€ million	2007	2006
Order intake	1,454	1,498
Sales	1,108	908
Operating profit	104	71
Headcount at Dec. 31*	4,011	3,545
ROS (%)	9.4	7.8

* including temporary employees

MAN Ferrostaal

is a worldwide supplier of industrial services.

– Foremost prime contractor for international plant construction in the areas of solar thermal power plants as well as biofuels, petrochemical and industrial plants. Project development, project management and financing arrangements for turnkey plants.
– Sales and service organization for manufacturers of machines and systems. Automotive industry services: just-in-sequence preassembly of complete modules.
– Business platform for the MAN Group.

MAN Ferrostaal		
€ million	2007	2006
Order intake	1,556	1,982
Sales	1,445	1,379
Operating profit	179	119
Headcount at Dec. 31*	4,687	4,879
ROS (%)	12.4	8.6

* including temporary employees

The MAN Group

The MAN Group is one of Europe's foremost industrial players in the sector of Transport-Related Engineering, with sales in 2007 of some €15.5 billion. As a supplier of trucks, buses, diesel engines, turbo machinery and industrial services, MAN employs a workforce of around 55,000 worldwide. The MAN business areas hold leading positions in their markets. MAN AG, Munich, is listed in the DAX (German Stock Index) which comprises the thirty leading stock corporations in Germany.

2007: THE MOST SUCCESSFUL YEAR IN COMPANY HISTORY

PERFORMANCE

Double-digit growth in new orders (+17 %) and sales (+19 %) resulted in our production facilities operating at full capacity in addition to a high order backlog (+31 %). The operating profit increased by 57 % to €1.7 billion. At 11.2 %, the net operating margin is in the double-digit range for the first time. Vehicle sales topped 100,000 units.

EXPANSION

New plant begins operations in Poland, leading position in growth markets of eastern Europe and Russia.

OPTIMIZATION

The manufacturing structure is improved, and investments in plant locations increase production capacity.

JOBS

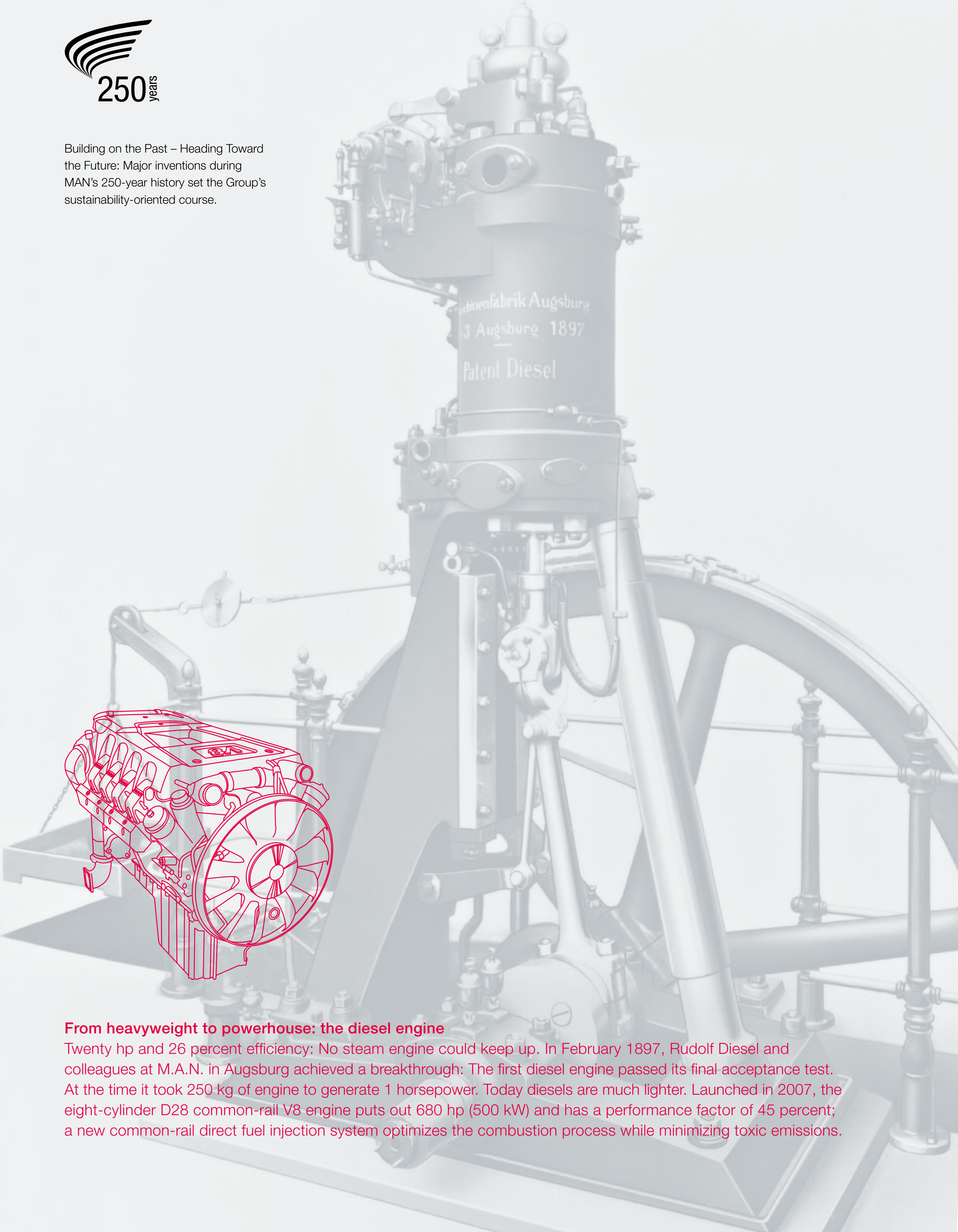
More than 1,300 jobs created, increased flexibility through plant-level agreements and higher percentage of temporary employees.

250 YEARS MAN

Throughout its 250-year history, the company has demonstrated its ability to change and innovate again and again.

250 years

Building on the Past – Heading Toward the Future: Major inventions during MAN's 250-year history set the Group's sustainability-oriented course.



From heavyweight to powerhouse: the diesel engine

Twenty hp and 26 percent efficiency: No steam engine could keep up. In February 1897, Rudolf Diesel and colleagues at M.A.N. in Augsburg achieved a breakthrough: The first diesel engine passed its final acceptance test. At the time it took 250 kg of engine to generate 1 horsepower. Today diesels are much lighter. Launched in 2007, the eight-cylinder D28 common-rail V8 engine puts out 680 hp (500 kW) and has a performance factor of 45 percent; a new common-rail direct fuel injection system optimizes the combustion process while minimizing toxic emissions.

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LETTER TO OUR STOCKHOLDERS

Dear ladies and gentlemen,

In 2008, MAN will be celebrating its 250th anniversary. A company that reaches this age can look back on a long tradition, considerable experience and an eventful past—in particular, however, it has proven its lasting capability to transform itself, to bring technical innovation to the market and to seize opportunities for the future. The best example in MAN's history is its collaboration with Rudolf Diesel a century ago in developing his engine that changed the world. This is what we mean by "Engineering the Future."

The dynamic of a long and successful history will propel MAN into the coming years. We are facing challenges such as climate change, the increased flow of international transportation, and the rise of emerging countries just as fossil fuels are becoming more scarce. We are positive that they can be overcome—especially with the help of technical innovation as developed by industrial engineers around the world.

As a company whose business focus lies in the areas of transport, propulsion and energy, MAN has made major contributions to date in the form of the most advanced engines and vehicles, in the form of technologies such as hybrid drives, and in the form of innovative gas engines. Currently, we are supplying core components for transportation applications and for the storage of carbon dioxide, we are building solar plants, and we have the essential components to produce biomass-based fuels. Justifiably, our customers expect us to develop products and solutions that will further decrease energy consumption, significantly reduce harmful emissions and still operate cost-effectively. However, we will do even more and, in particular, we will seize new growth opportunities offered by new technical solutions for the protection of our climate. These developments will enable our company to take on the future and will ensure profitable growth. Thus, you as our stockholders will be among the beneficiaries. That in a nutshell is our concept of sustainable financial management.

Success in business and shaping the future, in our view, go hand in hand. We took a big step forward in 2007 in terms of strengthening the Group's profitability. This is why I am happy to be able to announce to you that we have had another record-breaking year. As in the year before that, the positive economic situation worldwide especially in the transport and energy sectors helped bring about this positive growth. In addition, our internal measures to increase productivity and our continued focus on the fast-growing Commercial Vehicles, Diesel Engines, Turbo Machinery, and Industrial Services business areas also played crucial roles.

I would now like to highlight a few key indicators for you that describe the success we had last year. New orders increased by 17 percent to €19.4 billion, and sales grew by 19 percent to €15.5 billion. This allowed our operating result to go up by more than 50 percent to €1.7 billion. We thus achieved a return on sales (ROS) of 11.2 percent, which even let us exceed our target rate of return of 10.5 percent for good business cycles. As you know, our target ROS over the next several years will be 8.5 percent averaged across an economic cycle. As of this writing, we are confident—based upon the earning power and upon the flexibility of cost structures that we have achieved to date—that we can permanently secure achievement of this figure.

Thanks to a positive performance from special activities, earnings per share in 2007 increased substantially—by 63 percent to €8.24. We are pleased that this allows us to announce a significantly higher disbursement of €3.15 per share following €2 last year.

In 2007, we continued to benefit from a very strong demand for trucks. In this respect, eastern Europe and Russia have established themselves as growth regions. This shows that last year was indeed the right time to open our new Polish truck assembly plant near Kraków. From there, we will be able to supply about 15,000 vehicles (this figure may even double if additional shifts are implemented) per year destined especially for the eastern European market. At our joint venture in India, production keeps expanding, too. Yet even without these new capacities, we were able to considerably increase production in 2007, exceeding the threshold of 100,000 vehicles supplied after delivering 87,000 in the previous year. A 20 percent growth in sales and a return on sales that grew from 8 percent to 10 percent, shows that we have been successful in implementing our concept for

Håkan Samuelsson,
Chairman of the Executive Board

improving profitability in the Commercial Vehicles business area without sacrificing growth. This is despite the fact that our bus business did not do well—declining sales and excessive costs resulted in a loss. The planned reorganization of the Salzgitter bus assembly plant will serve as a first step in its recovery. However, other measures such as the integration of the bus and truck activities and the associated consolidation of centralized functions in Munich will also contribute to the turnaround.

The Diesel Engine area was exceptionally successful in the fast-growing market for marine engines and stationary power plant drives. With recently optimized production structures instituted at Augsburg, the Danish facilities, and St. Nazaire, France, MAN is taking measures to better meet quantitative requirements without causing additional delivery delays. Diesel had a record year, achieving a 21 percent increase in sales and a return on sales that went up from 12.7 to 14.4 percent. The same applies for the Turbo Machinery and Industrial Services areas. MAN Turbo is facing greater demand from the energy sector. For that reason, we have initiated construction of a plant in China, which will begin operations at the end of 2008. Strong growth as well as operating profits and rates of return at new highs were made possible by the dedication of our employees, who are working very hard given the high order backlog. I would like to take this opportunity to thank all MAN employees worldwide on behalf of the Executive Board for their diligence and hard work. Thanks to our growth and high level of production activity, jobs in almost all areas have not only become more secure, but more positions have been added as well.

The starting situation for 2008 is favorable even though economic uncertainties caused by the financial crisis in the US have increased. We have started the year with the highest volume of orders ever. Assuming that the economic situation does not deteriorate excessively, we are projecting the same high order volume for 2008 as well as continued increases in sales and operating profits. Thus, our anniversary year might well turn into another record year!

We are pursuing a strategy geared toward international expansion in all business areas. In doing so, we are relying on organic growth—especially in Eastern Europe, the CIS region, and Asia. In order to become a global force in the Commercial Vehicle business area, we remain open to partnerships and cooperative ventures. Regarding a possible combination with Scania and Volkswagen Group's truck division, there is nothing new to report at this time.

Ladies and gentlemen, I would be most pleased if you would also accompany us in the future on our path to profitable growth, internationalization and sustained earnings. On behalf of the Executive Board, I thank you for your faith in our company.

Best regards,

Håkan Samuelsson
Chairman of the Executive Board
MAN AG

Dipl.-Ökonom Anton Weinmann
Commercial Vehicles, age 52,
appointed through 12/31/2009

Dipl.-Ing. Håkan Samuelsson
Chairman, age 56,
appointed through 12/31/2009

Dr. jur. Matthias Mitscherlich
Industrial Services, age 58,
appointed through 01/20/2011

Dr.-Ing. Georg Pachta-Reyhofen
Diesel Engines, age 52,
appointed through 06/30/2011

Prof. Dr. h. c. Karlheinz Hornung
Finance, age 57,
appointed through 09/30/2012

Dipl.-Wirtsch.-Ing. Klaus Stahlmann
Turbo Machinery, age 46

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

In 2007, the Supervisory Board monitored the progress of the company regularly and in detail, discharging its duties under the law and the company's Memorandum of Association. In supervising the company's management, we ascertained, among other things, that the Executive Board had put in place an efficient and effective system to ensure compliance and risk management throughout the MAN Group.

The Executive Board continually provided the Supervisory Board with comprehensive up-to-date information on market development, relevant business events, enterprise resource planning and strategic issues, both orally and in writing. Whenever it came to reaching decisions of material importance for the MAN Group, the Supervisory Board was involved and brought to bear its advisory capacity.

Regarding market development issues and especially strategic projects, I personally obtained additional information outside the Supervisory Board meetings in regular conversations with the Chairman of the Executive Board.

In fiscal 2007, the Supervisory Board held five regular meetings and one constitutive meeting. In addition, on February 1, 2007, an extraordinary meeting was held at which the Supervisory Board reviewed the plan to acquire Scania and approved the decision by the Executive Board to withdraw its takeover offer. Average attendance at Supervisory Board meetings was 96.4%.

The Supervisory Board meetings discussed in detail such topics as the company's balance sheet and capital structure, the strategy of MAN's business areas or that of the MAN Group, and also the restructuring of the bus business area.

In 2007, as MAN Group focuses on the field of transport-related engineering, we also continued to support further alignment of MAN's portfolio of holdings to the group's strategic orientation. One area which the Supervisory Board reviewed in great detail was the merger of worldwide steel trading activities of MAN Ferrostaal and CCC Steel, to take effect starting January 1, 2008. MAN Ferrostaal now has a 33.33% interest in the new company, which will henceforth be known as Coutinho & Ferrostaal GmbH & Co. KG, and is to become one of the global leaders among international steel trading and logistics companies.

The Supervisory Board also concerned itself with a variety of acquisition projects that are aimed at strengthening core business segments. In this connection, a particularly notable example was MAN Finance International's acquisition of an approximately 25% interest in the truck leasing operator EURO-Leasing. This transaction will provide an advantageous base for MAN's entry into the leasing of large MAN trucks.

Personnel changes on the Supervisory Board

Dr. rer. nat. Hubertus von Grünberg ended his term as of March 6, 2007. The competent court confirmed Rupert Stadler as his successor on the Board effective March 26, 2007.

The regular five-year term of the Supervisory Board ended with the 2007 regular Annual General Meeting (AGM). Detlef Dirks, Jürgen Dorn, Jürgen Hahn, Dr. phil. Klaus Heimann, Jürgen Kerner, Wilfrid Loos, Nicola Lopopolo, Lothar Pohlmann and Thomas Otto were re-elected to the Board as worker representatives. Dr.-Ing. Uwe Hansult replaced Dr.-Ing. Robert Glauber as the representative of the company's executive staff.

The Annual General Meeting on May 10 re-elected Prof. Dr. rer. pol. Renate Köcher, Michael Behrendt, Dr. jur. Karl-Ludwig Kley, Dr. Ing. E.h. Rudolf Rupprecht, Dr.-Ing. Ekkehard D. Schulz and Rupert Stadler to the Supervisory Board as stockholder representatives. It also elected Dr. jur. Heiner Hasford, who had earlier served on the Supervisory Board from June 4, 2003, to June 3, 2005. Dipl.-Kfm. Stefan W. Ropers, Stephan Schaller and myself were appointed to the Board for the first time. Prof. Dr.-Ing. Joachim Milberg, Dr. Dipl.-Ing. Herbert Demel, Klaus Eberhardt and Dr. rer. nat. Hanns-Helge Stechl elected not to run again.

At a constitutive meeting, which was held directly following the Annual General Meeting, the Supervisory Board elected me to its Chair, while Mr. Pohlmann was made Deputy Chair and Dr.-Ing. Schulz supplementary Deputy Chair. In addition, the Supervisory Board reconstituted its committees.

Another change in the Supervisory Board occurred when Dr. Kley resigned as of August 31, 2007. His successor on the Board, who took office as of September 1, 2007, is Dr. jur. Thomas Kremer, who had been elected as substitute member at the Annual General Meeting on May 10, 2007. The current composition of the Supervisory Board and of its committees at the time of publication of this report can be found on page 198 of this report.

We would like to express our gratitude to all the outgoing members of the Supervisory Board for their work on behalf of the MAN Group and its employees. We especially thank Prof. Milberg, who served as supplementary Deputy Chair and as a member of all Supervisory Board committees, and thus maintained especially close ties to the Group. Our thanks also go to Dr. Kley, who served as chairman of the Audit Committee from September 20, 2005, to May 10, 2007.

Corporate Governance at MAN

In December 2007, the Executive Board and Supervisory Board issued the annual compliance statement under sec. 161 of the AktG (German Stock Corporation Act). It states that during the year on report, MAN AG has duly implemented the recommendations of the German Corporate Governance Code as stated in the Compliance Recommendation of December 2006 and satisfies all recommendations of the Code in its currently valid version of June 14, 2007. The statement has been published on the MAN Group Web site. Additional information on Corporate Governance at MAN can be found on page 12.

Further to the 2007 Annual General Meeting, SdK Schutzgemeinschaft der Kapitalanleger e.V., a stockholder activist association, filed a lawsuit against MAN Aktiengesellschaft. In the suit, the association contested the meeting's resolutions regarding the election of Mr. Stephan Schaller and myself to the Supervisory Board on the grounds they constituted violations of the Corporate Governance Code. As the court of first instance, the Munich Regional Court rejected the lawsuit in its entirety; SdK has since chosen to appeal the court's decision.

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

Audit of the 2007 annual and consolidated financial statements

On May 10, 2007, the Annual General Meeting again elected KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich (KPMG), as the company's auditors for fiscal 2007. The Supervisory Board has duly followed the recommendation of its Audit Committee, retaining the audit services of KPMG and identifying the focus areas for the subsequent audit.

Based on the audit of the financial statements for fiscal 2007 and the Management Report of MAN AG as prepared by the Executive Board according to the rules of the German Commercial Code, KPMG has issued an unqualified statement of certification. The consolidated financial statements of MAN AG have been prepared in accordance with section 315a of the German Commercial Code on the basis of the IFRS international financial reporting standards. The auditors also issued an unqualified statement of certification regarding the consolidated statements and the consolidated management report for MAN Group.

The auditors' report from KPMG and the financial statements were received by members of the Supervisory Board on a timely basis and were discussed both at the financial statements meeting on March 5, 2008, and at the preceding balance sheet meeting of the Audit Committee. The auditors took part in the review of the annual statements and consolidated statements by both bodies. They reported on the material results of their audit and were available to the Audit Committee and Supervisory Board, respectively, to provide additional information and answer questions.

After our own thorough review of the annual statements, consolidated statements and management reports for MAN AG and the MAN Group, we have moved to approve the results of the audit by the auditors and, in accordance with the recommendation of the audit committee, to approve the annual financial statements and the consolidated financial statements. Following detailed discussion of the financial and investment plans of MAN Group, we have moved to endorse the proposition by the Executive Board regarding allocation of the consolidated profit.

Focus areas of the activity of the Supervisory Board committees in the reporting year

The Supervisory Board has established a total of five committees whose essential role is to prepare decision-making by the full Board. In certain individual cases, the decision authority of the full Supervisory Board has been transferred to committees. Mr. Stadler is chairman of the Audit Committee. I myself chair all other Supervisory Board committees. We have reported to the Supervisory Board meetings on the content and results of the committee meetings.

The **Standing Committee** met a total of four times in 2007 and its deliberations included preparation of decisions by the Supervisory Board with regard to pending acquisition and divestment projects.

The **Audit Committee** met at four regular meetings and one constitutive meeting during the reporting year. The committee discussed the annual statements of MAN AG and the MAN Group as well as the auditors' report. In addition, the committee deliberated on the mandate to the auditors for the audit of the 2007 financial statements, the focus of the audits and the independence declaration of the auditors as required by section. 7.2.1 of the German Corporate Governance Code.

The audit focuses as selected by the Audit Committee for the reporting year had been Incoterms—deferred sales, fast-close implementation status, currency hedging—hedge accounting and contract management.

Among other things, KPMG examined these focus areas as had been identified for the reporting year as well as the risk early warning system, determining that the Executive Board had duly fulfilled its obligations under section 91 (2) AktG.

At the request of the Audit Committee, KPMG conducted a review of the interim financial statements of the MAN Group at June 30, 2007, and raised no objections. The Audit Committee regularly reported on the risk situation of the MAN Group as well as on issues of risk management and compliance topics; further improvement of the MAN compliance system was the subject of repeated discussions. In addition, the committee considered MAN's internal audit department schedule for 2007 as well as the random tests conducted by the Deutsche Prüfstelle für Rechnungslegung, an industry body charged with ensuring excellence in auditing. All activities mentioned here resulted in no objections to the accounting.

Based on a decision by the Supervisory Board on May 10, 2007, the **Executive Board Personnel Committee** was expanded from three to its current five members, bringing it into line with the number of members on the Standing Committee and the Audit Committee. The committee met three times during the reporting year and among other issues considered compensation and the assumption of outside governance responsibilities by members of the Executive Board. The Executive Board Personnel Committee was renamed in December 2007, becoming the **Personnel and Nominating Committee**. It was given the additional responsibility of suggesting suitable Supervisory Board candidates for proposals to be put before the Annual General Meeting. Whenever this committee actively concerns itself with nomination issues and thus becomes active as a nomination committee, membership is restricted to stockholder representatives. In providing for this, the Supervisory Board has acted to implement a new recommendation contained in the German Corporate Governance Code (5.3.3). The committee has not met in its function as nominating committee in 2007.

No meeting of the **Mediation Committee as provided for in section 27 (3) MitbestG** (German Corporation Co-Determination Act) became necessary during the past fiscal year.

We wish to extend our thanks to all executives and management as well as to the employees of the companies of the MAN Group for their achievements and their active commitment. We thank the employees' representatives for their objective and constructive cooperation in the interest of our company.

Munich, March 5, 2008
Chairman of the Supervisory Board

Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH
Ferdinand K. Piëch

CORPORATE GOVERNANCE[1] AT MAN

MAN complies with all recommendations set forth in the German Corporate Governance Code. This includes changes to the codex as implemented in 2007.

To MAN, good corporate governance means corporate management and supervision that are marked by responsibility and are oriented toward sustained creation of value. Our "Industrial Governance" management concept sets out the core elements relevant to MAN, specifically the three pillars of Strategy and Structure, Leadership Supply, and Execution Excellence. This management concept provides the basis for the mission for MAN, namely to ensure that the Executive and Supervisory boards perform their tasks in an efficient, cooperative and lawful manner according to the mutual interests of the Company and its stockholders. Given our mission statement, and in addition to the technological and innovative requirements our products must fulfill, a primary aspect of good corporate governance is openness and transparency in all our corporate communications. Openness and transparency in turn create the basis for the trust of our stockholders, business partners, employees, other investors and the general public as well.

The system of corporate governance at MAN is defined by applicable laws (particularly the regulations concerning stock corporations), our Articles of Incorporation and internal provisions, as well as nationally and internationally recognized standards regarding good and responsible corporate governance. The German Corporate Governance Code (referred to as the "Code" from here on) sets out the essential related regulations and provides recommendations and suggestions regarding conduct in matters of corporate governance in accordance with recognized standards.

MAN is in full compliance with the recommendations as set out the 2007 version of the Code. Additionally, it has implemented all of the Code's suggestions except for one.

[1] simultaneously constituting "Corporate Governance Bericht" (Corporate Governance Report) as stipulated in paragraph 3.10 of the German Corporate Governance Code as of June 14, 2007

Unconditional statement of compliance
In December 2007, the Executive Board and the Supervisory Board issued the following declaration of compliance: "MAN AG has complied with the recommendations of the German Corporate Governance Code in accordance with its Declaration of Compliance of December 2005, and complies with the recommendations of the German Corporate Governance Code in its current version (version dated June 14, 2007)."

The Executive and Supervisory Boards of RENK AG, a listed subsidiary based in Augsburg, have also filed a statement of compliance, the text of which can be viewed at www.renk.biz.

Enhancements to the corporate governance system
MAN's corporate governance system is constantly being reviewed and enhanced. Major changes implemented in 2007, based on corresponding changes in the Code, include the following:

- Effective Jan. 1, 2007, implementation of a cap for an Executive Board member's remuneration in the event of early departure from an appointed position, thus anticipating a new, corresponding provision in the Code in its version dated June 14, 2007.

- As of December 2007, assigning of responsibility to a committee of the Supervisory Board for nominating Supervisory Board members.

- Confirmation of the Audit Committee's additional responsibility for corporate governance matters; this is also in response to the amendments to the Code effective June 14, 2007, which stress the especial responsibility of the Executive and Supervisory Boards and especially of the Audit Committee regarding compliance.

In the following, this document will comment on the major recommendations and suggestions contained in the Code, particularly in regard to amendments, and will explain the one deviation from the Code's suggestions.

Promoting transparency and stockholders' rights
MAN's website (www.man.eu/investors), financial publications and capital market conferences provide domestic and international stockholders, as well as other interested parties, with accurate and up-to-date information, the better to understand our company and the system of corporate governance we practice. Additionally, we provide reports and press releases on an ad-hoc basis. The MAN website also publishes business reports, interim reports and a calendar containing all the dates and events relevant to financial reporting matters. Moreover, the site features the annual document prepared according to § 10 of the German Securities Prospectus Act (WpPG), which summarizes all the relevant information publicly disclosed by the Company during the past calendar year.

In keeping with the principle of equal treatment, we are committed to providing all company stockholders with equal access to information.

Annual General Meeting
The Annual General Meeting is the platform for MAN AG stockholders on which to exercise their voting rights as well as obtain information and to engage in dialogue with the Executive and Supervisory boards.

In organizing and conducting its Annual General Meeting, MAN aims to provide information to all stockholders before and during the meeting in a manner that is prompt, comprehensive and effective. Additionally, we aspire to make it easy for all eligible parties to register for the Annual General Meeting and exercise their rights. Consequently, we do not limit ourselves to the extent of the law when we publish the invitation to the Annual General Meeting. In addition the MAN website gives our stockholders and all other interested parties access to all reports and documents relating to the Annual General Meeting. We will also e-mail documents to interested stockholders and other parties, with their consent, or post them on our website for download.

If stockholders are unable to participate in the Annual General Meeting, they may authorize a bank, stockholders' association or other entity to represent them, or they may authorize an MAN employee (either in writing or by electronic means) to exercise their voting rights by proxy. In order for all stockholders to be able to follow the Annual General Meeting, the event is broadcast live in its entirety via the Internet.

Executive Board and Supervisory Board
Besides the Annual General Meeting, MAN's management structure comprises two tiers, namely the Executive Board and the Supervisory Board, in accordance with German legislation. In working together, both bodies are committed to the Company's interests and seek to increase the Company's value over the long term for the sake of all stockholders.

The Executive Board, which currently consists of five members, performs tasks related to administration and operations. By contrast, the 20-person Supervisory Board provides oversight and advisory service. The Executive Board is required to seek the Supervisory Board approval in the case of major business transactions.

The Supervisory Board comprises ten stockholder representatives and ten employee representatives. Please refer to page 198 ff. of the notes to this annual report or the supervisory board's report for more information on the composition of the Supervisory Board, its committees and their composition, as well as its tasks and its collaboration with the Executive Board. It should be noted that the Supervisory Board has transferred to the Personnel and Nomination Committee the task of preparing its recommendations for the Annual General Meeting regarding the selection of Supervisory Board members. This is in accordance with a new recommendation in the most recent version of the Code (June 14, 2007). Whenever it functions as a nomination committee, the Personnel and Nomination Committee comprises stockholder representatives exclusively.

The re-election of stockholder representatives by the last Annual General Meeting was conducted in keeping with the existing stockholder structure. No Supervisory Board member holds any administrative position or carries out consulting task with any major competitor. This also applies to board members of the VW Group who were elected to the Supervisory Board, since the VW Group is not considered an important competitor to MAN. MAN also adheres to the Code's recommendation that no more than two former Executive Board members should sit on the Supervisory Board: only one former Executive Board member currently sits on the Supervisory Board. For the reporting year, no conflicts of interest were reported by the members of the Executive and Supervisory boards. One Supervisory Board member did state that as an executive board member of a bank, he had ceded his responsibility for possible business relationships with MAN AG.

MAN complied with the statutory age limit it has set for its Executive Board members, which stipulates resignation at age 62 (with an option for annual extension in appropriate situations up to a maximum age of 65 years). MAN also complied with the statutory age limit of 70 years for the members of its Supervisory Board.

During the year in review, there were no consulting or other service and work contracts in place between the Company and its board members. The Supervisory Board approved the external employment of Executive Board members only to the extent that this involved serving on other companies' Supervisory Boards.

The Company has secured D&O (directors and officers' liability insurance) coverage for members of the Executive and Supervisory boards. This coverage stipulates an appropriate deductible amount.

Focus on compliance
Compliance with existing laws and corporate guidelines has been emphasized in the Code as an essential management and supervisory task. Accordingly, the Executive Board has further enhanced the system for ensuring compliance.

In this, the Executive Board has been receiving support from the newly created Compliance Board, which comprises the heads of major functional areas at MAN AG as well as the compliance officers of its subsidiaries. Particular measures included adopting anti-corruption guidelines that now incorporate group-wide standards, appointing external ombudsmen (attorneys) for the anonymous reporting of potential compliance violations, carrying out training measures, and setting up an e-learning program on MAN AG's Code of Conduct and core themes of compliance. The Supervisory Board was briefed on the compliance system and, according to a new suggestion in the Code, has determined that the Audit Committee should take on the topic of "compliance" as a special task.

Mandatory reports on securities transactions
Section 15 a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) and corresponding regulation in the Code require individuals with management tasks, family relatives with close relations to such management individuals, as well as individuals in the legal profession and other institutions associated with the managers mentioned, to report any purchase and sale of MAN shares and financial instruments relating to these shares to the issuer of these shares and instruments and to the German Federal Financial Supervisory Authority (BaFin). No such transaction was reported during 2007. Any instance of such transaction or relationship will be disclosed on the website www.man.eu/investors. Based on current reports, the direct or indirect ownership of shares or share-based derivatives held by Executive and Supervisory Board members did not exceed the threshold of 1% (one percent) of the issued shares, either individually or in total.

Reporting
The MAN Group's annual financial statement has duly been prepared by the Executive Board based on the International Financial Reporting Standards (IFRS), while the individual financial statements of MAN AG have duly been prepared according to the German Commercial Code (HGB). The financial statements are reviewed and

Members of the Executive Board		Ownership of MAN shares[1]
Dipl.-Ing. Håkan Samuelsson	Chairman (CEO)	17,797
Prof. Dr. h.c. Karlheinz Hornung	Finance (CFO)	8,236
Dr. jur. Matthias Mitscherlich	Industrial Services	8,022
Dr.-Ing. Georg Pachta-Reyhofen	Diesel Engines	6,059
Dipl.-Ökonom Anton Weinmann	Commercial Vehicles	9,185

[1] As of February 11, 2008 (including shares purchased under the MAN Share Purchase Program)

approved by the Supervisory Board. All statutory deadlines relating to the disclosure of the Group's financial statements and interim reports for the reporting year have been met.

Audit of financial statement
For the reporting year, the Supervisory Board has recommended the use of KPMG's Munich operation as the auditor. The Annual General Meeting has endorsed this recommendation. For this year, KPMG has again confirmed its independence of the MAN AG Audit Committee. It has also been agreed between MAN AG and KPMG that the head of the Audit Committee should be promptly informed of any evident bias or any basis for disqualification that might arise during the audit, in cases where such instances cannot be remedied immediately.

Remuneration Report for Fiscal 2007[1]

Remuneration of Executive Board members
The Personnel and Nomination Committee (Personnel Committee) created by the Supervisory Board is responsible for handling management contracts; additionally, it has the particular task of determining the compensation for Executive Board members. The structure of the Executive Board's remuneration system is periodically discussed and reviewed in the full meetings of the Supervisory Board based on the Committee's recommendations.

The objective in doing so is to define the appropriate compensation. Applicable criteria include the tasks of the respective Executive Board member, his individual performance and that of the Executive Board as a whole, as well as the Company's business situation, success and prospects as measured against its competition.
Following an in-depth review and the subsequent realignment of the remuneration system at the start of 2006, another provision limiting management compensation to a maximum of two years in the event of an early departure from the Board has been introduced at the turn of the year 2006/2007. This provision anticipated a new recommendation under item 4.2.3 of the Code, as updated on June 14, 2007.

The remuneration structure and its components
Remuneration of Executive Board members is made up of base salaries and payments in kind, as well as pension contributions and profit-based components. The profit-based variable remuneration components consist of annually recurring components tied to company profits, as well as components providing long-term incentives and involving an amount of uncertainty.

- Fixed compensation is paid as a monthly salary. Added to the salary are payments in kind, which include the provision of a company car and a driver as well as the payment of insurance premiums. A review, and if necessary an adjustment, of the fixed compensation is periodically performed to reflect individual Executive Board members' salary histories and scopes of responsibility.

- The profit-sharing bonus, which is paid once annually based on the Company's profits, depends upon MAN's added value. This calculation is in turn based on the operating result minus costs for the capital employed. (For additional information see the section "Tax System and Value Management" in the Group Management Report.)

  The Executive Board may not claim a bonus unless profits exceed capital costs. The amount claimable is determined based on whether an individual Board member has achieved or exceeded a target "value added" figure established beforehand by the Personnel Committee. The bonus may not exceed a pre-defined amount (cap).

  Two-thirds of the bonus may be paid out as a cash bonus. The remaining third will be invested in MAN shares similar to the MAN Shareholding Program (see below). The blocking period is two years.

- Since 2005 the components based on long-term profits have been paid out under the MAN Shareholding Program. Under this program, Executive Board members receive taxable annual cash allocations of 50% (fifty percent) of their fixed compensation. Half of the allocation amount will be invested in MAN AG common stock. MAN AG provides for the centralized purchase and safekeeping of these shares on behalf and for the account of each Executive Board member. The shares thus purchased may be freely sold after a blocking period of three years. During the blocking period,

[1] The Remuneration Report is part of the Group Management Report as stipulated in section 315 of the German Commercial Code (Handelsgesetzbuch, HGB).

however, the shares may not be sold, used as loan collateral or covered forward. Upon retirement or departure from the MAN Group, the blocking period is reduced to one year from the date of departure.

- The Executive Board members' pension claims include old age, disability and survivors' benefits. Entitlements to such benefits are accumulated under a contribution-oriented, fund index performance-based pension system. This involves MAN AG paying an annual contribution in the amount of 20% (twenty percent) of the fixed compensation and the previous year's bonus as paid out in the following fiscal year into a MAN fund. Board members may elect to make additional individual contributions out of their gross salary. Contributions and interest paid will be credited to individual capital accounts. The accumulated balance of each capital account will be credited with interest as computed according to the performance of selected capital market indices with age-dependent weighting. The contributions and interest paid, as well as any other interest yield achieved by the fund, will together constitute the available capital. Should an insurable event occur, the balance in the capital account or the sum of contributions paid, whichever is the greater, will be disbursed. Recipients may opt for lump-sum payment, installments or a recurring pension. In the event of an Executive Board member's disability or death, the accumulated account balance or at a minimum of four times the fixed annual compensation and profit-sharing bonus, whichever is the greater, will be disbursed to the Board member or his surviving beneficiary.

Remuneration of Executive Board members in 2007
Overall, the remuneration for the active members of the Executive Board for their services amounted to €13,024,000 in fiscal 2007 (€13,724,000 in the previous year). Individual remuneration details for each Board member may be looked up in Note 35 of the Notes to MAN's Consolidated Financial Statements where they are itemized by fixed and variable items and long-term incentives.

Special contract provisions
Based on a provision enacted in 2007, in the event of an early termination of a Board member's contract without good cause and upon the Company's request, the affected Executive Board member will receive his fixed compensation, his profit-sharing bonus, insurance premiums as well as contributions to the pension system up to the end of the regular term in office or for two years, whichever is the lesser. Earnings from other activities will be credited against these payments, and the reference basis for calculating the amount of the contributions to the pension system will be reduced accordingly. In case an Executive Board member's contract at his own request—which is permissible without grounds following a termination notice period of 18 months—payments will be made only up to the expiration of the notice period. Currently, there are no change-of-control provisions in place.

Remuneration for Supervisory Board members
The structure and amount of remuneration for Supervisory Board members has been confirmed by the Annual General Meeting and is defined in § 12 of the Articles of Incorporation (version May 10, 2007). Remuneration is based on the tasks and responsibilities of the Supervisory Board members, as well as on the profits of the Group.

The annual remuneration has consisted of the following components since 2006:

- A fixed fee (fixed compensation) of €35,000.

- A variable compensation (profit-sharing bonus): This is based on the actual return per share as published in the Group's financial statements. The variable compensation is €175 for each €0.01 in earnings per share in excess of €0.50. It is capped at twice the fixed fee.

Additional remuneration is paid to the chairperson and vice-chairperson of the Supervisory Board, as well as for membership in and chairing of Supervisory Board committees. The Supervisory Board chairperson will receive double the fixed and variable fees, while the vice-chairpersons will receive 1.5 times the fixed and variable fees. In return for their participation in full-time committees, in the Audit Committee or the Personnel and Nomination Committee, the Supervisory Board members will be paid an additional annual fee of 50 percent (a committee's chairperson will receive 100 percent) of the fixed fee.

In addition, members of the Supervisory Board will be reimbursed for out-of-pocket expenses.

Remuneration of Supervisory Board members in 2007
The total remuneration paid to Supervisory Board members in 2007 amounted to €2,608,000 (compared with €2,516,000 in the previous year). The members of the MAN AG Supervisory Board were also paid for supervisory tasks in Group companies during fiscal 2007, the total of which was €51,000 (compared with €58,000 in the previous year). An itemized list by individual regarding payments made to Supervisory Board members who were on the Supervisory Board in 2007 is provided under Note 36 of the Notes to MAN's Consolidated Financial Statements.

Miscellaneous
Beyond the amounts reported here, Supervisory Board members did not receive any other remuneration or benefits for services provided personally, particularly with regard to consulting or procurement services.

Past members who left the Supervisory Board prior to January 1, 2007, will not receive any remuneration.

TECHNOLOGY FOR CLIMATE PROTECTION

All MAN business areas are developing products and technologies that conserve resources while promoting renewables and climate protection.

Active climate protection has moved to the top of the political and economic agenda. Heads of state and government from the most important industrialized countries agreed last year at the G8 summit in Heiligendamm, Germany, to increase their common efforts to stem the rise in global temperatures. Limiting CO_2 emissions is a worldwide challenge facing all members of society. One way in which MAN is addressing this issue is its capacity as manufacturer of vehicles and engines that require less fuel or use alternative propulsion systems. Another is as a company that develops and manufactures systems that use regenerative energy, sequester CO_2, and produce fuel from biomass. We are also working to reduce greenhouse gases emitted by our production, logistics activities and buildings.

Less weight, decreasing emissions

In the Commercial Vehicles business area, efficient use of energy is a driving force. One third of operating costs for long-haul trucks is spent on fuel. Consequently, customers have long been demanding solutions that save fuel. The MAN D20/26 Common Rail generation of engines has been consistently designed for efficiency, dependability and lightweight construction. Numerous innovations make it an engineering highlight. MAN trucks regularly receive top ratings for fuel economy. A fully loaded 40-ton tractor-trailer will transport a freight load of approximately 27 tons consuming about 35 liters of diesel per 100 kilometers under normal conditions. In a mid-sized passenger vehicle this kind of mileage would mean using only 0.6 liters per 100 kilometers. In buses, also, emissions of carbon dioxide have been lowered in a spectacular manner. At full capacity, a contemporary MAN city bus will produce no more than 10 grams of CO_2 per person-kilometer. For a similar performance, a passenger vehicle transporting five people would need to emit no more than 50 grams per kilometer, about half of what is typically achieved today .

Whether today or in the future, MAN engineers are continuously working toward increased efficiency. Persistent improvements in cab aerodynamics in the new MAN TGX and MAN TGS truck series have resulted in further reduced consumption figures. The same is true for the new NEOPLAN Starliner and Cityliner buses.

To promote efficiency, MAN trains customers' drivers to achieve optimum fuel consumption. Drivers have significant influence on their vehicles' fuel consumption, meaning that conscientious and well-trained drivers can make an important contribution to climate protection.

For a long time, MAN has been intensively researching alternative propulsion concepts for city buses and local delivery trucks. In city buses, MAN favors the concept of a serial hybrid vehicle that is unique in its use of high-performance condensers as a buffer storage of electricity. The third hybrid bus prototype using this technology delivered over 25 percent in fuel savings during tests in regular service. MAN low-floor hybrid buses are expected to go into serial production in 2010.

Large-bore diesel engines driving worldwide business

MAN diesel engines are the central component for a large portion of worldwide commercial fleets. They deliver 70 percent of the horsepower required for global commercial fleet operations. In this industry, reliability and efficiency have always been essential. Large-bore diesel engines are the elite among internal combustion machines, achieving specific consumption of 170 grams of fuel per kilowatt-hour. No other propulsion device uses fuel as efficiently. Improvements such as these have only been possible because MAN constantly strives to raise its

Development of particle limits from EURO 0 to EURO 5

Commercial vehicle engine technology has made great progress, becoming much more eco-friendly in recent years.

	g/kWh
1988	0.7
1992	0.4
1995	0.15
2000	0.10
2005	0.02
2008	0.02

game. The so-called electronic engine will permit highly efficient operation even at partial loads. This is thanks to common-rail technology, which allows fuel injection to be controlled electronically. An additional advance that has already been introduced to regular service is found in two-stroke engines: this involves hydraulically controlled valves, which allow valve speed to be adjusted according to load. The next step will be variable turbochargers, which supply engines with optimum amounts of air under any operating conditions. This can lower specific consumption per load-ton even further. Niche solutions also contribute to reduce environmental impact: dual-fuel engines will allow LNG (liquid natural gas) transporters to recapture "boil-off gas" evaporating from the tank and use it for propulsion. Previously, this kind of gas was simply burned off.

Compressors for the fuel of the future

Our Turbo Machinery business area is also making a significant contribution to climate protection. Because of the way they are constructed, gear compressors will achieve extremely high pressures at exceptional efficiency. This technology is particularly well-suited for carbon dioxide segregation in power plants as well as for CO_2 sequestration. In its latest report, the IPCC (Intergovernmental Panel on Climate Change) writes that this technology offers the greatest carbon dioxide sequestration potential. In Beulah, North Dakota, a successful testing plant for this technology has been operating successfully for years now. Here, a refinery produces synthetic fuels based on gasification of coal. MAN Turbo compressors bring the carbon dioxide released by the refinery to a pressure of 190 bar as required for sequestration. To date, only MAN Turbo has mastered this challenging yet promising compression technology.

MAN Turbo develops and delivers core components for transforming fuel gases such as natural gas or biogas into liquid fuels. These include compressors for air separation as well as reactors for fuel liquefaction applying the Fischer-Tropsch process. This process is known as BTL (biomass to liquids). BTL is generally considered the fuel of the future, which could satisfy a growing portion of worldwide demand.

Solar power for the energy of tomorrow

MAN's Industrial Services business area (MAN Ferrostaal) places increased emphasis on sustainable methods of energy extraction, both in fuels and electricity production. Relying on its newly launched Solar Power and Biofuels areas, MAN Ferrostaal is entering two markets that both focus on conserving resources and reducing emissions. In doing so, the company is collaborating with essential technology partners to execute joint projects.

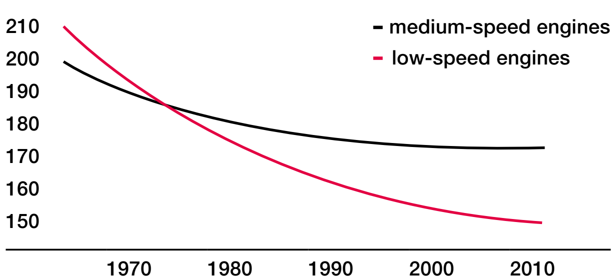
One such instance is MAN Ferrostaal's involvement in the construction of a 20- to 250-megawatt solar energy plant as part of a joint venture with Solar Millennium. This 50:50 enterprise will be concentrating on project development, financing and construction of solarthermic power plants based on parabolic trough technology. Solar Millennium developed the first European parabolic trough power plants in Spain, two of which are now being built for commercial operation. In conjunction with its technology partner SOLITEM, of which it owns a 20.1 percent share, MAN Ferrostaal will build solar cooling systems in the 1- to-20-megawatt performance range. Markets for this technology include regions that consume a large amount of energy because of heavy use of air conditioning systems, such as the Middle East. MAN Ferrostaal acquired a 25 percent stake in a third technology provider, Solar Power Group in 2007, which employs low-cost technology based on Fresnel mirrors.

The Industrial Services business area successfully entered the biofuel market in 2007 and is currently acting as general contractor for turnkey biodiesel plants under construction in Poland and the Netherlands.

MAN can provide the right products and technological expertise for reducing greenhouse gas emissions. We are thus making an important contribution to sustainable development of the environment.

Marine engine efficiency is improving

Specific fuel consumption in g/kWh



MAN'S STOCK

MAN stockholders had a good year on the stock market in 2007. Once again, MAN was among the top performers in Germany's bellwether DAX index.

Key indicators for MAN common stock

	2007	2006
Earnings per share in € [1]	8.24	5.05
Cash dividends per share in € [2]	3.15	2.00
Market capitalization (Dec. 31) [3] in million €	16,702	10,035
Closing price in €	113.80	68.46
Highest price in €	123.73	74.00
Lowest price in €	68.46	44.36
Yield [4] in %	2.8	2.9
Gross yield [5] in %	69.3	55.5
Number in thousands	140,974	140,974
DAX yield in %	22.3	22.0
DJ Euro Stoxx yield in %	7.3	23.0

[1] Earnings per share in 2007 without non-recurring results: €7.99
[2] 2007: proposed dividend
[3] Basis: 140,974,350 common shares and 6,065,650 preferred shares
[4] Cash dividend in relation to the closing price on Dec. 31
[5] Assumes reinvestment of the cash dividend on the last trading day of the month in which the Annual General Meeting was held.
Source: Bloomberg

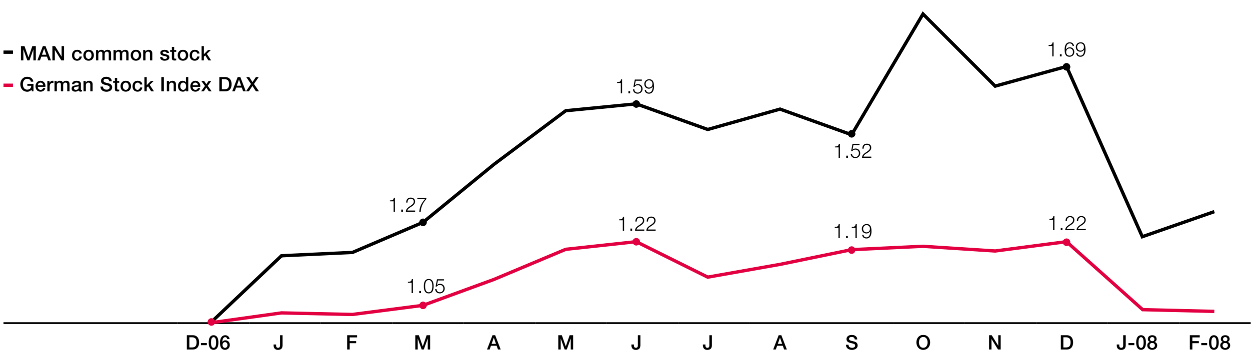
Strong year on the stock market in Germany
Despite the vigorous growth of the global economy in 2007, the economic prospects have dwindled somewhat during the second half of the year. This is attributable to the worsened conditions in the credit markets, higher energy prices and the intensification of the US real-estate crisis. The weak US dollar further soured the mood. Nevertheless, the DAX—Germany's leading stock index—had another excellent year, closing just above the 8,000-point threshold at the end of the year, which was the first time it did so since March 2000.

MAN Shares in Above-Average Performance
The past year on the stock market was exceptionally good for our stockholders. By the end of December 2007, MAN stock posted a big increase in value and again significantly bettered the DAX's already solid performance. Among other things, this favorable development of MAN's stock was driven by the MAN Group's substantially increased earning power and the outstanding business situation in all company areas. This level of performance can be credited to the strong demand for products and services in the areas of Transport-Related Engineering, along with various improvements in the company's productivity and cost structures.

From a starting price of €68.46 on December 29, 2006, MAN common stock gained €45.34 to finish at €113.80 on December 28, 2007. Overall, MAN stock demonstrated a vigorous 70% appreciation over the course of the year. By comparison, the DAX rose by 22% and the Dow Jones Euro Stoxx went up by 7% during the same time frame.

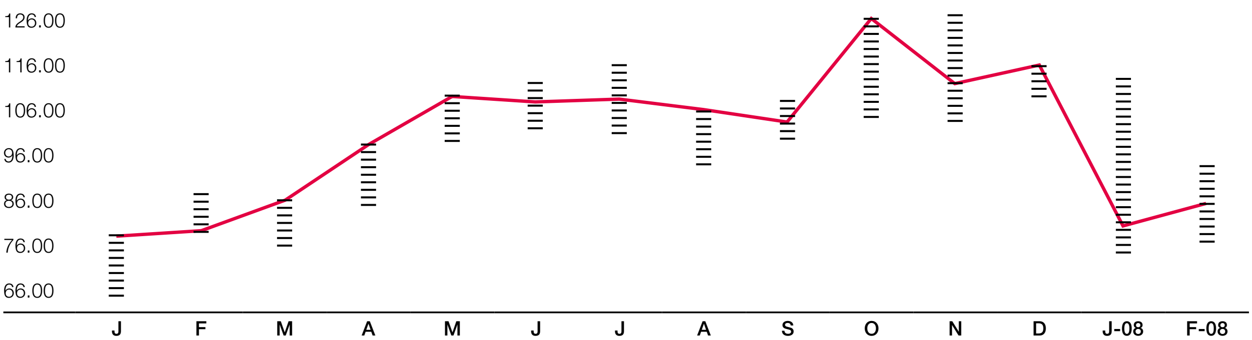
MAN common stock versus DAX

Indexed values, December 31, 2006 = 1.00



Peak, lowest, and closing prices of MAN common stock

(in €)



Stocks had a weak start in 2008 due to the unfavorable economic prospects in the US and attendant fears of a recession. The DAX experienced its worst start of a year in its history with a loss of approximately 15%. Even MAN stock proved unable to insulate itself from the trend, losing 27% of its value in this period. However, initial signs that the price of MAN stock had stabilized became apparent early in February.

Long-term increase of shareholder value

Investors with a focus on long-term investments have, over the past several years, benefited from the above-average growth of MAN's stock. An investment in MAN common stock generated an annual total yield of 19.2% in each of the past ten years, thereby achieving a significantly higher value increase than the DAX and the Dow Jones Euro Stoxx.

Overall Performance[1] of MAN common stock and key indices up to the end of 2007 (in % p.a.)

	MAN cmn. stock	DAX	DJ Euro Stoxx
1 year	69.3	22.3	7.3
2 years	62.2	22.1	14.9
5 years	58.2	22.8	17.6
8 years	18.4	1.9	1.9
10 years	19.2	6.6	8.1

[1] Price trend of the stock index; price trend of MAN common stock including cash dividends
Source: Bloomberg

MAN is a top-valued stock on the DAX

Market capitalization followed the positive price trend in fiscal year 2007, increasing from €10 billion to nearly €17 billion. According to the Deutsche Börse indexing system, in which only widely held stock of the company's most liquid share class is considered when calculating the market capitalization (in the case of MAN stock, this widely held proportion has been computed at 70.1%), MAN was ranked 20th on December 31, 2007, one position higher than the previous year.

The trading volume of MAN common stock during the past fiscal year was again higher than in the previous year, amounting to €30.826 billion versus €21.207 billion. MAN again held 20th place in the DAX rankings.

Higher dividends proposed

Under our flexible dividend policy, we are committed to distributing an appropriate proportion of the company's respectively generated profits to our stockholders. In fiscal 2007, the Executive and Supervisory Boards recommended to the Annual General Meeting that an increased dividend of €3.15 (a raise of €1.15) be paid out. In relation to the closing price of the ordinary stock on December 31, 2007 of €113.80, this corresponds to a 2.8% dividend yield.

Evolution of MAN's dividend per no-par share

in €

2007	3.15
2006	2.00
2005	1.35
2004	1.05
2003	0.75

International investor base

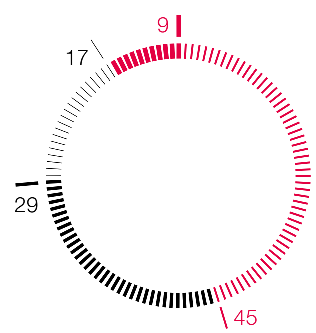
Stockholder analyses, which we perform periodically, help us to communicate effectively with our investors. A survey conducted in fall 2007 allowed MAN to identify more than 80% of the owners of its common and preferred stock. According to this survey, foreign investors hold half of our share capital. As far as the countries are concerned in which investors are based, the UK and the US remain the most represented regions, just as they have been in years past.

The biggest single stockholder is Wolfsburg-based Volkswagen AG, which has a voting stake of 29.9% in MAN AG.

Stockholm-based Alecta Pensionsförsäkring, a pension fund, notified us on January 31, 2007 that it had fallen below the 3% threshold in voting stock and was holding a voting stake of 0.23% in MAN AG.

UBS AG, based in Zurich (Switzerland), reported to MAN AG that it had exceeded and subsequently fallen below the 3% voting-rights threshold several times over the course of 2007. MAN was last notified on December 24, 2007, that UBS held a 1.97% voting stake in the company. However, UBS's direct stake in MAN remained at 0.46% throughout the year in review.

Stockholder structure as at December 31, 2007



— Foreign institutional stockholders
— Volkswagen AG
— Stockholders not subject to disclosure regulations
— German institutional stockholders

Intensive dialogues with investors and analysts

In meetings at roadshows and conferences, as well as at the Corporate Center in Munich, MAN has been able to enhance its contacts to investors and analysts. In 2007 we were present in 19 countries and successfully developed new markets. We expanded our communications considerably in the US, and in addition organized roadshows for the first time in Luxembourg, Lugano (Switzerland) and Dublin (Ireland).

As an addition to the annual Analysts' Conference in February, MAN held its second Capital Market Day in September. Over a two-day period analysts and investors were briefed on strategies, activities and products at the Munich (MAN Nutzfahrzeuge) and Augsburg (MAN Diesel) locations. In addition to providing guests with an opportunity to meet with members of MAN's Executive Board, we encouraged greater familiarization with our products, notably through test drives in the new TGX and TGS truck models.

More effort was placed on communication with private stockholders. To that end we have created a new platform for non-institutional stockholders in the form of an investor relations newsletter called ShareMAN. Additionally, MAN was on hand for the first time at the Münchner Aktienforum, which is an event oriented mainly toward private stockholders.

Our investor relations work is committed to providing all stockholders and the public with comprehensive, real-time information. As part of this effort, we completely redesigned our Web site in mid-2007, adding information in response to our stockholders' expectations. Among other things, new tools for stock-price analysis are now available.

To complement financial reports, presentations and publications, we also broadcast the entire General Meeting, the annual Analysts' Conference and the quarterly reports' phone conferences on our Web site. For stockholders who are unable to attend the Annual General Meeting, MAN allows voting by means of an online proxy and vote-instruction system as an alternative.

In a Europe-wide survey of analysts conducted by *Capital* business magazine in collaboration with the Society of Investment Professionals in Germany (DVFA), MAN's investor relations activities won second place on the DAX in 2007, a step up from last year's third-place finish.

Please visit the new Investor Relations home page at: www.man.eu/investors

Basic information about MAN stock

MAN AG shares are traded on Xetra, the German electronic stock market platform, as well as on all seven German trading floors.

MAN AG's equity 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 also listed in other well-known stock market indices, including HDAX, CDAX, DivDAX, Dow Jones Stoxx, Dow Jones Stoxx Industrial, Dow Jones Euro Stoxx and Dow Jones Euro Stoxx Industrial.

Additional information about MAN stock and investor relations activities is available at www.man.eu/investors or via e-mail by contacting investor.relations@man.eu. Please also feel free to call us at +49. 89. 36098-334.

		Equity		Debt
		Common stock	**Preferred stock**	**MAN Financial Services plc**
ISIN Code		DE0005937007	DE0005937031	XS0181879650
German securities code (WKN)		593700	593703	A0AART
Reuters code	Xetra trading	MANG.DE	MANG_p.DE	0#DE018187965=
	Frankfurt SE	MANG.F	MANG_p.F	
Bloomberg code	Xetra trading	MAN GY	MAN3 GY	MANAG
	Frankfurt SE	MAN GR	MAN3 GR	

Top left: Well-trained employees ensure reliable quality.

Top right: Networking among colleagues is one of the MAN Academy's permanent aims.

Bottom: Leadership positions are preferentially filled with qualified in-house talent.

SYSTEMATIC DEVELOPMENT

Leadership supply—a key factor in the professional development of managers. Collaboration with 70 universities in 18 countries. Motivation through development at all levels.

MAN Group has long recognized that a key factor for its continued mid- to long-term commercial success is efficient and effective leadership combined with an open and dynamic corporate culture. Leadership supply, which refers to acquiring and developing outstanding leaders, represents a major pillar in the area of our industrial governance. Our objectives in this area are: the early identification of employees with leadership potential, the systematic development of junior managers in sufficient numbers, and the ability to ensure that managerial positions are filled from our own ranks.

Cultivating talent throughout the world
In order for our company to draw talented and highly qualified new managers, we have set up cooperations worldwide with 70 universities in 18 countries. One such "Preferred Partner University" of MAN Group is the Technical University of Munich, one of three universities in Germany to have been designated "universities of excellence" by a government-sponsored panel. As part of the MAN Campus Initiative, we support students here through scholarships, innovation projects and a lecture series, which Håkan Samuelsson inaugurated in October 2007 with a presentation on the topic of "Strategic Company Management and the Significance of Growth and Innovation." Thanks to MAN's academic initiative, 63 above-average students are currently being sponsored in various universities and fields of study. The MAN scholarship not only reduces the financial burden of university study to students, but also helps recipients prepare to enter their professional career. MAN scholarship recipients get a sense of the MAN world at events and internships abroad. In December 2007, MAN Diesel's PrimeServ Academy, which caters to MAN Diesel's after-sales organization, held its first Scholarship Recipient Day in Augsburg. This gave the MAN-sponsored students a chance to get to know MAN as an attractive employer. Specific opportunities to do so included a tour of facilities, various workshops and team-building. Once they successfully complete their respective university studies, the MAN Group will offer them another entry bonus, in addition to a job with the company: the MAN Graduate Program, which is geared toward acquiring sector-specific and cross-functional expertise. Furthermore, MAN also offers personal development programs and intensive personal support.

In fiscal 2007, 66 trainees participated in the internship program in the various subgroups. In addition, 37 graduates were recruited as new trainees. In selecting our junior managers, international experience gained during a study- or internship-abroad program and solid language skills, especially in English and Spanish, played a major role. During the course of the trainee program, each individual is offered the opportunity to take on an assignment abroad for a few months. In the future, the trainee program will be made even more international to better support the company's strategy, which is consistently geared toward global markets.

An open, feedback-friendly culture
"Advancement over new hires" is one of Leadership Supply's clear tenets, meaning we strongly prefer developing management in house instead of sourcing it from the marketplace. This, however, does not mean that our in-house hopefuls face less scrutiny or fewer challenges than do external candidates. The managers we have in place and our junior leaders face systematic challenge and promotion through professional development. In fiscal 2007, the company instituted the MAN 360° Feedback program among upper management. Its objectives are to ensure a high standard of leadership quality in the

MAN Group as well as to identify strengths and development areas. About 84 percent of our managers participated in this voluntary process. The MAN 360° Feedback program also serves to establish an open, feedback-friendly culture within the MAN Group, based upon our MAN values. In addition, it helps to improve working relations with supervisors, employees and colleagues. In 2008, the program will be implemented for all managers.

Executive education

In keeping with MAN's globalization strategy, MAN Academy conducts its programs in English. The academy boasts an international range of participants, which not only encourages a global exchange of knowledge and expertise, but also helps to create a network of colleagues which extends across all borders. In 2007, a total of 210 managers from Germany and elsewhere took part in MAN Academy programs. In cooperation with the St. Gallen Management Institute in Switzerland, we developed the Leadership Executive Program specifically for senior executives. The program provides participating individuals with the tools needed for strategy development and implementation as well as for change management and leadership. Held at the European School of Management and Technology (esmt) campus in Munich, the program allows selected managers from around the world who have the potential to hold senior executive-level positions in the MAN Group to take part in the annual Executive Management Program, where they tackled the primary challenges facing strategic corporate governance. Together with the management board, they worked on critical issues such as strategy, controlling, industrial governance and leadership.

As a founding member, MAN once again supported the esmt in Berlin. As part of this commitment, we offer employees an exclusive qualification program comprising an MAN-sponsored course of study leading to a Master of Business Administration. In addition, members of MAN's Executive Board serve as speakers and instructors.

Another objective of the MAN Academy is to support open communications between managers and the management board. Events in this category include the 2007 MAN Management Summit, which was attended by 200 MAN managers from Germany and abroad, and the Dialogue Dinners, which provide an opportunity for strategic dialogue with Executive Board members. Another key factor when it comes to the active, systematic development and promotion of employees and managers is job rotation. This encourages MAN personnel to cultivate a diversified and international outlook, and also reinforces a sense of common understanding for the corporate values and culture that exist in the MAN Group. Interested and suitable candidates are identified by means of a potential-performance evaluation. In addition, all employees can apply for vacancies in the MAN Group through the MAN job board, which also lets interested individuals post their profile in the board's talent pool section. The subgroups' human resources personnel continuously screen this pool of candidates against open vacancies in the MAN Group. If the right position comes up for a suitable candidate, the pertinent supervisor and later the candidates themselves are notified. Further administrative processing, such as contract amendments, is coordinated by the responsible personnel division. In fiscal 2007, 41 percent of upper management took over new responsibilities as part of the job rotation program.

Training certificates

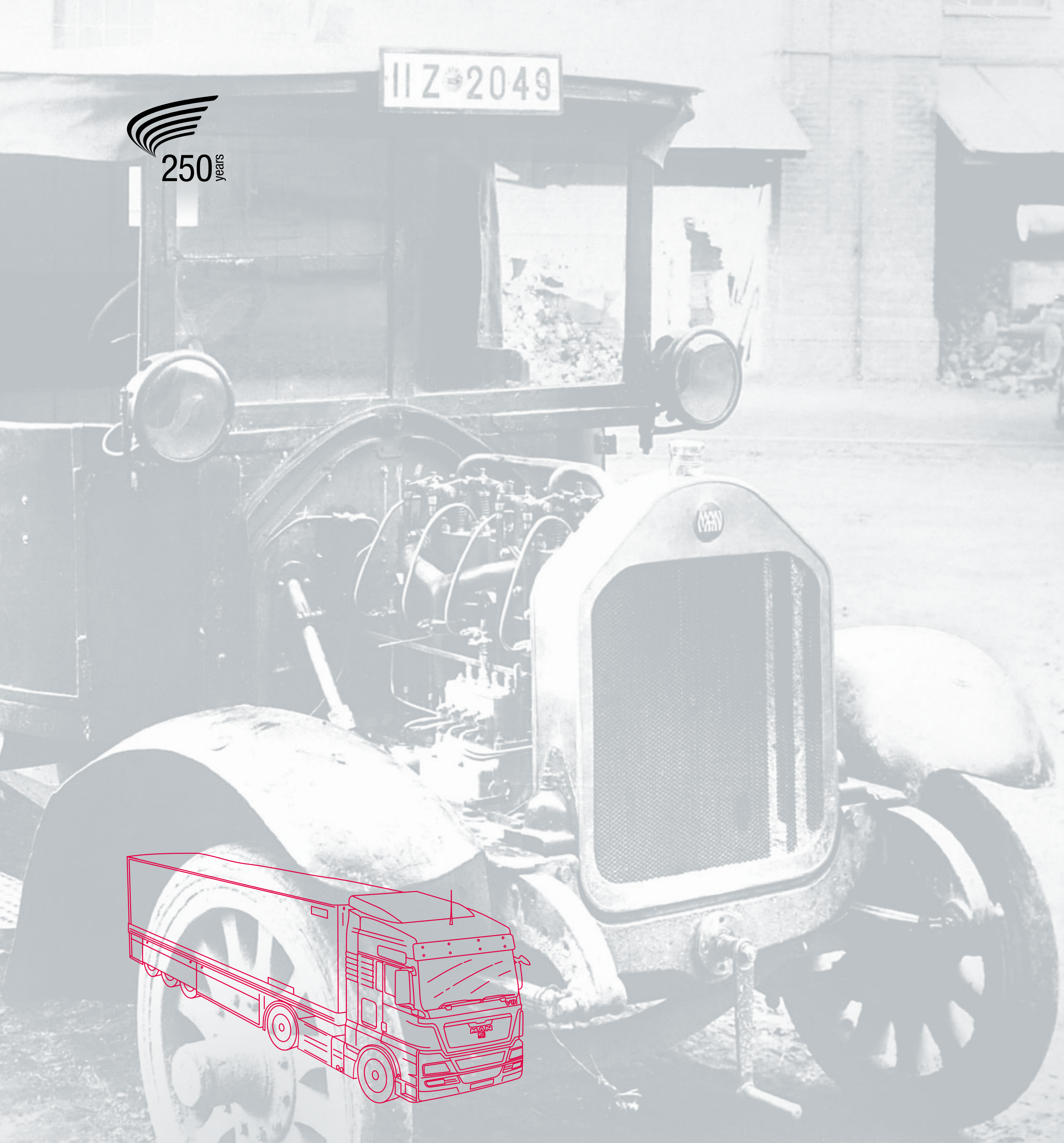
To expand the specific knowledge, skills and experience of our project management and line personnel, we believe in providing all employees with in-depth project management training. Successful completion of this training is documented through an internationally recognized certificate. The continuous development and certification of project-specific employees has long had a positive impact on the MAN Group's positioning against its competitors. This because it increases our organization's efficiency and also ensures that we deliver a uniformly high standard of quality across our business areas throughout our global markets.

To employees wanting to optimize their foreign language skills, we also offer business-oriented language training, such as in English, but also in other languages. The company's aim in providing these classes is to facilitate communications with our staff's international partners. Our foreign-language instructors generally teach in their own native language, helping to ensure better fluency. To provide unbiased feedback, instructors rate the participants at the beginning and end of the course based on international standards. Employees showing promise and willing to do so can receive assistance in preparing for completion exams leading to internationally recognized certificates of language ability.

Top left: Continual professional development is a crucial factor at all levels.

Top right: An open, feedback-friendly culture helps improve interaction among colleagues.

Bottom: Employees and managers benefit from an atmosphere of openness.



King of the Road . . . Then and Now

“M.A.N. needs to get rolling” was the motto of Anton Rieppel, the general director of Maschinenfabrik Augsburg-Nürnberg (hence M.A.N.). March 1915 saw the founding of truckmaker M.A.N. Saurer Lastwagen GmbH in Nuremberg. In 1924 the Berlin Auto Show witnessed a technological breakthrough with the world‘s first direct-injection diesel truck. The four-cylinder engine boasted 45 horsepower. Today, the TGX V8—the newest flagship of the MAN truck fleet—puts out 680 horsepower, making it Europe’s most powerful serial production tractor-trailer.

MAGAZINE

CHRISTOPH RICHTER, ALMERÍA, SPAIN

“Solar energy is about to revolutionize the world’s energy market.”

Christoph Richter is head of the research team at DLR (German Aerospace Center) in Almería, Spain.

Spain in figures

44.7	Population (2006, in millions)
21,818	Gross domestic product per capita (2006, in US$)
3.3	Economic growth per year (average, 2002 to 2006, in %)
3,000	Usable solar thermal hours in Almería
10	Alternative energy’s share of power production (2006, in %)

Sources: German Office for Foreign Trade; Plataforma Solar Almería; National Energy Commission

THE SUN IN THE MIRROR

Scientists and corporations are working together at a solar research facility—the world's largest—in southern Spain to develop technologies for solar thermal power plants. The solar energy industry has excellent prospects to grow and thrive.

Christoph Richter (at right) and his colleague Martin Eickhoff inspect the DISS facility.

The Andalusian sun shines on the bleak desert of Tabernas, and before him Christoph Richter sees hundreds of mirrors. Richter is a solar researcher at the Plataforma Solar (PSA) research facility located nearby, in Almería, Spain. He walks along the long rows of solar panels, scrutinizing them as he goes. "After many years of careful research, we're seeing a commercial breakthrough," he says. "Whether it's here in Spain, the US, Morocco, Egypt or Algeria, solar thermal power plants are springing up all over the place."

Earth's sunbelt, mainly hot and infertile desert regions, appears in a new light, as precisely the areas where solar thermal energy plants can be run most cost-effectively. "Solar is about to revolutionize the world's energy market," he says. "We have no alternative for large-scale conversion to renewable sources."

A reliable supply of electricity has become an Achilles' heel for increasingly interlinked economies. Fossil fuels are both finite and expensive, setting limits on global growth. Increasing demand for electricity is causing bottlenecks. Furthermore, global warming will require affordable, environmentally sound approaches to energy that can be implemented around the globe.

Richter explains, "We've been working hard for years refining all the components and systems to build energy systems that can transform the sun's rays into usable energy in an environmentally responsible, climate-compatible way." Richter holds a doctorate in physical chemistry and heads the research team at the German Aerospace Center (DLR) in Almería. He gazes at the rows of mirrors and says, "Ultimately, three issues are at stake. When will we be ready to pay for climate protection? When will we realistically consider the follow-on costs of conventional electricity production? When will the costs of solar thermal energy match those of power plants powered by fossil fuel?" It appears that time has come.

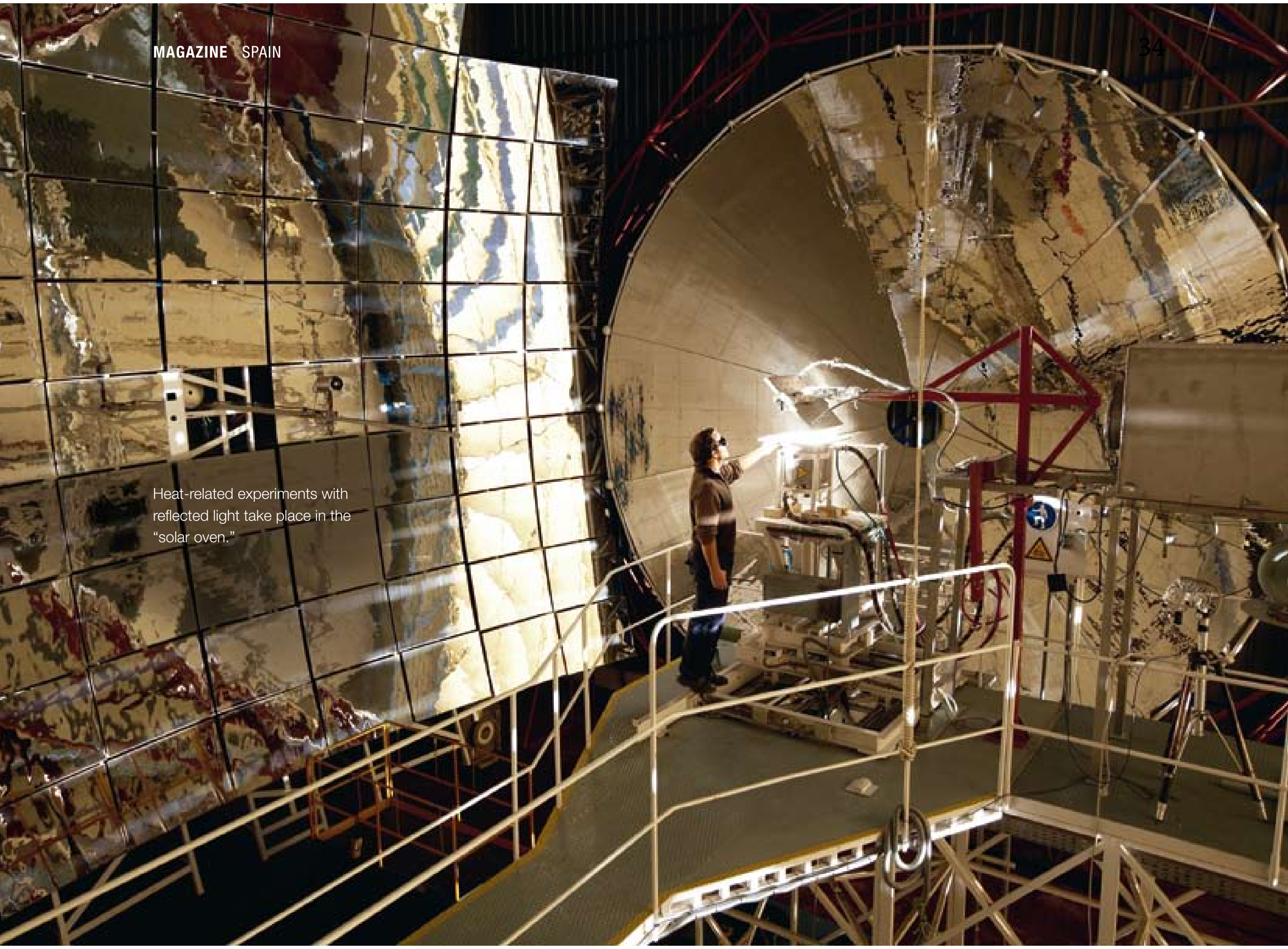
Birthplace of Solar Energy

For 25 years CIEMAT (Spain's center for energy and environmental research) has devoted the site's 3,000 annual hours of sun to studying solar thermal electricity production. A key partner is DLR's Institute for Technical Thermodynamics, where Richter has worked since 1993. Others include international firms from the energy, plant-construction and special-materials industries, plus the Fraunhofer Institute for Solar Energy Systems (ISE). They are developing, testing and perfecting projects on 100 hectares of the world's most extensive solar research facility.

Inexpensive energy from above

According to the Fraunhofer Institute for Solar Energy Systems and Germany's Ministry for the Environment, by the year 2050 as much as 30 percent of the world's demand for electricity could be covered by solar thermal energy. In the best locations, such as Morocco, costs for a kilowatt-hour (kWh) are already about €0.10. Even with the costs of intercontinental power transmission, by 2015 Germany could purchase solar thermal electricity from Africa for less than €0.10 per kWh.

Aerial view of the Plataforma Solar research center, near the Andalusian city of Almería.



Heat-related experiments with reflected light take place in the "solar oven."

"We are now starting the transition period between electricity from fossil fuels to renewable energies."

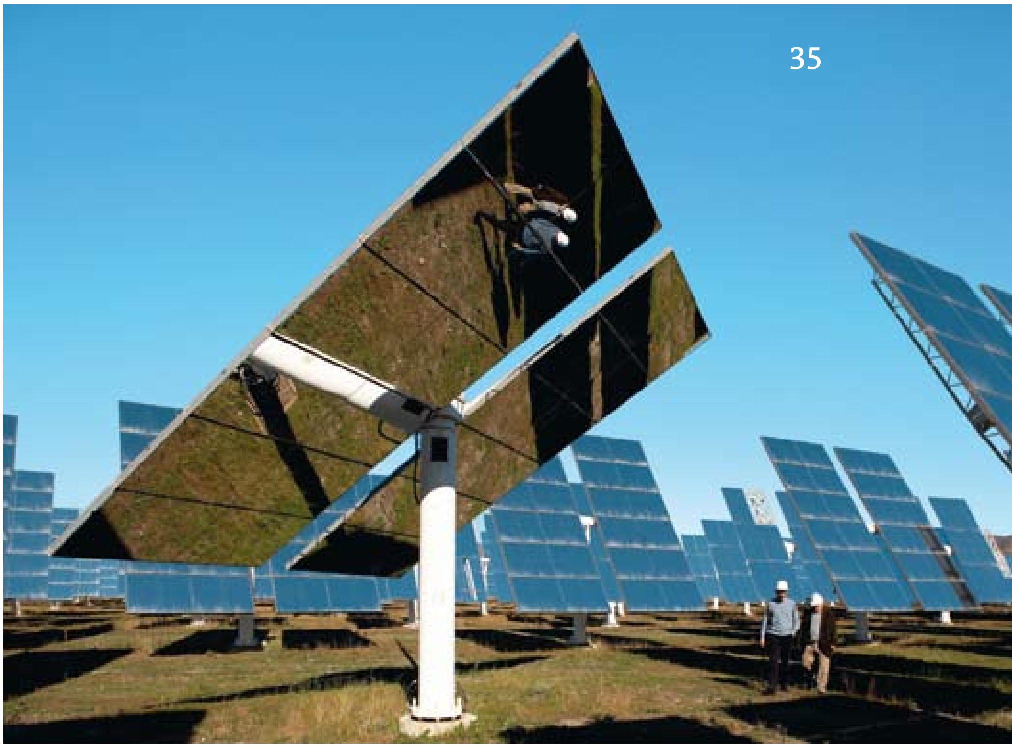
Valeriano Ruiz Hernández, head of the thermodynamic research program at the University of Seville

The basic principle underlying production of solar thermal energy was developed in the 1980s in the Tabernas desert. The sun-tracking mirrors concentrate the sun's rays on an absorber pipe. It contains a thermal oil that heats to several hundred degrees Celsius. A heat exchanger transmits the oil's heat to water, whose steam is forced into turbines that in turn generate electricity. Twenty years ago the technology developed at Almería was implemented in a 354-MW solar power plant complex in California. The solar power plants still supply electricity to the grid. Low prices for fossil fuels meant that until recently the solar plants were exceptions. In June 2007, however, a new 64-MW solar power plant was commissioned in the neighboring state of Nevada. It may prove a sign of the times.

Towers and Troughs

PSA scientists have developed two types of solar thermal power plants for large-scale facilities. One is the tower design, in which hundreds of individually controlled mirrors direct the sun's rays onto a ceramic absorber positioned within a tower. The other type is the parabolic trough system, in which trough-shaped mirrors concentrate incoming rays onto a receiver pipe situated at the reflector's caustic line, heating the oil in the pipe. The system points toward the sun continuously, thanks to an automated tracking mechanism. Both technologies are in use in California and were first introduced for commercial service in Spain a few years ago. Currently, Spain has 250 MW of solar power plants under construction, in addition to 1,500 MW in development.

Inspecting the solar tower's mirror array: Eduardo Zarza (left) and Antonio Valverde



Global Breakthrough
In 2004, the government in Madrid resolved to pursue a trendsetting incoming-feeder system for the energy from solar thermal power plants. "We are now starting the transition period between electricity from fossil fuels to electricity production based on renewable energies," says Valeriano Ruiz Hernández, a professor and head of the thermodynamic research program at the University of Seville, referring to the rapid pace of solar development in Andalusia. "The future belongs to solar thermal energy and biogas," he says, even if electricity produced by large solar arrays is more expensive than conventional power plants.

He says renewables are the right way. Producing one kilowatt of solar thermal energy costs only half as much as a kilowatt from a photovoltaic facility. Benefits notwithstanding, the political will to boost solar thermal energy to achieve a global breakthrough was missing for quite some time. However, as a result of climate-related issues the will is now present in many countries. The low prices of fossil fuels hampered the competitiveness of solar energy in the past, but the dynamic is changing.

Accordingly, MAN Ferrostaal is applying its many years of technological experience in the construction of conventional power plants to the field of solar technology. To ensure the earliest possible market entry, in 2007 the company founded a joint venture with Solar Millennium, a technology supplier and one of the most experienced companies in solar energy related project development. "We're working on commercial solar thermal projects in Spain, Portugal, southern Italy, Greece and Turkey," explains Michael Pohl, Managing Director of the MAN Solar Millennium cooperative venture. These projects are based on parabolic trough technology. Pohl adds, "The joint venture is also active in market development in the southwestern US, as well as in Dubai, working through its own subsidiaries."

Cleaning the heliostatic mirrors ensures the greatest degree of reflectivity and energy output.

MAN Ferrostaal is also pursuing another technological angle in the solar sector. In Almería the company has built a new type of solar power plant at a field trial facility. The pilot plant and its 100-meter-long mirror array constitute a Fresnel-type solar power plant. The name honors French physicist Augustin Jean Fresnel (1788–1827), who was also a pioneer in optics. This particular project is based on an exclusive cooperative agreement with Solar Power Group GmbH (SPG), which has been working on the development of Fresnel-type technology for many years. MAN Ferrostaal has acquired a 25 percent stake in the company. Sponsored by Germany's Ministry for the Environment, and with consulting provided by DLR and Fraunhofer ISE, MAN Ferrostaal and the Solar Power Group are optimizing the various systems throughout the plant.

New Directions
The Fresnel-type solar collectors that began service in July 2007 embody

Fresnel-type power plant:
Long parallel mirrors heat the
receivers arranged overhead.

the concept of cost-effective, flat mirrors available globally, combined with a stationary absorber. The trough model served as a precursor for the steel-and-glass absorber pipe, as well as for the power plant modules that are fully expandable in an in-line configuration.

"The direct-steam plant DISS uses water instead of thermal oil," says Richter. "After many years of experimenting with material and engineering, this is tremendous progress in solar thermal energy. Water is heated in the absorber pipe to 450 degrees Celsius, and can therefore generate electricity directly in a steam turbine."

The energy-consuming heat exchanger has been eliminated, making it possible for the conventional steam turbines to be driven with greater efficiency. Tests performed at pressures above 100 bar are showing good results. The Fresnel plant is also fairly wind-resistant and low-maintenance. The foundations of the Fresnel facility can have slimmer dimensions, thanks to lower wind loads. Furthermore, a Fresnel power plant requires only half the surface area of a parabolic trough facility of similar output. "For that reason," Pohl says, "the land costs are significantly lower than for tower or trough plants. Fresnel technology is available internationally for next-generation solar thermal power plants that aim to significantly decrease investment costs."

Even solar technology has its hazards: "Warning—concentrated sunlight."

Increased energy demand is just one reason solar energy has returned to the forefront. Efficiency of energy from solar thermal power plants, however, always depends upon the location. Diego Martinez Plaza, an industrial engineer and the long-time director of PSA, knows that even sun-drenched Spain may not be the perfect place for solar-ray collecting. "When it comes to solar energy," he says, "we need to think globally. Why shouldn't Spain import solar-based electricity from Africa in the future?" He points to satellite measurements and maps of sunlight coverage.

"If solar power plants were in place in only a small portion of the Sahara," he adds, "we could, mathematically speaking, cover the planet's need for electricity using a technology that is already available here and now." Pohl also sees potential markets for solar energy, particularly throughout the Mediterranean region and in the southwestern United States. "I'm sure we'll be seeing 400-MW solar power plants being built there in the near future," he says.

"Why shouldn't Spain import solar-generated electricity from Africa in the future?"

Diego Martínez Plaza, director of the PSA.

Help from Renewable Sources

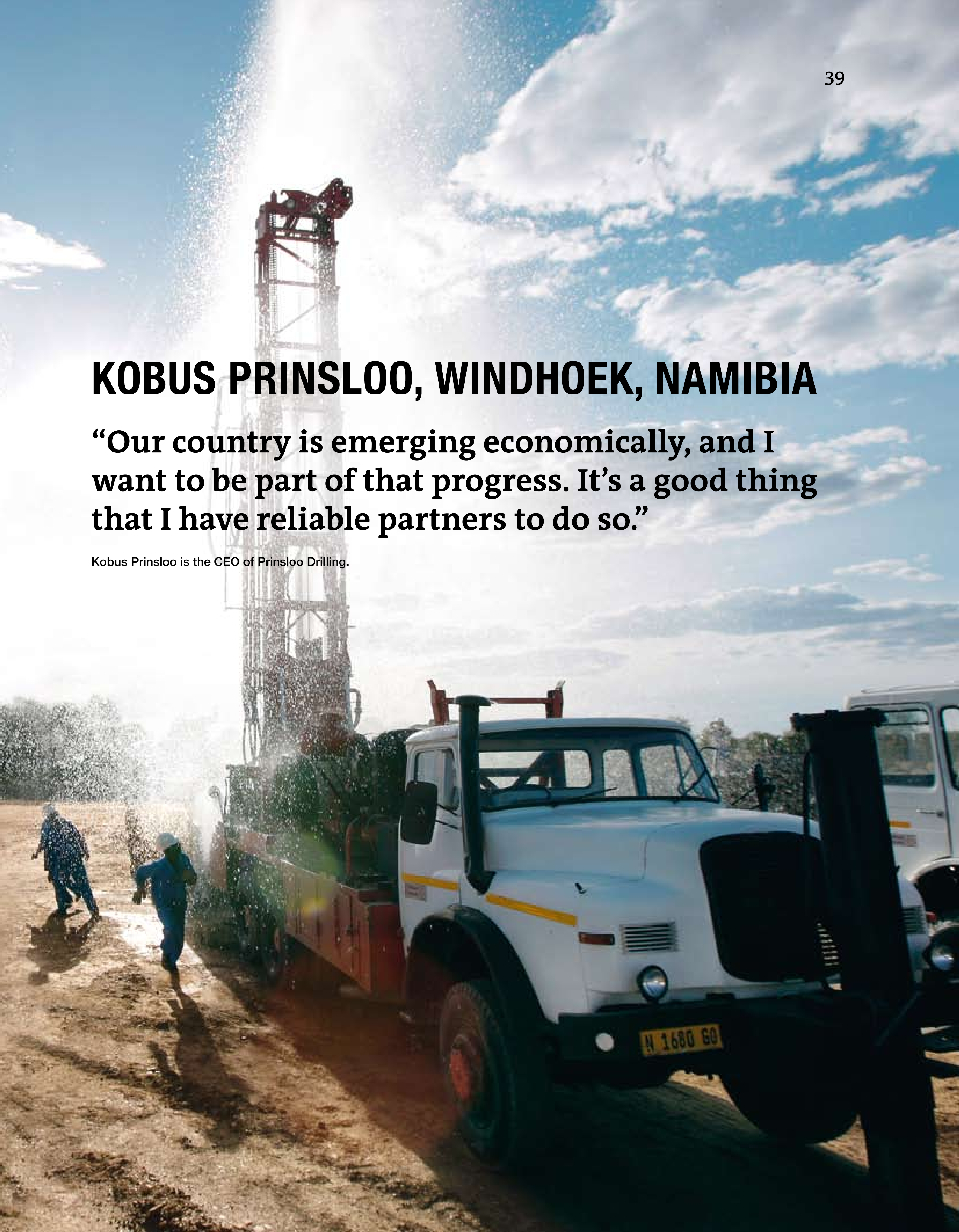
According to the Fraunhofer Institute, renewable energy could cover half of the world's total demand as early as 2050. One well-publicized study conducted by Germany's Ministry for the Environment came to a similar conclusion. It was supplemented by a surprising energy-related prognosis for southern Europe and northern Africa prepared by DLR. The study contends that by 2050 solar thermal power plants will be able to supply twice as much energy in the Mediterranean region as wind, photovoltaic, biomass and geothermal energy combined.

Given such "thoroughly plausible" prospects, Richter is confident in the continued success of the Andalusian project. Once considered overly complex and prohibitively expensive, today's solar thermal power plants represent a genuine alternative in terms of addressing climate change and the reliability of supply. "Solar thermal energy is opening doors in almost all sun-intensive locations," says Richter enthusiastically. "Even Israel and France are adapting their electricity in-feed laws accordingly. Starting at this point in time, we're expecting solar thermal energy to experience exponential growth over the next 20 years, in much the same way that wind energy did."

Namibia in figures

1.83	Population (2006, in millions)
7,586	Gross domestic product per capita (2006, in US$)
4.10	Economic growth per year (2006, in %)
2.6	Export volume (2006, in billions of US$)
59	Mining industry's share of export volume (2006, in %)

Sources: German Office for Foreign Trade; Namibia Housing and Population Census; Bank of Namibia



KOBUS PRINSLOO, WINDHOEK, NAMIBIA

“Our country is emerging economically, and I want to be part of that progress. It’s a good thing that I have reliable partners to do so.”

Kobus Prinsloo is the CEO of Prinsloo Drilling.

ECONOMIC GROWTH FROM BENEATH THE GROUND

The booming mining industry in Namibia is fueling dreams. This huge, thinly populated country in southern Africa wants to become an industrialized nation by 2030. It's an ambitious goal that will require squaring challenges with realities.

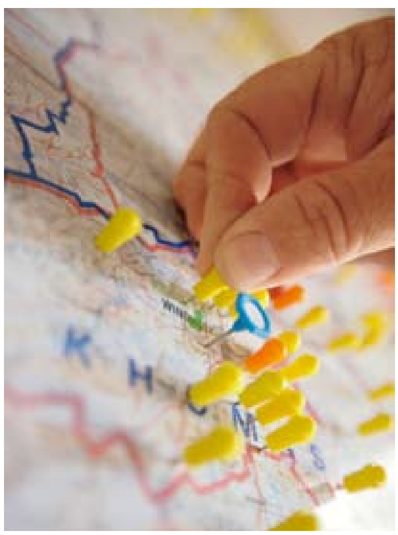
Even though it's already late afternoon, the blazing African sun is burning relentlessly. Dust swirls through the shimmering air, and the din is deafening. Inch by inch, an oversized pneumatic drill is winding steadily into the dry ground. Looking like a battle commander, Kobus Prinsloo stands next to three heavy-duty vehicles with even heavier-duty equipment mounted on each. Meet the blond, 41-year-old giant who is CEO of Prinsloo Drilling, Namibia's number one drilling company.

Suddenly, there's a loud hissing, and a huge jet of water shoots out of the 9-meter-high drill rig as the workers clap and cheer. Prinsloo looks satisfied and gives the "thumbs-up" sign. Under a municipal contract, he has been drilling for water here, about 15 km from the capital city of Windhoek since 2005. A valuable resource in bone-dry Namibia, the water is meant to supply the country's most populous city; later, the well-like drill holes will serve as reservoirs following a good rainy season. Almost tenderly, Prinsloo runs his hand over the hood of his white MAN 26.240 6x6 truck that is equipped with an air compressor and already has clocked up 34 years of service. The truck looks its age: scratches are showing everywhere, the interior is spartan, but the truck still runs like a top. Two trucks of this model are in use on the city's drill site, and their compressors drive the massive drill into the ground. This drill is mounted on a long-nosed 1979-model MAN 30.280. Prinsloo has even purchased a third MAN 26.240 to have on hand "in case we need spare parts in an emergency."

Practical Development Aid

Prinsloo comes from a family of drilling entrepreneurs. His father started working in this area in 1950. Prinsloo thus grew up with big machines, pneumatic drills and compressors. He loves his work and his old trucks. The work that Prinsloo and his trucks do is in fact practical development aid. "In Namibia, water means life," he says. To date, 13 percent of Namibia's two million people still do not have access to clean water. Prinsloo Drilling has been involved in countless drilling projects in remote and hardly developed rural regions to find and capture water and also to construct wells. A map with countless yellow pushpins hangs in Prinsloo's Windhoek office and is testament to all the places where Prinsloo machines have bored holes into the dry land.

Marking the upswing: every pin on the map of Namibia marks a drilling location



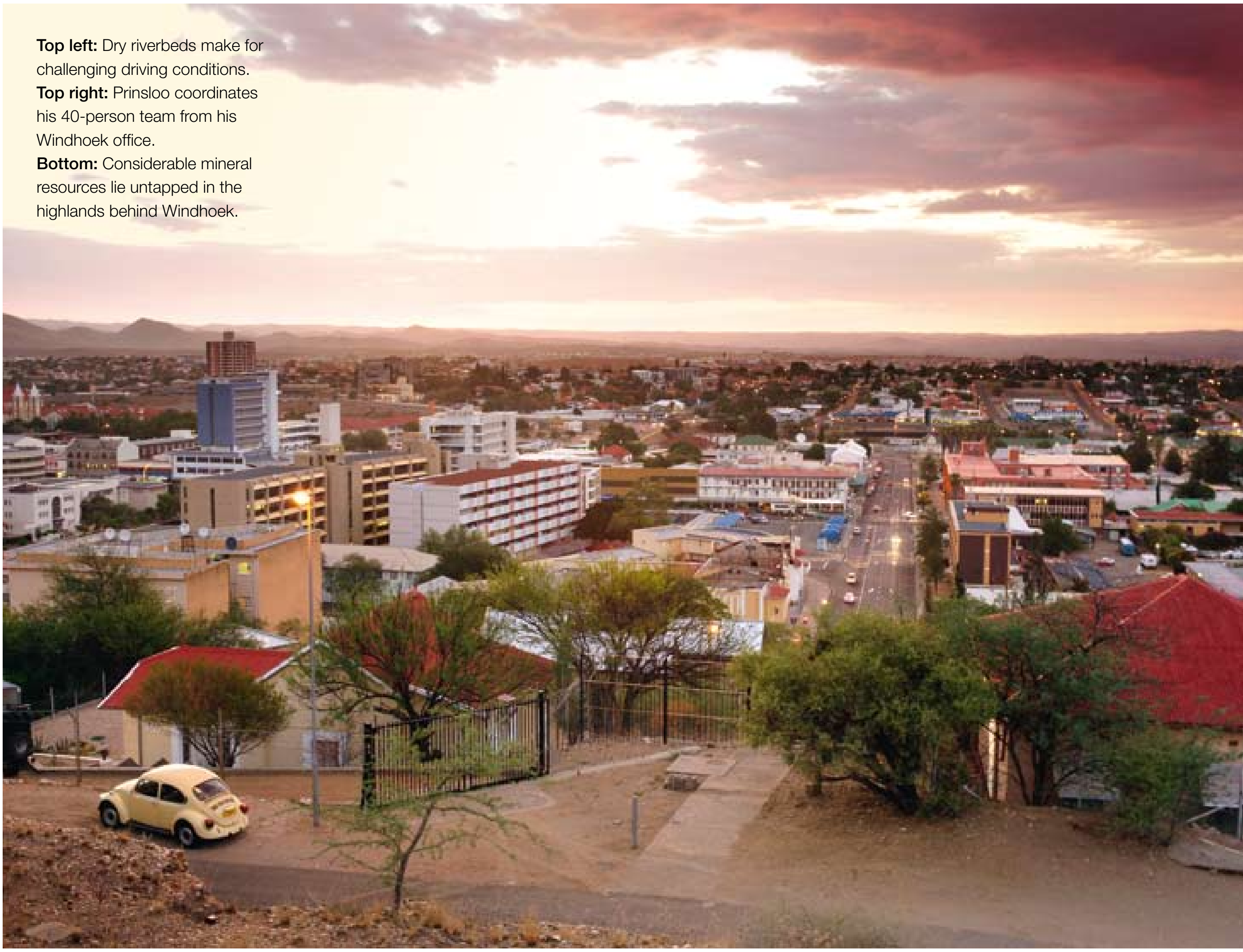
The Economy's Fountain of Youth

As a driller, Prinsloo not only taps the land for water, he is also tapping a burgeoning sector of the Namibian economy—mining. This industry has seen an upswing over the last several years; specifically, diamonds, uranium, zinc, copper, gold and silver are being mined and processed in this former German colony. Of Namibia's total export volume of about 17.9 million Namibian dollars (€1.8 billion), around 60 percent is attributable to mining.

"We are currently experiencing a mining boom that will certainly last for another six, seven years and that will benefit Namibia and every Namibian as well," says Prinsloo with satisfaction. This positive economic cycle is creating jobs and improving the standard of living. Prinsloo considers his MAN trucks, which he himself used to drive at

Valuable liquid: the drilling team cheers after having hit a water vein.

Union makes the strength: Kobus Prinsloo sees his employees as his "family."



Top left: Dry riverbeds make for challenging driving conditions.
Top right: Prinsloo coordinates his 40-person team from his Windhoek office.
Bottom: Considerable mineral resources lie untapped in the highlands behind Windhoek.

one point before becoming CEO, to be reliable workhorses for his operations. "In all these years, I've never had to replace a differential, gearbox or drive shaft. That's incredible, especially considering the extreme conditions in which the vehicles operate: heat, deep desert sand, dunes, rocks, rubble, thorny bushes and the most primitive roads." In the near future, Prinsloo wants to get his foot a little further into the door that leads to the global market: he is planning to enter uranium mining "even if I'm one of the last in my league to get on this bandwagon."

For all its economic hopes, Namibia remains a country of extreme contrasts. The gross domestic product and the export volume are growing steadily. Having achieved independence in 1990, a country whose history has seen its share of twists and turns is now marked by stable politics as well as no crises, civil wars or coups that seem to be common occurrences in other African countries.

Tough Trucks for Tough Roads

MAN Bus & Truck South Africa supplied almost 2,400 buses and trucks throughout southern Africa in 2007. Powerful, reliable models are in great demand in Namibia. However, TGM- and TGL-series trucks with the D20 common rail engines also perform well on roads of which only 10 percent are paved. The moneymaker is the bus business, which is likely to continue growing thanks to the 2010 World Cup, to be hosted by South Africa, and a steadily improving infrastructure.

Attesting to a relatively well-developed infrastructure, Namibia has 48,000 km of roads, two international airports, and a deep-water port in Walvis Bay, which serves as a hub for southern Africa. According to the government's vision, Namibia is to rise out of its status as a middle-income country and become an industrialized nation by 2030.

Slowing the Upswing

However, according to assessments by the United Nations, there is hardly another country on the planet that has such a great disparity between the rich and the poor as does Namibia. A small upper stratum, about 5 percent of the population, receive outlandish salaries; the remainder lives in the throes of poverty. In Windhoek, the pretentious neighborhoods replete with their estate villas are only a few kilometers away from the slums and their huts made of cardboard and sheet metal. Tom Alweendo, governor of the Bank of Namibia, puts the upswing into perspective, saying, "To achieve our objectives, the gross domestic product would have to grow at 11 percent instead of 4 percent—and that's starting now."

The country, whose coast is on the Atlantic Ocean, has two problems that impede such plans. According to official statistics, about 20 percent of Namibia's 1.8 million inhabitants are HIV positive. In addition, there is a dire lack of skilled workers—a plight that begins as early as grade school. Many children are too poor to show up in class or they are taught by poorly trained teachers. This dearth of talent has resulted in a dearth of investment, in turn leading to highly qualified professionals seeking jobs abroad, thus creating a vicious circle. Inge Zaamwani-Kamwi, president of the Namibian Chamber of Commerce and Industry, thinks there is a need for urgent action. "We have to take measures immediately so that our skilled workers stay in Namibia."

The Private Sector Steps In

In the meantime, the private sector is starting to take the initiative in helping to improve conditions for the country and its people, as best exemplified by Sven Thieme. The 39-year-old is chairman of the supervisory board of the Namibian Development Bank and CEO of the Ohlthaver & List Group (O&L), Namibia's largest private corporation. Once they join the company, employees receive comprehensive training—including reading and writing if necessary. Thieme not only takes his employees to the HIV-testing clinic, but he even foots the bill for the expensive HIV supplementary option on employees' health insurance policies.

Kobus Prinsloo, for his part, also cares a lot about the future of his Namibian employees. South African colleagues teach them specialized skills. They can even take driving lessons behind the wheel of his MAN trucks in rough terrain. Prinsloo swears by his trucks and one other German-made product he couldn't do without: after a hard day of work, he opens a beer brewed in Namibia in compliance with Germany's Purity Law, dating back to the year 1516. As he takes in the pleasant sunset over Windhoek's mountains, he says with complete conviction, "I wouldn't want to live in any other country in the world." ▮

South Korea in figures

48.4	Population (2006, in millions)
21,100	Gross domestic product per capita (2006, in US$)
4.5	Economic growth per year (average, 2002 to 2006, in %)
37	Share of worldwide shipbuilding market (2007, in %)
498	Annual number of newly built ships (2006)

Sources: German Office for Foreign Trade; World Shipbuilding Statistics; Korean Shipbuilding Association

MIN HO KANG, SOUTH KOREA

“To survive in the current world market, you have to offer the highest standards of quality. This type of survival strategy is called innovation.”

Min Ho Kang, engineer for two-stroke engines, Hyundai Heavy Industries.

A HEAD START IN KNOWLEDGE THANKS TO CONFUCIUS

South Korea has evolved into the world's top shipbuilding nation through hard work, discipline, and foresight. High quality standards have helped make the Korean shipyards and MAN Diesel reliable partners.

Thudding hammer blows, hissing welding torches, blazing, sparks and millions of tons of steel: the shipyards in Ulsan, South Korea, overwhelm a visitor's eyes and ears. Container ships up to three hundred meters long, supertankers, and freighters sit side by side waiting to be launched, so that bow sections, double hulls, and command bridges for new ships, now stacked up next to the shipyards, can take their place. Just as soon as a ship slips into the water, workers start assembling the next steel behemoth in an incessant, earsplitting din.

Kang, an engineer, coordinates the production of huge marine diesel engines from his two-square-meter work station.

Working Across Time Zones

A stone's throw away, Min Ho Kang sits at his computer in his office. As an engineer, Kang is a typical example of the new globalized Korea. Over the past decades, the country has come out of practically nowhere to achieve global leadership in shipbuilding, besting the competition time and again. Today, Korean managers like Kang shine thanks to their excellent training, education and loyalty. The 36-year old engineer oversees production of the two-stroke engines that Hyundai Heavy Industries (HHI) manufactures under a licensing agreement with MAN Diesel, gigantic units that can measure up to 14 meters high and 25 meters long. At his 2-square meter workspace, Kang represents HHI to many people with other parties, many time zones and continents away. His job is to ensure that the operation runs 24 hours a day. "My cell phone displays two time zones," he says. When Kang starts his work in the morning, he receives the latest instructions from MAN Diesel's two-stroke section in Copenhagen. At the end of the business day, he reports back to his colleagues who are just starting their workday on the other side of the globe.

The shipyard on South Korea's east coast manufactures 80 ships per year in its nine dry-docks which occupy a surface area equivalent to 700 soccer fields. HHI's rise to world's largest shipbuilder in a little more than a decade had an interesting beginning. In 1972, Hyundai Heavy Industries owner Juyung Chung traveled to London to secure his first order—before the shipyard was even finished. A Greek shipowner asked him if his country Korea ever had any experience building ships. Chung pulled a 500-won bill out of his pocket, which depicted a kobukson (also known as a "turtle ship"), which was a unique, 16th-century, ironclad warship. "We have a 400-year shipbuilding history," said Chung, and won the contract to build two tankers. Today, HHI and its shipyards in Ulsan, Gunsan, and Mokpo supply 15 percent of the world market. Add to that national competitors Samsung, Hanjin, Daewoo, and STX, and the figure becomes 37 percent. Shipbuilding accounts for about 6 percent of South Korea's foreign trade.

High Degree of Localization

HHI is also a world market leader in the construction of ship engines, the majority of which are built under a licensing agreement with MAN Diesel. Order books are full: the company will produce 330 two-stroke engines (10.8 mil. bhp) and 1,700 four-stroke engines (3.8 mil. bhp) in 2008 and plans to double those numbers

Top: The K98MC-C is MAN Diesel's biggest two-stroke engine, measuring 24 meters in length and just under 13 meters high.

Bottom: The huge engines power container ships up to 400 meters long.

by 2010. The facilities are currently working at full capacity. Construction takes place at the shipyards where MAN engineer teams support their South Korean colleagues in the planning and production phases. "It's an appealing model for both sides," says Ulrich Vögtle, the licensing director for four-stroke engines at MAN Diesel in Augsburg, adding, "Our partners pay a licensing fee and in return they are freed from having to maintain expensive development departments once demand drops." Korea's shipyards can manufacture the engines predominantly with domestically produced components. "The technical level is evident in the Korean production industry's high degree of localization," explains Vögtle. By contrast, Chinese manufacturers still need to import many parts from Europe. Ultimately, however, the Chinese, too, manage to produce high-quality products, too, says Ulrich Vögtle.

"If there's a production problem, we Koreans usually see more than one way of resolving it."
SooHo Bae, Marketing Director MAN Diesel, South Korea

Since 1976, a tried and true technological partnership has evolved between MAN and HHI. If problems do come up in the production process, Kang puts his hardhat and safety footwear on, and hurries over to the production buildings where individual components, such as multi-ton steel mantles, pistons polished to a shine, and square-edged electronic units, are neatly lined up for use. Here, nothing is left to chance. "To survive on the world market, you have to offer the highest standards of quality. In our industry, innovation is a survival strategy," explains Kang, recalling his bachelor years when he lived in the shipyard dorms. "Often, I'd get called in to work even

Dry-docks occupy a surface area equivalent to hundreds of soccer fields and work on new ships around the clock.

on weekends," he tells matter-of-factly. This attitude toward work impresses Kang's Danish colleague Mikkel Simonsen who has been working in Ulsan for almost a year. The pace of work here is still trying for this stocky engineer in his grey MAN overalls. "We live just like the Koreans: work, sleep, work."

Other Partners in Korea

Besides Hyundai Heavy Industries and Doosan Engine, the Korean ship- and marine engine builder STX is one of MAN Diesel's major partners. For 30 years, STX has been manufacturing diesel engines on Korea's south coast under a licensing agreement with MAN. In 2007, STX built 217 two-strokes and 774 four-strokes. The rate of expansion is breathtaking with 600 and 2,500 units respectively to be produced in cooperation with MAN by 2010. "STX has the highest technical expertise and an excellent reputation among ship classification societies," says MAN representative K. K. Lee.

Kang's wife Kyung Min Lee, a violinist, insisted that they move to the city of Busan 60 kilometers away, where he earned his degree in mechanical engineering eight years ago. But the move requires some sacrifices. Kang joins several colleagues in his own car to leave Busan for Ulsan every morning at six o'clock—and he does not get home until eight o'clock at night. He has a picture of his one-year old son as a background on his monitor. Kang is flexible, diligent and able to work well under pressure—all qualities that are in greater demand than ever in demand in his industry.

Worldwide, the shipbuilding industry is facing serious challenges. All around the world, yards are currently reaping the benefits of a unique boom triggered by China's economic upswing. The People's Republic is searching the world for raw materials and has plenty of cash to spend. Brand new fleets carry oil, gas, and ore from every corner of the planet to its energy-hungry manufacturers and consumers, bringing back export goods worth hundreds of millions of euros, especially from the country's special economic zones. So far, the world's major shipbuilding nations have this market to themselves, with Japan concentrating on mass production of bulk cargo ships, Europe's shipbuilders holding a lucrative niche in specialized vessels and cruise ships, while Korea leads the way in tankers and container ships. It is in this segment that China is now going on the offensive. Currently, the country is erecting several super-sized shipyards on its coasts. Its plan is to move ahead of Korea to become the world market leader by 2015 thanks to its enormous pool of cheap labor. However, not everyone is sure that this plan can succeed. For instance, SooHo Bae, MAN Diesel's marketing

left: The group exercises before a shift help to build team spirit.

right: The Korean dream: Kang's wife Kyung Min Lee, music teacher and trained violinist, plays for friends in the Kangs' small but smartly furnished apartment in downtown Busan.

director for South Korea, who himself put in 15 years as a shipbuilding engineer in Ulsan, is dismissive. "China can send as many workers to its shipyards as it wants to, Korea still has a tremendous head start."

In fact, Korean shipyards are setting new standards. In 2004, Hyundai Heavy Industries developed a new method known as land-based shipbuilding. This makes it possible to build even large ships without using dry-docks. Upon completion, the ships are launched using sophisticated hoisting and pushing technology. "The Koreans are also leaders in block assembling where a few, large-scale components are assembled into a ship unit," says Vögtle. New welding methods have further streamlined work processes. And outsourcing is playing a greater role, too.

Knowledge as a Critical Resource
Nevertheless, China's presence as a potential threat in the shipbuilding industry is forcing Korea to change its strategy. One consequence of the challenge is that Korean shipbuilders are using their full order books to focus on the construction of higher grade ship-types, including large container and specialized ships, such as liquefied-gas tankers, which involve elaborate control processes on board to keep the gas down at a temperature of -168° C. However, when it comes to more straightforward models such as dry-cargo ships or bulk freighters, China will continue to gain market share.

Korea's ace in the hole is its expertise. The country is considered to be eastern Asia's most Confucian. Education is highly valued in social and moral ethics. Knowledge is the most critical resource in a land that has few raw materials. Korean parents invest a lot of money in private tutoring for their children so that they can send them to the best universities. The universities in turn provide the market with multilingual, highly skilled individuals year after year. Another important pillar in Korean society is the traditional relationship between those in positions of power and those subject to it. The former must assume responsibility, while the latter are expected to be loyal—and are. Thus, the relationship between companies and their employees is based on centuries of tradition.

From Fishing Village to Big City
Sometimes, however, this tradition breaks apart, and industrial relations can actually become violent. People still remember the big strike in Ulsan 23 years ago when powerful unions demanded pay increases and production came to a virtual standstill for six months. "HHI has gone 13 straight years without a labor strike. Stable labor-management relations ensure the delivery of products within a suitable time, and have helped increase our productivity a lot," says Kang. "We do not have a clear separation between our working life and private life like people have in Europe," says Kang with a shrug. The company also shapes its staff's leisure time. HHI has inhouse soccer, baseball, and badminton leagues that employees play in before and after regular work hours. It ensures that those kinds of activities reinforce a sense of team spirit. A walk through Ulsan, which HHI transformed from a small fishing town to a city of a million plus, confirms the symbiotic relationship between companies and employees.

Giant flatbed trucks transport the two-stroke engines from the test bed to the dry-dock.

Cultural Exchanges
Ulsan residents can shop at the Hyundai Department Store and enjoy performances at the Hyundai Arts Center. The company provides about 17,000 apartments for its employees and owns the local Hyundai Tigers soccer team. Ulsan is identified with Hyundai, and vice versa. "In the past, when we received mail from abroad, the address was often written as Hyundai City," chuckles Bae. That kind of mentality may have made Hyundai great, but isn't it rather foreign to Europeans? Doesn't it result in conflicts when Eastern and Western employees work together? "Well," says the engineer, after a moment's thought, "if there's a production problem, we Koreans usually see more than one way of resolving it. In contrast, Europeans always come up with only one solution. So, I guess both sides can learn from each other."

For a short time, the engines are in the fresh air before they disappear inside a ship's hull.

India in figures

1.100	Population (2006, in billions)
769	Gross domestic product per capita (2006, in US$)
7.5	Economic growth per year (average, 2002 to 2006, in %)
70	Percentage of jobs in agriculture
30	Percentage of population living below poverty line

Sources: German Office for Foreign Trade; World Bank

K.S. RAJU, HYDERABAD, INDIA

“My father believed that India needed not only political but also economic independence. Towards this, his vision was that Indians should take up industrialization in a big way.”

The son of the founder, K.S. Raju is the CEO of the Nagarjuna Group.

INSPIRED BY MAHATMA GANDHI

Endearingly traditional: Guided by the ideas of the human rights leader Mahatma Gandhi, the Nagarjuna Group based in Hyderabad in southern India is serious about its corporate responsibility to create a more just society.

The Nagarjuna Group is an unusual company. Visitors notice as much immediately upon arriving at its headquarters. The head office of one of India's biggest fertilizer manufacturers sits on a small hill in the middle of Hyderabad in southern India. The gate keeper is so friendly in his greeting that the visitor could be forgiven for thinking he has been mistaken for a family friend. The house itself is styled in echoes of the era of India's becoming independent: old wooden furniture, somewhat colonial, slightly modern, glass chandeliers, marble floors, and black and white photos on the walls.

"We won't go through with a business deal if it's not a win-win situation for both sides."

K.S. Raju, CEO of Nagarjuna group

Doing Business Responsibly

In the lobby hangs a huge sepia-tinted, flower-adorned photograph of K.V.K. Raju, the company's founder who died in 1993. The picture is much revered by staff, a lot of whom have fond memories of the founder. Those who work here are familiar with the company's past and are thus more confident about the future. "We won't go through with a business deal if it's not a win-win situation for both sides. Why should only one side come out the winner?" asks K.S. Raju, the founder's son and Group CEO. Those weighty words sound as if they might have been spoken by Mahatma Gandhi but are nevertheless uttered with complete casualness. K.S. Raju, though, is not one given to empty boasts about profound principles and it takes repeated asking until he lets himself be drawn out on the topic of ethics and business, prominent as it is on the company's agenda. At Nagarjuna Group, clearly, responsible behavior is more than just an empty boardroom letter.

The portrait of company founder K.V.K. Raju, which hangs in the lobby of the company's headquarters, is much revered by staff.

Even though the Group is not MAN Turbo's biggest customer, it is surely one of the most colorful. The company and its 2,500 employees generated sales of €345 million last year. One of the company's principles is "to serve society through industrial activity." In this era of global capitalism, that sounds charmingly old-fashioned. The motto is attributed to K.V.K. Raju who was inspired by Gandhi's ideas. For his son, Gandhi's ideals, particularly the ones that shook off British domination and intended to create a more just society in India, are still very much alive.

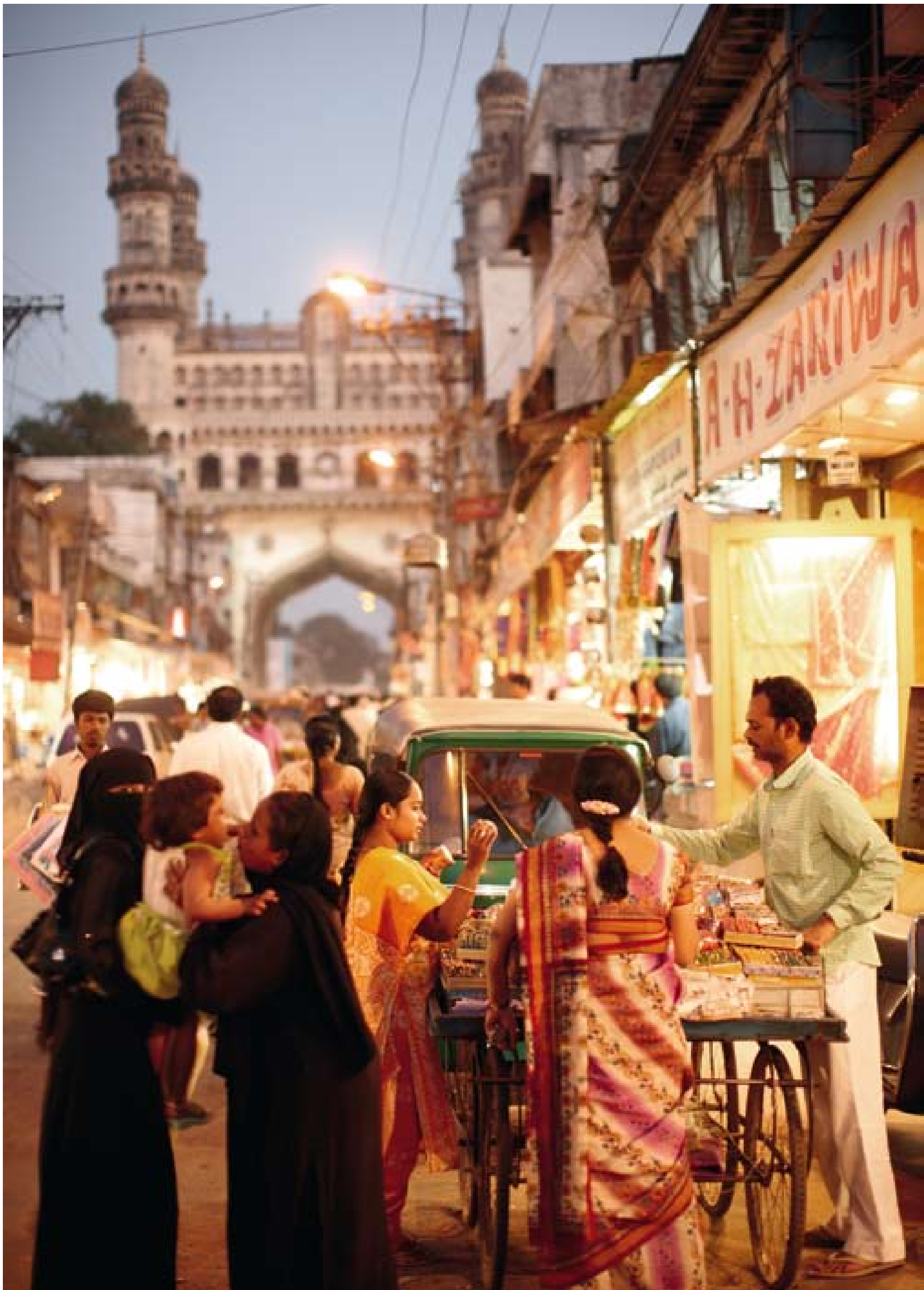
Farewell to Steel Production

"My father believed that India needs political as well as economic independence and that's why he wanted to build up a large industry," remembers K.S. Raju. "He was convinced that an entrepreneur will receive support from everyone if he aims to create prosperity for the society." That notion has not always translated into commercial success. Ten years ago, for instance, the Nagarjuna Group completely divested itself of its steel production activities, even though this was the business area in which the company had its start in 1973. Reluctantly, management had acknowledged the fact that the com-

Top left: MAN Turbo machines make fertilizer production possible.

Top right: Rice farmers use fertilizer made by the Nagarjuna Group.

Bottom: K.S. Raju (on right side) with employees in the biogenetic research lab.



Top: Practical help: one of the physicians paid for by the Nagarjuna Group treats sick children.

Bottom: The old section of Hyderabad with the Charminar, the Muslim-designed monument serving as one of the city's gateways.

pany's steel production division was simply too small to compete on the world market.

The company's biggest pillar these days is fertilizer manufacture. MAN Turbo, a machine-building company based in Oberhausen, has been supplying compressors and turbines to the Nagarjuna Group since the 1980s. "We value good relations with our business partners. We believe that the depth of a relationship creates a solid foundation," says K.S. Raju. Another Gandhi-ism again. Yet MAN thinks likewise. Andreas Kramer, head of external sales for India at MAN Turbo, describes Raju as a "charismatic businessman with a tremendous sense of social responsibility." From the day that the German company received its first order, the Indian group has been a loyal partner.

Convincing Technology from MAN

With Avtar Singh, MAN's former head of external sales for India, serving as first contact, Raju came to know MAN's products. "At the time when we were building our first plant in Kakinada, we had our Italian consultants who were advising us to buy a certain type of turbine being used by many in India. MAN had a somewhat different technology so they recommended against it," remembers Raju. However, Raju likes to make up his own mind—an appropriate virtue for an entrepreneur whose company is named after one of the most important Buddhist philosophers. "I couldn't really understand why we shouldn't buy those machines in particular. MAN has a good reputation and offered the best price." To cut short the process, Raju boarded a plane and flew to Germany to get a first hand look at MAN Turbo in Oberhausen. "I not only enjoyed the German hospitality there, but I could also see that the product was excellent. I accepted the risk of getting into a new technology and have never regretted it," says Raju today. "The compressors work great and are always delivered on time."

Investing in Research
Between 1989 and 1995, MAN Turbo supplied the Nagarjuna Group with 14 machines used in ammonia-production, including steam turbines, drives, and compressors. There is further collaboration with the company in the most recent business area—the energy sector. Nagarjuna bought a second-hand refinery in Europe nine years ago that is now under construction on India's eastern coast near the former French colony of Pondicherry. MAN Turbo would carry out refurbishment on the attendant machinery at its service facility located in Baroda in northwestern India.

In addition, the Nagarjuna Group is also investing in fertilizer research. "There aren't many companies around the world conducting research in this area. In the West, reliable food production isn't an issue any more, but in India it still is," says Rahul Raju, the founder's 30-year old grandson, who has already gotten into the family business. He is responsible for development and strategy. "We want to optimize the way fertilizer is manufactured and take more account of the needs of farmers," says Rahul Raju. The company works closely with its customers, apart from building schools and hospitals in the villages. That not only serves the communities but it also helps the company to gain acceptance among them. "My son brings new ideas into the company and that serves us well," says K.S. Raju. "Speaking about me, people have often said, 'Mr. Raju is too kind, that is hampering him in running the company.' So now, we're trying to be a little more firm on results and yet continue the people orientation."

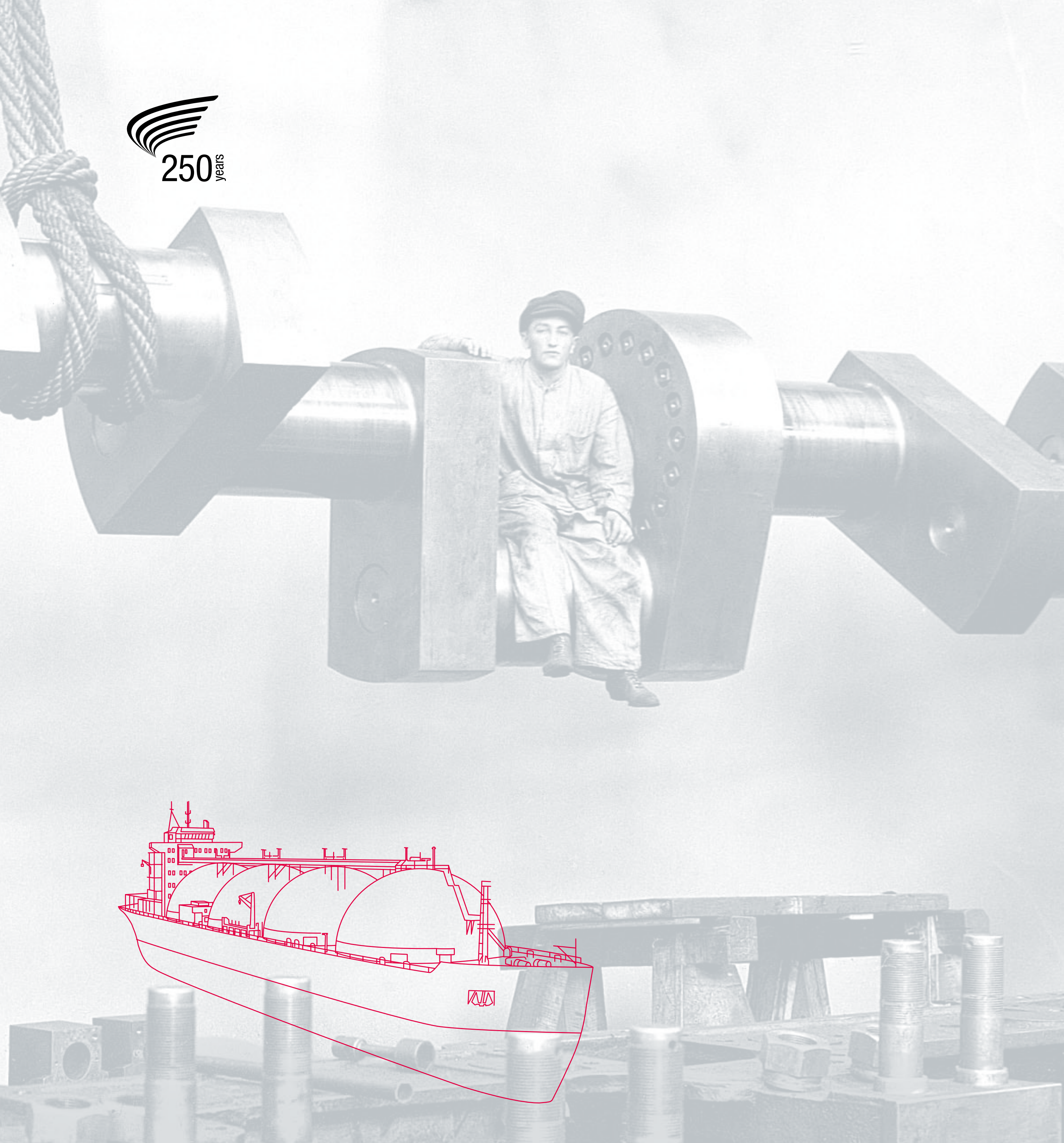
Rahul bears an uncanny resemblance to his grandfather, and may also have inherited some of his character traits. A coffee-table book about the company describes an episode when the business partners doubted the skills of the young K.V.K. Raju because he had no experience as a businessman. The founder retorted, "Gandhi didn't have any experience as leader of India's freedom movement. If he had waited for it to come, he would have spent his whole life waiting." Rahul the grandson doesn't want to waste any time either. At the young age of 20, he started getting involved in the family business while studying economics at the university. Unlike others in his situation, but like his father before him, he made a point of not spending a semester abroad. "When I was his age, I thought about going to the US, but then I abandoned the idea," says K.S. Raju. "For me, entrepreneurship is more important than a formal education. Ultimately, it's about the seriousness and commitment one brings to one's endeavors. That's how my father saw it and my son, it seems, sees it much the same way."

Regulated Fertilizer Market

In India, 60 percent of the population works in farming and thus in a sector that has not yet benefited from the country's economic boom. For years, farmers have struggled with decreasing yields. However, due to the political significance of the agricultural sector, the government maintains control of the fertilizer market. "We could make twice as much money in other countries. Nowhere else on earth is the fertilizer market so severely regulated as it is here," says K.S. Raju.

Handing Over the Reins
In view of this, K.S. Raju can calmly look forward to his 60th birthday—the day when he intends to hand over control of the company to Rahul. "I will continue to support the group and advise him, but I want to give him room to evolve." He himself wants to turn his attention to projects that have been dear to him for quite some time. "My wife runs a group of private schools," says K.S. Raju, who remarried after his first wife died and became a father again seven months ago. "It's a type of holistic schooling that simultaneously engages the mind, body, and spirit of the children," says Raju, showing his excitement. "I want to spend some of my time in these schools."

MAN Turbo is ready to support him in that plan. In any event, the good relations with the Nagarjuna Group will certainly continue, for they will be in Rahul's good hands.



XXL-Size Innovations

A Herculean challenge: In 1908, Germany's Imperial Navy contracted M.A.N. Nürnberg to build a six-cylinder, two-stroke diesel engine with an output of 12,000 horsepower, or 2,000 horsepower per cylinder. Until then, the M.A.N. plant in Augsburg had only manufactured engines capable of 200 hp per cylinder. Nowadays, MAN diesels power some of the world's largest vessels. Starting in 2010, multifuel supertanker engines will run on diesel, heavy fuel oil or gasoline. This is made possible by the innovative 51/60DF four-stroke engine produced by MAN Diesel in Augsburg.

MAN GROUP

BUSINESS AREAS

A focus on **Transport-Related Engineering** in the areas of
– Commercial Vehicles
– Diesel Engines
– Turbo Machinery
– Industrial Services

GROUP STRATEGY

An **Industrial Governance**–based management system
– Centralized strategic management, decentralized operational accountability
– Strategy and Structure
– Leadership supply
– Execution Excellence

Profitable growth and internationalization
Constant **value enhancement**

Sustainability

→TGX V8 World Premiere

Heavy-duty trucks: The new TGX and TGS models made a splash in the commercial vehicle sector in 2007 with much-publicized features. Standing out from the pack is the **MAN TGX V8** with its 680-hp, **V8 common rail engine**, its luxurious standard accessories, and its unique design. This makes it not only a gem on the road, but also the most powerful production-series truck in Europe.

MAN NUTZFAHRZEUGE: FOCUSING ON CUSTOMER NEEDS

MAN Nutzfahrzeuge continued on its path of persistent growth in international markets. The company expects to exceed the 100,000-truck sales target in 2008 —two years earlier than expected.

As the MAN Group's biggest business area, Commercial Vehicles is also its flagship. Its products set highly regarded standards in **→international markets** and ensure continued solid growth. In 2007 alone, MAN Nutzfahrzeuge sold 93,260 trucks—a 16.8 percent increase over last year. At the same time, its market share in Europe for trucks in the 6-plus-ton range rose to 16.1 percent, an increase of 0.2 percentage points. In Eastern Europe, MAN holds the number one spot in this product category, and it is in second place in Western Europe in terms of newly registered vehicles. The bus area achieved the same figures as in the past year. MAN Nutzfahrzeuge delivered 7,349 MAN and NEOPLAN buses overall.

All in all, the company tallied up total sales of €10.4 billion in 2007 through its vehicle-, service-, engine-, and component-related businesses.

New Technological Standards
The major achievement in 2007 was the introduction of the new TGX and TGS heavy-duty trucks. Both vehicles set technological standards, which MAN Nutzfahrzeuge revealed to the public item by item. The first official announcement in 2007 gave the public a preview of further measures and promotions to follow. These maintained interest in the new vehicles throughout the year among customers and the media. This strategy included specially arranged and well-attended events for our customers, partners, journalists, and employees. An especially effective public event was the unofficial **→TGX V8 world premiere** held on the occasion of the Le Mans 24 Hours race in France, where the vehicle made its appearance as part of our partnership with Audi.

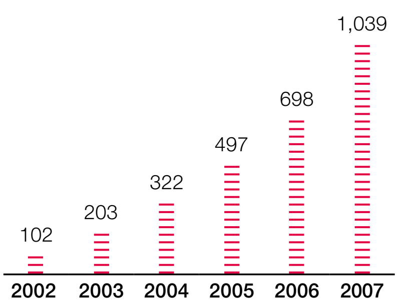
In introducing TGX and TGS, the company has split its heavy-duty class into two models that together form the top end of the truck line. Together, they replace the successful TGA, which had been built since 2000 and had launched the Trucknology® Generation. This two-way split enables MAN Nutzfahrzeuge to address customer needs, requirements, and expectations in the heavy-duty class even more specifically. For example, the TGS is geared toward customers that will use the truck for construction, short-haul, and distribution purposes where the focus is on maximum vehicle length and optimum maneuverability.

By contrast, the TGX is configured entirely for the requirements of long-haul and heavy-load transportation, including a 680-hp V8 engine available for the first time in a Trucknology® Generation vehicle. However, even though the TGX and TGS address different customer groups, they **→share basic MAN Nutzfahrzeuge principles**: cost-effectiveness, comfort, reliability,

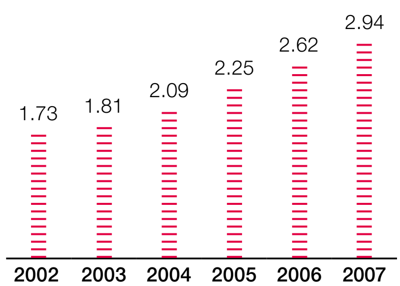
Productivity optimized yet further

MAN Nutzfahrzeuge improved its profits significantly during the past year and raised total unit productivity to almost three vehicles per employee.

Operating profit in million € [1]



Vehicles per employee



[1] from 2005, including earnings from financial services

MAN Nutzfahrzeuge		
€ million	**2007**	**2006**
Order intake	12,684	10,103
Sales	10,410	8,685
Operating profit	1,039	698
Headcount (at Dec. 31)[1]	36,591	36,206
Return on sales (ROS) (in %)	10.0	8.0

[1] including temporary employees

customer orientation, and premium features down to the smallest details. In the fall of 2007, a jury made up of representatives from the international trade press awarded these high-end models the most prestigious prize in the commercial vehicles sector by naming them → **Truck of the year 2008**. MAN thus won the trophy a seventh time—more than any other manufacturer. The award was presented in October 2007 at the European Road Transport Show in Amsterdam, where the TGX and TGS celebrated their official world premiere. At this industry sector's most significant trade fair in Europe, the company impressively displayed its massive mobility-related expertise, the scope of which extends from innovative, cutting-edge technology to customized service products.

Proven Reliability

As in past years, MAN trucks also showed impressive performances in the sports world. As a prelude for 2007, Hans Stacey from the Netherlands won the truck category in the Dakar Rally at the wheel of an MAN TGA race truck.

The fact that MAN was the most represented brand in the 9,000-km → **desert rally** and the one with the lowest dropout rate is a testimony to its products' performance.

In order to continue growing at the international level, MAN needs to offer convincing products; yet these are not the only cornerstone for success. One of the most important projects in this regard was completed in October 2007. MAN built a → **new truck assembly** plant in Niepolomice, near Kraków, Poland. This €100 million production facility is one of the most modern commercial vehicle plants in the world and is equipped with the latest technological and logistics infrastructures. New and improved processes ensure maximum efficiency. From the start, employees will be fully involved in key processes and thus able to shape their work environment themselves. About 400 employees (increasing to 650 in the medium term) will be manufacturing trucks with gross weights of over 16 tons, concentrating primarily on the MAN TGA WW models. The main components are to be supplied from a network of production plants in Germany and Austria. Within MAN Nutzfahrzeuge's international growth strategy, the new plant has been assigned a vital role: Because market growth in Eastern Europe is above average, trucks built in Niepolomice will be sold primarily in this region. This will reduce the load on the Munich and Salzgitter plants, which will thus be able to supply customers even faster.

The Trucknology® Generation 680-hp, V8 engine sets new standards in today's long haul and heavy-duty transportation segment.

Groundbreaking in Munich

The new plant in Poland was not the only construction project that MAN Nutzfahrzeuge started or successfully completed in 2007 within the scope of its expansion. For example, the Munich production plant was further expanded with the help of a €190 million investment package. The most striking part of this project in terms of architectural design is the new headquarters building, for which the cornerstone was laid in October 2007. The building displays an accent on transparency and modern structure, which is to emphasize that this is where an open, international and modern company has its home. The four-story building which is to be completed before Christmas 2008 will provide office space for 360 MAN Nutzfahrzeuge employees.

By contrast, the MAN Nutzfahrzeuge development unit has already moved into its new location. Completed in 2007, the new Technology Competence Center is to help the company meet the future challenges of the marketplace and to better

→ Optimized Hybrid Drive

Trendsetter: city buses like this one with a hybrid drive achieve 25 to 30 percent fuel savings. An initial limited-lot production is to be launched in 2010, with mass production following one year later.

→ New Truck Assembly Plant

Eastern Europe's markets will profit from a new assembly plant built in Niepolomice, near Kraków, Poland. At the new facility, the **latest infrastructure** and new work processes will ensure maximum efficiency. The Munich and Salzgitter plants will be **unburdened**, and customers will benefit from quicker service.

→ Desert Rally

A race winner, too: In 2007, Dutchman Hans Stacey won the **Dakar Rally** in the truck category driving his MAN TGA race truck. Once again, MAN was the favorite brand in the 9,000-kilometer desert rally and the one with the lowest dropout rate.

→Technical Expertise

Frontrunners: TGX and TGS made by MAN Nutzfahrzeuge represent the top-shelf models of the truck line. The TGS is ideally suited for construction, local and distribution transportation purposes, while the TGX is fully configured to handle long hauls and heavy loads. Both incorporate basic **MAN values:** cost-effectiveness, comfort, reliability, customer-orientation, and premium features down to the smallest details.

→Truck of the Year 2008

Winner: What a start! MAN TGX and TGS were voted “Truck of the Year 2008.” Anton Weinmann, CEO of the MAN Nutzfahrzeuge Group, received the coveted trophy from Andy Salter, chairman of the international “Truck of the Year” jury, at the European Road Transport Show.

→Worldwide Markets

MAN Nutzfahrzeuge continues to pursue its international growth strategy. **Strategic target regions** are Eastern Europe, CIS, India, and China. To further improve earnings potential, sales organizations were restructured and additional funds were invested in the sales and service network.

Focusing on international markets

At 100,609 delivered units (+15%), the Commercial Vehicles business area posted a significant sales increase in fiscal 2007.

Truck sales in units (2007)

Germany	27,875
Rest of world	65,385
Total	93,260

Bus sales in units (2007)

Germany	1,151
Rest of world	6,198
Total	7,349

address the requirements of international markets. Complementing this project are investments in the worldwide sales and service network amounting to a total of about €100 million. The emphasis of this spending is to be placed on growth regions such as Russia, China, and India.

Large Orders for Trucks and Buses
The huge demand for MAN trucks was reflected in the number of large orders posted in 2007. In this connection, the company sold a total of 1,000 TGAs to Russia. These vehicles ordered via a major bank will be leased to Russian logistics providers. The order from a transport and logistics group operating throughout Europe was even more impressive—it was for no less than 2,100 TGA tractor-trailer rigs, all of them in Euro 4–compliant versions with EGR and PM-KAT® systems, which do not necessitate use of additives or maintenance. A truck leasing company based in Great Britain also opted for the same user-friendly, low-emissions model, ordering a total of 480 TGL, TGM and TGA trucks. For its order of 500 MAN TGA 4x4, the German Bundeswehr (armed forces) also chose this low-emissions model, which features engines that require no additional operating fluids.

MAN Group buses are becoming ever more popular with customers. The biggest order in 2007 went to Dubai's government-owned transportation company which placed an order for 400 NEOPLAN low-floor Centroliner city buses. Once again, the design of the NEOPLAN buses received high praise when the Cityliner garnered the coveted "red dot: best of the best" design award in March 2007. Readers of Stuttgart-based ETM Verlag publishing company's magazines also liked the bus's looks, accordingly voting the MAN Lion's Regio number one in the long-distance bus category.

High-end buses increasingly turn to MAN expertise even though this may not be readily visible from the outside. After all, only buses 100 percent assembled by MAN may sport the Büssing lion on the radiator grill. In addition, however, first-class coachwork makers in a large number of countries have long relied on MAN chassis as a solid basis that is recognized the world over. Particularly positive business prospects for the chassis segment result from the various synergies it enjoys in conjunction with the truck manufacturing segment. These synergies help achieve high unit quantities as well as a global presence for the MAN brand.

30%

is the reduction in fuel consumption which MAN Nutzfahrzeuge is aiming to achieve with its innovative hybrid drives.

The broad spectrum of MAN bus chassis includes single vehicles, articulated buses, as well as double-deckers used for scheduled public transportation. The particular strength of the chassis-types resides in their high flexibility in terms of coachwork and operational roles which customers can take advantage of. All of this is achieved thanks to variable wheelbases, engine-transmission combinations, axle and suspension variants, not to mention the future-oriented six-cylinder gas engines. Thanks to their CNG drives, emissions are significantly less than the limits set by the Euro-5 standard.

Innovations for the Environment
MAN Nutzfahrzeuge introduced its new bus portfolio in September 2007, at the busworld trade fair in Kortrijk, Belgium. One of the portfolio's key points is the environmental compatibility of the drives. Besides natural-gas-powered buses, which have already proved successful, MAN PURE DIESEL technology sparked the interest of visitors. Engines of this type will meet strict emissions standards without using additives. To top off environmental protection, the technology utilizes high-efficiency soot particle filters.

Several prototypes went one step further and attracted much notice in 2007. For example, third-generation city buses equipped with **→optimized hybrid drives** started their field trials. This is a technology that the company has also been perfecting and testing in freight distribution traffic. Its main attraction is that it will allow operators to achieve fuel savings of up to 30 percent in the future. This is yet another example of the company how well it is prepared to meet the challenges of the future. Among the larger ones of these challenges are a rising demand for transportation worldwide, the continued globalization of markets, increased international competition and at the same time environmental regulations that are becoming ever stricter. MAN Nutzfahrzeuge has long been facing up to these developments, something which has enabled the company to offer individually customized solutions to its international clientele as early as today.

LAURELS FOR NUTZFAHRZEUGE

Prize-winning vehicles, always a step ahead with innovations. Professor Karl Viktor Schaller, director of engineering and purchasing at MAN Nutzfahrzeuge, talks about full order books, environmental protection and mobility for the future.

Professor Schaller, in the development of the new MAN TGX and TGS truck series, MAN Nutzfahrzeuge worked with a lot of customer feedback. How was that done?

We showed customers a design study using real truck hardware, then we went over the features with them. To coordinate the feedback we got, we met twice with each of about 100 customers for a Cab Clinic. I'm sure we're one of the first commercial vehicle manufacturers to take such a system-oriented approach. As it turns out, success has proven us right. We have to make massive investments to expand production volume and build many more cars, simply because the market wants them, and that's why we're aiming to be able to produce 110,000 vehicles over the course of 2008.

That's a huge leap forward compared with 2006, when the company built 80,000 vehicles.

That's exactly why we need to invest. In some sales regions, we have already sold out our entire production for 2008. But there were and will be other highlights besides TGS and TGX, even though we received the coveted 2008 Truck of the Year award for them at the "European Road Transport Show" in Amsterdam. This is the highest distinction for commercial vehicles. We became the first truck manufacturer, to win this award a seventh time.

Another highlight of our work is that, as far as engines are concerned, MAN Nutzfahrzeuge is the only volume producer to make available state-of-the-art technologies such as EGR (exhaust-gas recirculation) and SCR (selective catalytic reduction) technology throughout most of its product portfolio.

Those are two emission-reduction methods, aren't they?

Yes indeed. A few years ago, we became the first European commercial vehicle manufacturer to make EGR, which cools exhaust gas before recirculating it to the engine, a key feature of our engine strategy. In doing so, we laid the foundation for our

Professor Karl Viktor Schaller, Executive Board member at MAN Nutzfahrzeuge since July 2006, is responsible for technology and purchasing.

ability to meet upcoming exhaust standards such as Euro 6 and the US Environment Protection Agency's 2007 and 2010 limits. At the same time, we offer Euro 5-compatible engines based on MAN's AdBlue® SCR technology. In the SCR process, the NO_x emissions are treated in a catalytic converter. For that to happen, the AdBlue® reduction agent needs to be sprayed from an additional tank into the hot exhaust gases. When the Euro 5 standard becomes effective in 2009, we will be offering AGR engines as an alternative which will have the same emission and fuel consumption values as ones with SCR technology, except the AGR engines will neither require the additive nor the additional tank.

A 40-ton truck at half payload emits 57 grams of CO_2 per ton-kilometer. On the other hand, your average passenger car with a payload of half a ton emits 326 grams.

Even though trucks and buses are responsible for only 6 percent of the CO_2 emissions in Germany, we are working really hard on coming up with solutions. Starting in 2010, we will be mass-producing buses with hybrid drive systems. These vehicles use up to 30 percent less fuel than do comparable buses that have conventional drives, and so they pay back the additional investment within a span of five years. As we speak, our buses already emit no more than 15 grams of carbon dioxide per passenger-kilometer, which is seven times less than an airplane. When Euro 6 is implemented in 2013, we will have reduced the 1990 level of particulates emissions by no less than 99 percent.

"When the Euro 6 standard is implemented in 2013, we will have reduced the 1990 level of particulate emissions by no less than 99 percent."

For the future, MAN Nutzfahrzeuge is clearly counting on further increasing transportation efficiency and the use of renewable fuels. What should we expect to see?

It's about minimizing the energy use per ton-kilometer (a ton of load driven one kilometer). In the next 10 years, I'm sure that greater emphasis will be placed on aerodynamics. According to those principles, the rear end of a truck could be extended by 2 meters and only be used to reduce drag. We're expecting that kind of a design to achieve fuel consumption savings of 10 percent. And we need a fuel with a high energy density that allows long hauls and even greater CO_2 reductions.

What kind of a fuel would that be?

The future lies in liquid hydrocarbons. A BTL (biomass-to-liquids) fuel synthesized from biomass can be formulated so that its emissions are reduced by 30 percent for NO_x and particles. Another advantage is that BTL fuels can be transported using today's tank systems. By contrast, switching to hydrogen, for example, would require an expensive and heavy tank to be installed in every vehicle. Besides, I'm also expecting renewable-generated hydrogen to be used—it's the only kind of generation that makes sense—but not before the year 2050.

Road traffic is expected to increase more than 60 percent by 2015. How can we handle this?

Transportation management systems can optimize traffic flow by 10 to 15 percent. However, they cannot replace an expanded infrastructure. Regarding logistics, it will make sense in the future to bring goods to a central warehouse using high-payload trucks. From there, the goods would be carried to their final destination in smaller vehicles. Their size would be determined by the destination. That would be one way to systematically access downtown areas.

What does MAN Nutzfahrzeuge need to do regarding its presence on the international market?

We have an outstanding product line. However, globalization keeps on demanding new concepts and a corresponding portfolio. We are forecasting relatively limited growth in Western Europe and the United States, but there will still be growth in the CIS countries. For us, Russia will presumably become the number two market, after Germany, by 2009. But we're expecting the most growth in India, China and South America. We are working with our partners to develop strategies that fit the markets there.

The MAN Group will be celebrating its 250th anniversary this year. What does its long-standing tradition mean to you?

I'm very proud to be part of this company and its history. It's a good feeling to be able to look back on such a legacy. I really notice it when I tell people in India or China that this company co-invented the diesel engine. It's incredible to see what kind of respect that elicits.

→Optimizing Production

Reorganization: MAN Diesel is relocating parts of its production, revising product lines, expanding its licensing business and overhauling production facilities, all with a view to significantly increase MAN Diesel's **engine output** numbers by 2010. The company is **investing €110 million** to expand its test facilities and assembly capacities.

MAN DIESEL: FULL STEAM AHEAD

The strong demand for diesel engines resulted in double-digit growth once again for MAN Diesel in 2007. In order to ensure on-time deliveries, the company is investing in a new production network.

For MAN Diesel, 2007 was marked by a series of possibly record-breaking orders. Starting in 2010, nine MAN diesel engines with a combined output of 95 MW will drive what will be the world's biggest ship, the Pieter Schelte. This is a specialized vessel used to construct drill rigs on the high seas. The engines to be installed are the medium-speed V32/44CRs with common rail technology. Eight V28/33D engines are for two catamarans from Australian manufacturer Incat—the first order for this small, medium-speed engine since its production was relocated from Stockport, England, to Augsburg, Germany. APL, a logistics service provider, will get eight 14-cylinder two-stroke →**14K98ME-C7** engines with a rated output of 115,000 hp (84.3 MW)—the most powerful diesel engines in marine history. An MAN South Korean licensee is scheduled to deliver them in 2011, and they will be installed into eight South Korean-built container ships.

Successful Licensing Model

MAN Diesel's licensing model is being consistently refined and continues to generate successful business. In the last fiscal year, MAN Diesel extended its licensing agreement with its Chinese partners CSIC/CSOC and CSSC/CSTC to build low-speed engines. MAN Diesel also signed a 10-year licensing agreement with a newly founded joint venture company, CSSC-Mitsui Diesel Co. Ltd. (CMD), as well as with STX (Dalian) and with Wuxi Antai, a private Chinese company. The renewed licensing contract with STX Group of South Korea marks 30 years of cooperation between the two firms. Every year, STX builds more than 900 engines based on MAN Diesel engineering blueprints. Last year, STX also received a license to build the 51/60 DF four-stroke engine. This new dual-fuel engine is specifically designed for liquefied natural gas (LNG) tankers. It is also being built at MAN Diesel's production facilities in Augsburg, Germany, and St. Nazaire, France. The first order, for five such engines, came in April 2007. Starting in 2009, they will drive the world's biggest LNG tanker. MAN Diesel plans to significantly boost engine production by 2010. This will require the company to reorganize →**production**, which began in 2007. Manufacturing heavy-duty four-stroke engines will shift to St. Nazaire and Frederikshavn, Denmark. Another change will see Frederikshavn adjust its product line in the four-stroke category; also, the entire production of small two-stroke engines will move from there to licensees' premises in the first quarter of 2009. MAN Diesel will invest a total of €110 million in all three production locations. The majority of the money is for upgrading test facilities and expanding assembly capacities. Ultimately, MAN Diesel is seeking to shorten the production cycle times per engine from a current 35 days to 10 days by 2010.

115,000

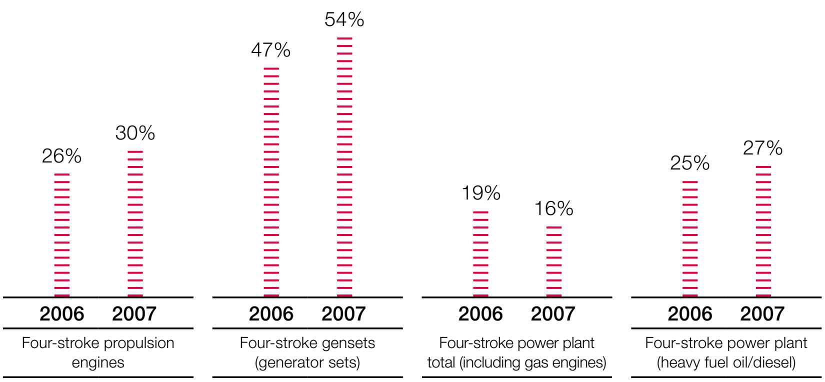
horsepower will be put out by the world's most powerful diesel engine. The two-stroke engine from MAN Diesel will be completed in 2011.

Popular Power Plants

In the fiscal year just ended, MAN Diesel pursued two major strategic objectives: achieving a stronger position in the power plant industry and a greater focus on after-sales activities. In Pakistan, MAN Diesel concluded a strategic partnership with the Atlas Group to build diesel power plants. The cooperative venture comprises the development, engineering, construction and maintenance of four turnkey diesel power plants with an output of 120 to 225 MW to be built near Lahore in northern Pakistan. Completion is slated for 2012. An order came in from Brazil for delivery of eight diesel engines for a 148-MW power plant in the state of Bahia. The plant is one of the company's biggest ever sold in South America. Also, the Argentine utility company PAMPA ordered two 18V32/40PGI gas engines. This order is especially noteworthy because it

MAN Diesel market share in four-stroke engines

MAN Diesel increased its share in four-stroke engines in the area of marine applications. By contrast, market share in two-strokes is over 80 percent.



will serve as a important reference model in South America for the environmentally friendly gas engine. It incorporates a new type of performance gas injection (PGI) that combines the advantages of the highly efficient diesel principle with those of natural gas as an environment-friendly fuel. The 2007 German business **→Innovation Prize** was awarded to MAN Diesel in January 2008, in the Major Corporates category for this engine design.

First-Class Service for Engines

Over the past year, the company continued to expand the newly created MAN Diesel PrimeServ after-sales organization. In May, the MAN Diesel PrimeServ Academy was opened in Augsburg and now offers trainings, seminars and workshops. Basic training and continuing education have always been priorities at MAN Diesel. Fittingly, the MAN training center received a silver award in the vocational training category of the European Commission's Lifelong Learning Program, with special recognition going to the trainee exchange program between Germany and Denmark. In October 2007, MAN Diesel took over MAN Rollo B.V. in Holland as well as MAN Rollo Belgium N.V. In the future, the companies will operate under the name of MAN Diesel Benelux with head offices in Antwerp, Belgium, and Rotterdam, the Netherlands. The companies will be integrated into the worldwide MAN Diesel PrimeServ service network. This is in keeping with the company's strategy, which is to grow through small, profitable acquisitions and reinforcing the after-sales business.

MAN Diesel Press Conferences

The delivery of the **→luxury cruise ship** Norwegian Gem from the shipyard to the North Sea was an opportunity for MAN Diesel to hold a press conference on the vessel. Reporters from daily papers and the business press were briefed on the company's business in the four-stroke engine business, which is oriented toward cruise ships in particular. MAN Diesel, for its part, held the first annual press conference of its own in Augsburg in April, which gave CEO Dr. Georg Pachta-Reyhofen an occasion to present the company and its future prospects to trade journalists.

Battling Emissions

One of the biggest ongoing challenges is reducing emissions of marine diesel engines. To that end, MAN Diesel entered in the multinational HERCULES research project, which was completed in September 2007. The project team brought together 40 European engine manufacturers, suppliers, universities, research institutes and ship operators. Participants' common objective was to develop new technologies geared toward making more efficient engines and preferably generating lower emissions. The results will be integrated into the design of new engine types at MAN Diesel. In this way, the engine that Rudolf Diesel first built in Augsburg in 1897 is to be tailored to the requirements of the future. March 18, 2008, will mark the inventor genius' 150th birthday, an event that MAN Diesel will duly celebrate.

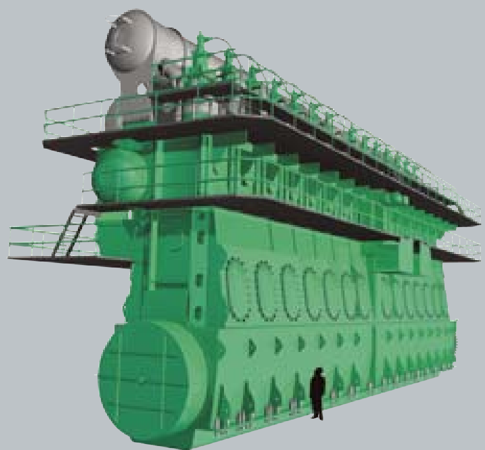
MAN Diesel

€ million	2007	2006
Order intake	3,371	2,619
Sales	2,179	1,802
Operating profit	313	229
Headcount (at Dec.31)[1]	7,383	6,862
Return on sales (ROS) (%)	14.4	12.7

[1] including temporary employees

→ The 14K98ME-C Engine Sets a World Record

In the summer of 2007, APL, an internationally active transportation and logistics service provider, commissioned MAN Diesel to build eight 14-cylinder 14K98ME-C7 engines. Its output of 84.3 MW (115,000 hp) makes this two-stroke engine the world's most powerful marine diesel. The engines will power eight container ships, each with a transport capacity of 10,000 standard containers, currently being built in South Korea. Each of the giant engines is 14.5 meters high, 29 meters long, and weighs more than 2,200 tons. Each cylinder has a diameter of 98 centimeters.



Once completed, MAN Diesel's massive 14K98ME-C7 engine will be the world's most powerful diesel.

→ MAN Diesel Receives Innovation Award

MAN Diesel won the 2007 German business Innovation Prize in the Major Corporates category for designing a new type of gas engine that combines the advantages of the highly efficient diesel principle with those of the environment-friendly Otto principle. MAN Diesel's 32/40PGI gas engine requires no spark plugs but still achieves the high efficiency of a diesel and low NOx emissions. PGI stands for performance gas injection and describes an entirely new type of high-energy ignition system. The spark ignition conventionally seen in gas engines is replaced by a very simple ignition system featuring high-pressure gas injection. This innovative concept has already seen initial successes on the power generation market.

→ Luxury Liner Made in Germany

In September 2007, the Norwegian Gem was transferred from the Meyer shipyard in Papenburg via the Ems River to the North Sea. This luxury cruise ship is powered by five MAN Diesel 12V48/60B engines producing a combined power of 72 MW. On the luxury cruise ship, up to 2,400 passengers will be pampered in 10 on-board restaurants.

RUDOLF DIESEL'S LEGACY OF INNOVATION

At MAN Diesel, the future lies in the engines' electronics. Dr. Thomas Knudsen and Dr. Ralf Marquard, heads of development for two-stroke and four-stroke engines, respectively, discuss the shipping world of tomorrow.

Dr. Marquard, Dr. Knudsen, MAN Diesel has rolled out the world's biggest two-stroke engine. In power plants, MAN Diesel's four-strokes lead the way in the use of biofuels. What other prowesses and technological innovations are you planning for the future?

Marquard: We are working on a brand-new engine electronics platform. Our *SaCoS one* system, which stands for Safety and Control System on Engine, brings us into the domain of hardware electronics. SaCoS one is the result of more than 15 years of experience in engine control software and electronics. And we ensure that the software will also fit into older systems. This is a response to customer demands. We'll be performing field trials this year, and we intend to deliver the system starting in 2009.

What role do electronics play in marine diesels?

Marquard: We think that electronic monitoring will play an even greater role in the future. A defective component in the engine will not only be immediately detected, but information will also be provided regarding in which port the part can be replaced and at what price. When the ship enters that port, the part will already be on hand, and the assembly team will be ready to go into action. That reduces downtime and increases a ship's operating time, which translates into clear savings in hard cash for any shipowner using our technology.

How do you maintain contact with your customers?

Knudsen: Our R&D employees are in constant communications with them. This is also true for the propulsion engineers on the ships. On the one hand, this close contact enables us to specifically address customer requirements, on the other hand we can actively recommend solutions. This has served us well as we consistently expanded our product line over the years, and our current success is showing us that we are on the right path. The total in our order books for 2007 comes to 75 gigawatts. To put that into perspective: That is the equivalent of the entire engine output of all the ships that were at sea worldwide in 2002.

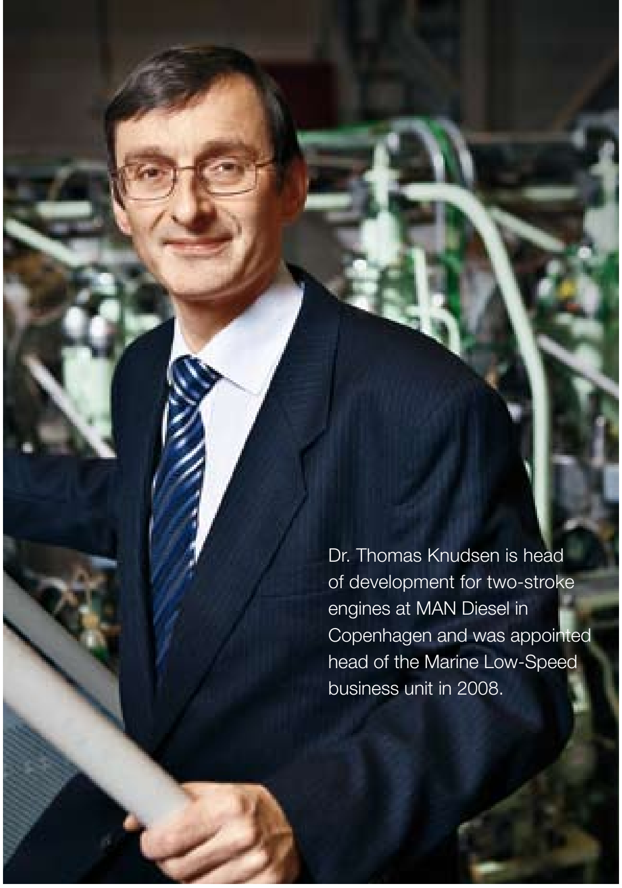
Marquard: We also constantly visit our key customers—in both the marine and power plant sectors. A major topic in almost all industries right now is emissions limits. The good news is that all our products operate below all existing legal limits. And they have the decisive advantage that they run on all current fuel types, especially biofuel. Another plus is that a power plant equipped with MAN engines can be expanded in a modular manner, which means that operators can get to the grid faster. That's important, because we want to increase our world market share in stationary plants from 19 percent today to 30 percent by 2010.

Are there any limits to growth in power plant output?

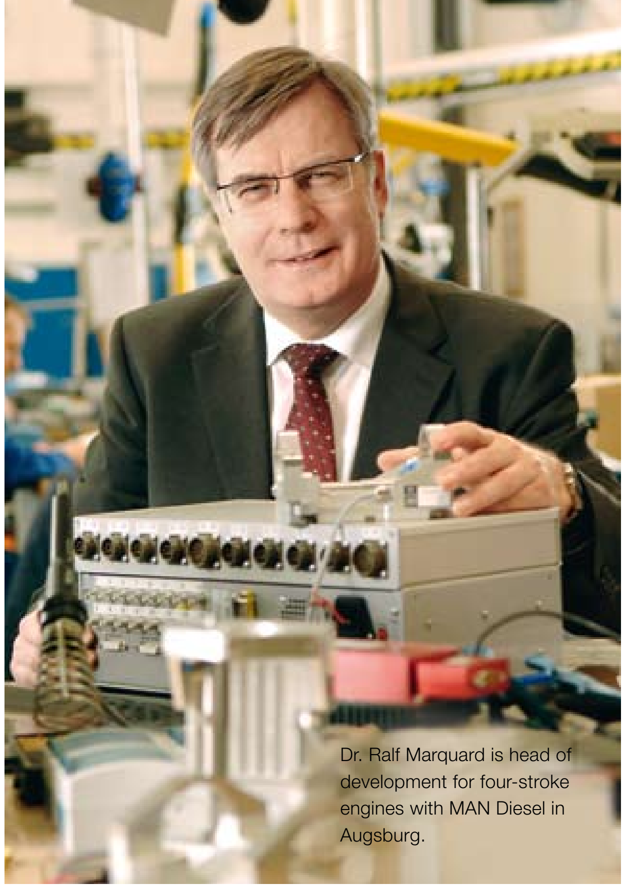
Knudsen: Right now, we could make the 115,000 hp 14K98ME-C7, the world's biggest diesel engine at the moment, up to 30 percent bigger, and that also applies to other engines. There are virtually no limits to our engines, but ships do face restrictions. Above a certain weight and size they will run into problems fitting through some of the world's shipping lanes. That is why we can't make the engines as big as we want. That said, we still think engines will be 30 percent bigger in 20 years.

How serious is MAN regarding marine environmental protection?

Knudsen: Very serious. This is why we teamed up with our competitor Wärtsilä to head up a multinational team made up of more than 40 European engine manufacturers, suppliers, research institutes and ship operators. The object of this four years lasting HERCULES project was to develop new technologies to make ship engines more efficient and less polluting. Of our €110 million research and development budget, we are spending €30 million, that's almost one-third, on issues



Dr. Thomas Knudsen is head of development for two-stroke engines at MAN Diesel in Copenhagen and was appointed head of the Marine Low-Speed business unit in 2008.



Dr. Ralf Marquard is head of development for four-stroke engines with MAN Diesel in Augsburg.

associated with environmental protection. We have a long list of recommendations relating to reduction of CO_2 emissions. Also, our electronically controlled ME engine series contributes to reducing fuel consumption and, by the same token, greenhouse gas emissions. We also want to gain a significant market share in the LNG tanker market. We have the propulsion engines that will move tomorrow's world.

What do greenhouse gas emissions have to do with the tanker market?

Knudsen: LNG is liquefied natural gas. And our ME-GI system can be run either on environment-friendly natural gas or heavy fuel oil. It's the most flexible drive system in the LNG tanker market and generates comparatively low emissions. And that's not all: We currently carry out research on engines that consume dramatically less fuel and produce even fewer emissions.

Marquard: The new four-stroke 51/60DF diesel-gas engine developed by MAN Diesel SE can also run on both liquid and gaseous fuels. This means it can be powered using vaporizing natural gas from the LNG tanker's tanks as well as on conventional heavy fuel oil or on marine diesel fuel. The strongest four-stroke diesel engine we currently have on the market offers a cost-effective alternative to conventional concepts based on steam turbines.

As a global business, what is the impact of globalization on research and development at MAN Diesel?

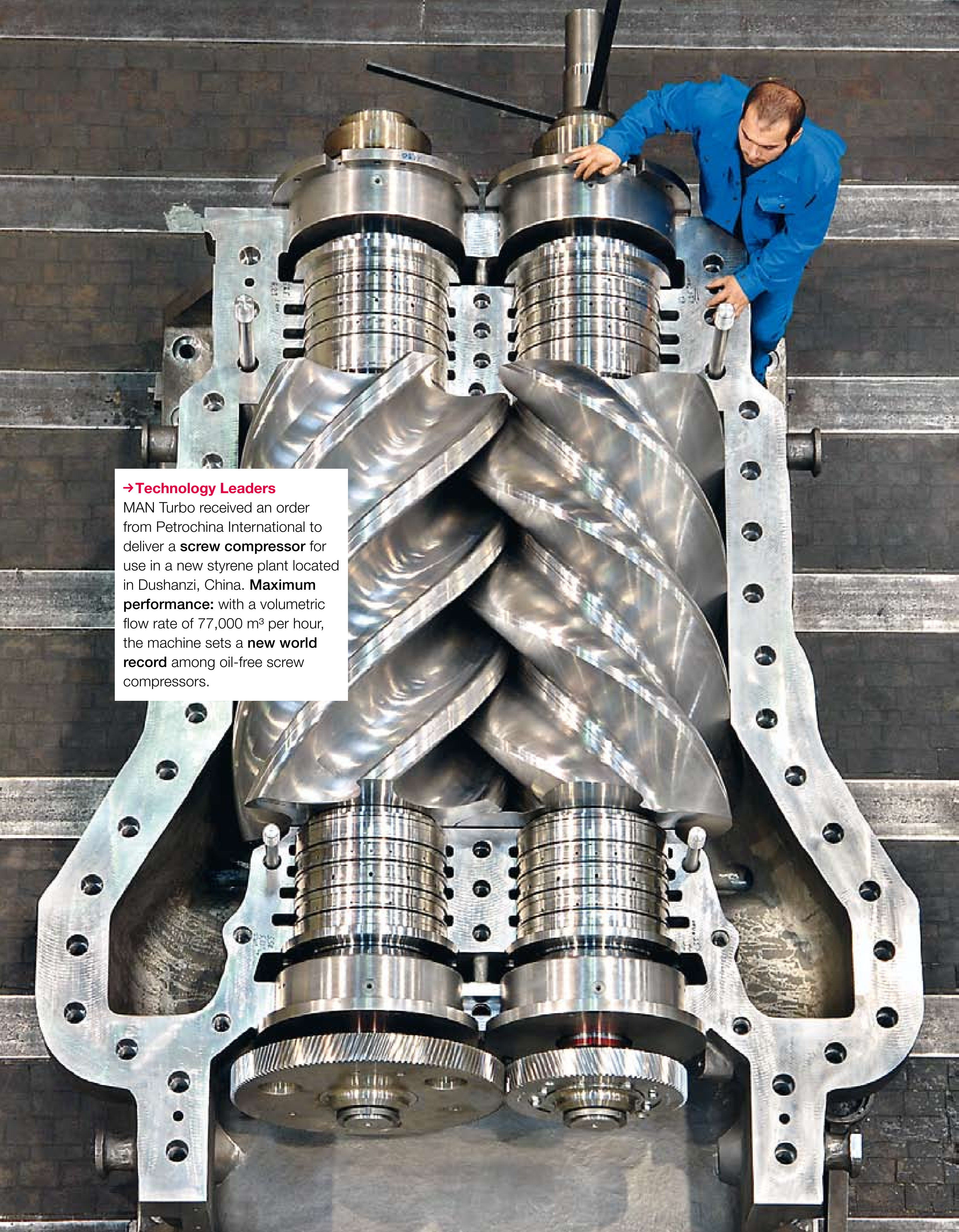
Knudsen: Production of the really big marine engines of the type we build has moved out of Europe over the past years and gone to East Asia. The first wave went to Japan, then to Korea, and China is now emerging as a marine engine production location. But design is beginning to move overseas as well. MAN Diesel also maintains a branch in India, staffed by around 50 engine draftsmen, of whom 24 work on two-stroke engines. About 30 percent of all blueprints that our licensees need come from there. Our Copenhagen office then collates them for the engine-design work, and this is where the blueprints drawn in India also go through an approval process.

Marquard: Our 24 draftsmen in Aurangabad, India, were selected from a pool of 2,000 applicants. They for example, transfer two-dimensional designs into three dimensions. These employees are also routinely sent to Augsburg, where we involve them in the entire spectrum of our technological processes.

That is one of the more recent developments in MAN's history. How does it feel to be part of a company that can look back on an impressive 250-year-old tradition?

Marquard: It is something that we are proud of. Furthermore, Rudolf Diesel is a constant source of inspiration for a director of development to keep on being innovative.

Knudsen: We're proud of our company's century-old tradition, too. Young people who start work with us in Denmark feel like they're part of the MAN Group, too.



→Technology Leaders
MAN Turbo received an order from Petrochina International to deliver a **screw compressor** for use in a new styrene plant located in Dushanzi, China. **Maximum performance:** with a volumetric flow rate of 77,000 m³ per hour, the machine sets a **new world record** among oil-free screw compressors.

MAN TURBO: TOP-NOTCH TECHNOLOGY FOR GLOBAL MARKETS

MAN Turbo, manufacturer of compressors and turbines, based in Oberhausen, Germany, is ready for order volumes to rise even higher following substantial expansion of capacities at its European technology locations.

Boasting a complete range of turbomachines for the oil and gas industry, the processing industry, and related energy production, MAN Turbo is one of the world's →**technology leaders**. Especially in its traditional business areas of turbomachine trains for industrial gases and the raw materials industry, the company continued to expand its outstanding market position in fiscal year 2007. The demand for oil and gas industry-related products also remained high. Standardized steam turbines built at the Hamburg plant contributed substantially to growth in the energy production segment. With outputs of 1.5 to 20 MW, these steam turbines are used in biomass, waste incineration and cogeneration power plants, especially in German-speaking countries.

Repeat Record Sales

Once again, MAN Turbo benefited from its well-balanced international positioning. Continued strong demand from China, India, the Middle East and Europe resulted in a significantly increased demand for MAN Turbo products. New orders were valued at about €1.45 billion and thus, limited by available capacity, at almost the same level as last year. However, this was primarily due to a single large-scale contract for a gas-to-liquids (GTL) plant in Qatar. In other words, the fact that orders in 2007 roughly equaled those in 2006 actually means they increased, as 2007 saw no such single-ticket item as the Qatar plant. Thanks to a 22 percent increase, sales hit a new record of €1.11 billion, with profit margins seeing a similar increase. Order volume also climbed 23 percent to €1.66 billion—another record. The higher volume reflects the first successes of the strategic growth concept, which MAN initiated in 2006. A major component of this program is the ramp-up of personnel capacities and production capacities in order to accommodate the higher order volume and decrease the backlog.

77,000

cubic meters of gas is the hourly volumetric flow rate achieved by the world's biggest screw compressor built by MAN Turbo.

Doubled Testing Capability

Another area of emphasis pertains to investments regarding →**capacity increases**. New production halls are being built and old ones upgraded at the locations in Oberhausen; in Deggendorf, southern Germany; and Zurich, Switzerland. At Oberhausen, MAN Turbo doubled the turbomachine testing facility to 8,800 m². The motivation behind these in-house expansion projects is the increased number of orders, and a larger number of customers demanding that systems be fully tested prior to delivery. In Zurich, the company doubled its test facilities in size to 2,000 m² in order to better manage the increased number of compressors manufactured there.

Reactors on a Growth Course

The reactor-building company based in Deggendorf, Germany, and owned by MAN Turbo, also expanded its capacities by starting operations in a state-of-the-art production hall. In addition, the unit also adopted a range of internal measures designed to systematically eliminate bottlenecks. Integrated capacity and schedule planning, supported by associated processing systems, improve resource availability along the entire value chain and make better use of internal capacities. This is also in keeping with the company's aim of achieving a better balance between the sales and procurement markets. This, in turn, means the expanding market can be better exploited, and the growth trend can continue.

One area of special attention is significantly increasing personnel capacity with a view to handling the increasing order volume. Besides the targeted adjustments in the technical and commercial segments, training capacities were considerably augmented, too. MAN Turbo's topstart orientation program helps integrate new employees into the company. It ensures inductees a uniform and systematic familiarization phase at all locations and allows faster integration into the work environments and processes. Basic training classes shorten inductees' respective orientation period and assist individuals in starting their respective jobs. A continuing education program for all employees complements topstart, meaning the company is ideally prepared when it comes to recruiting new talent.

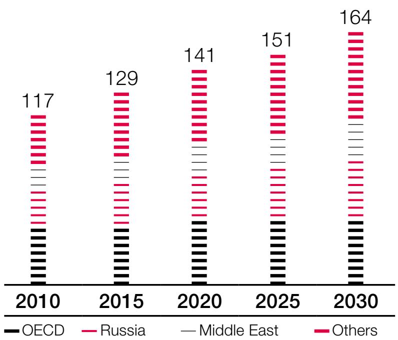
Developing the Sub-Sea Market

In competing on the market, a company needs to continually improve products in terms of standardization and modularization, but also in regard to → **new applications**. For example, tapping partially depleted oil and gas deposits is becoming increasingly important to the oil and gas industry as oil prices rise and deposits dry up. The company is responding to this demand by stepping up development of high-performance compressors that generate pressures up to 1,000 bar. In 2007, MAN Turbo successfully tested such a compressor as well as a newly developed one to be used for sub-sea gas liquefication. The company has thus taken an important step in seeking to gain a foothold in the new and fast-growing sub-sea market.

→ **A groundbreaking ceremony** was held in Changzhou, located about 200 kilometers west of Shanghai, in June 2007 for the construction of MAN Turbo's future production and service facility in China. This will be the company's first production plant outside Europe, and will operate under the name of MAN Turbo Changzhou Co. Ltd. Investments in the Chinese site will amount to about €15 million.

Global growth market

Forecast worldwide natural gas production by region (in trillions of cubic meters)



Source: Energy Information Administration (EIA)

More Service Activities

On a 50,000-square-meter piece of land, buildings going up include two production halls with a combined surface area of 10,000 square meters. Once they are completed, this is where about 200 employees will build and assemble basic turbomachine components. Erecting these additional production capacities will help the company meet the need to develop a stronger local presence and make it more competitive in the region. In addition, MAN Turbo is using the expansion to significantly increase the regional service-related activities. The company's presence in China is part of a mutually beneficial relationship that will simultaneously bolster European technology centers. Though a small proportion of relatively low-value-added products will be made in China in the future, key technologies such as engineering and rotors will continue to come from the Oberhausen and Zurich plants. Thus, the position of these locations within the group actually benefits from a production presence being established in China.

Continued Growth in Profits

Thanks to the sustained positive situation in markets worldwide, the company is expecting 2008's order volume to match that of each of the last two fiscal years. Growing demand is projected in the oil and gas industry as well as in the air separation segment. In general, the company is anticipating sustained high demand in all application areas and regions of the world. MAN Turbo will continue to expand the very good market position that it has achieved to date in the GTL plant sector and will further expand its service activities. In addition, process optimization, cost-reduction measures, and further standardization and modularization steps will visibly increase MAN Turbo's operating profit even further.

MAN Turbo

€ million	2007	2006
Order intake	1,454	1,498
Sales	1,108	908
Operating profit	104	71
Headcount (at Dec. 31)[1]	4,011	3,545
Return on sales (ROS) (%)	9.4	7.8

[1] including temporary employees

→ New Applications

Sub-sea market: In 2007, MAN Turbo successfully expanded its HOFIM (TM) line of magnetic-bearing-equipped motor compressors. A heavy-duty motor was developed and tested that allows this type of machine to be used in the oil and gas industry. Endurance tests will be performed in 2008, after which a HOFIM compressor will be the world's first one to be used as part of a sub-sea station in the North Sea.

→ Capacity Increases

Customer request: MAN Turbo is doubling the size of the test facility at its EPRO testing and collaboration center in Oberhausen, as well as the surface area of its Swiss production location in Zurich. The number of units tested at the German plant will double, and in Zurich they will increase fourfold. To meet customer requests for in-depth inspections, more than 100 employees will test machines and systems under highly realistic conditions before customers take delivery.

→ A Groundbreaking Ceremony

Overseas production: 200 kilometers west of Shanghai, MAN Turbo is building a new production facility as well as a service shop. About 200 employees will be manufacturing **basic turbomachine components** here and assembling them into complete machine units using other parts made in Europe. The plant will be MAN Turbo's first production facility to be built outside of Europe.

PERFORMANCE WITHOUT LIMITS

The next decade will usher in a new era in transporting oil and gas in sub-sea pipelines, with compressor stations made by MAN Turbo replacing expensive platforms. Technical director Dr. Hans-O. Jeske tells us more in this interview.

Dr. Jeske, the newest building at the test facility is 35 meters wide, 180 meters long, and has a surface area of 4,400 square meters. MAN Turbo uses it to comprehensively test huge turbo machines prior to delivery. Why was this mega-sized test facility built?

Because that is what our customers want. We need to test these large-scale systems under realistic conditions before we deliver them. This test technology was our ticket into the mega-plant league, one example of which is the world's largest GTL plant planned in Qatar. We are supplying the key components for air separation. Once that project gets rolling, there will be 40,000 people working at that construction site. That means everything has to be tested beforehand.

And is that what makes MAN Turbo competitive in this field?

Our turbo machines and chemical reactors have made us number one in the world in the field of GTL. This is specialized mechanical engineering, and our customers know where they can get the best products. Companies involved in turbo machine building at this level form an exclusive group. A company can't simply bid on an order; instead, a customer will approach a company if it has the required reputation. We manufacture the core components of large-scale industrial plants, and that means components that need to perform reliably for 30 to 40 years.

How are the company's production capacities in general?

Our order books are completely full and we have a capacity utilization of 100 percent. In our company's history, we've never had such a high volume of orders. This is partially because we have expanded our products and services offering. In the past, our machines covered only the middle ground. Recently, we have expanded the product line in all directions. For one thing, we're building mega-plants; for another, our main business in standardized and modularized machine units is going well.

"Tradition is important for us and for our customers. However, we don't sell history. What we sell are products destined for the future."

What is the future of so-called sub-sea systems?

We and our customer Statoil will be testing a unit to be used for sub-sea transportation of oil and gas in pipelines. As a matter of fact, our compressor fills a gap in the pipeline-based transportation of oil. Fewer big oil fields are being discovered that would warrant the construction of a drilling platform. Our units are positioned on the sea floor and transport gas. Once the field has been depleted, the station can be simply dismantled and transported to the next site. In addition, the encapsulated construction reduces potential risks from gas leaks. Not only do we comply with high environmental and safety standards, but we offer good cost-effectiveness as well. The first sub-sea production station is to be in place by 2012.

MAN Turbo compressors also allow natural gas to be stored underground.

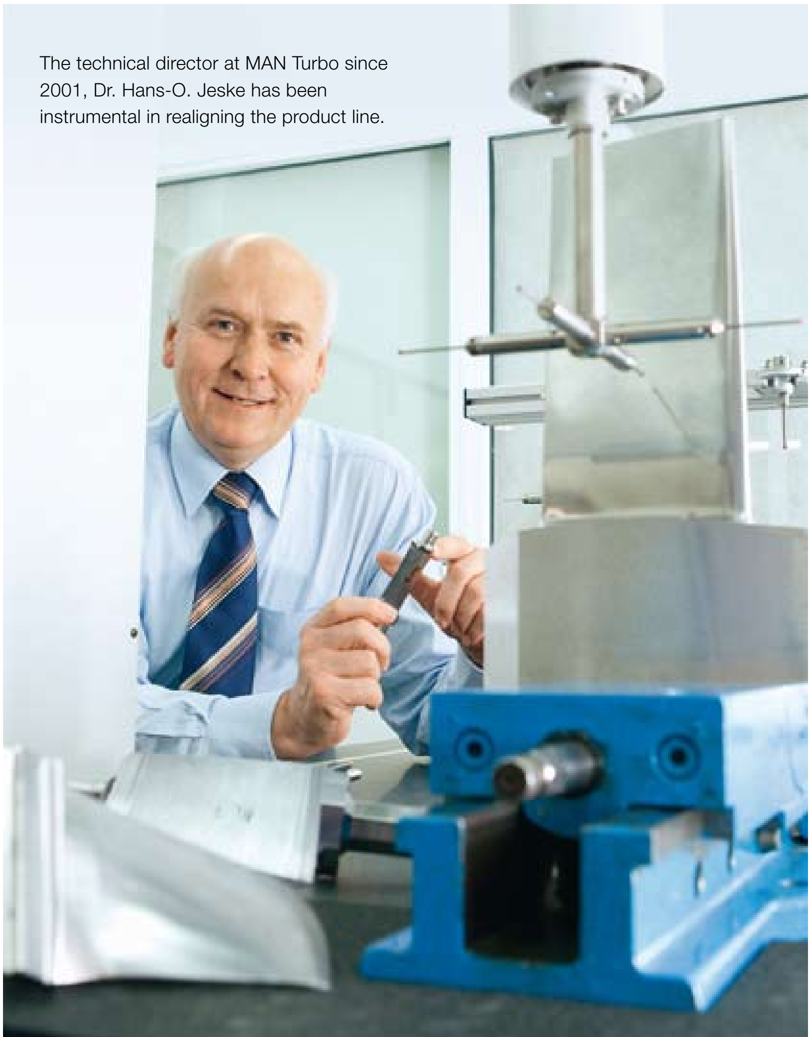
The reason for wanting underground storage is that there are wild swings in the consumption of natural gas by industry and households. This is why it makes sense to temporarily store natural gas in reservoirs and fall back on these reserves as needed. There are 42 such underground depots in Germany and they hold about 19 billion cubic meters of natural gas. Any supply bottlenecks can thus also be bridged. Our compressor takes the gas flowing at 60 to 100 bar in the pipeline and exerts a load of up to 300 bar to push it into the reservoir. MAN Turbo is the world's leading supplier of this type of integrated compressor. Right now, our main customer is Great Britain, where nearly all facilities operate using our compressors.

Are there any other fields where they might be used?

Currently, another use is the injection of CO_2 into an oilfield. Specifically, this is a procedure to increase the production of oil or natural gas from slowly declining deposits. Given the high price of oil, these types of projects are already commercially viable. Such a facility using three of our compressors has already been in operation for several years in Weyburn, Saskatchewan, Canada. There, CO_2 is pumped from a coal gasification plant into a partially depleted petroleum deposit. The advantages are obvious: climate-damaging CO_2 is permanently stored underground, and the facility's operators can expect to recover an additional 130 million barrels of oil.

Can MAN Turbo technology also reduce the CO_2 emissions originating from power plants?

The debate about climate protection has made people look for new technologies that reduce greenhouse gases. One solution in this connection is underground storage, which is part of a process known as carbon capture and storage (CCS). Obviously, our technology can help in this process, and this is a field in which we see great opportunity.



The technical director at MAN Turbo since 2001, Dr. Hans-O. Jeske has been instrumental in realigning the product line.

When will these technologies be implemented?

MAN Turbo will be ready whenever government policies opt to pursue the capture of CO_2 in power plants. Part of the required turbo machine technology is already available . Work is currently in progress to minimize the additional energy required for these processes. However, we do not expect large-scale implementation of CCS power plants before 2015.

Starting in 2008, MAN Turbo will also begin production in China. What effect does globalization have on the company?

We have benefited from it—85 percent of our orders are for export. The plant in China is the first big factory we are building outside Europe. That represents a milestone for us.

How do you see the future prospects for MAN Turbo?

The world is becoming increasingly complex, and that is good for our products. Also, the problem with carbon dioxide emissions cannot be solved without turbo machines.

Is there a technological limit for the output of the units?

Theoretically, there is no ceiling. We've had increases in machine performance that would have been inconceivable five years ago.

Over time, many things have become possible. MAN is celebrating its 250th anniversary this year.

This tradition is important for us and our customers. We have been building turbo machines for a hundred years now. However, we don't sell history. What we sell are products destined for the future.

→ Major Industrial Projects

In 2007, MAN Ferrostaal acquired Koch de Portugal, strengthening its ongoing activities in **the energy and fuel** sectors. Lisbon-based Koch de Portugal specializes in project planning and the **execution of large-scale industrial** projects. The acquisition enables MAN Ferrostaal to serve the growing demand for construction of biofuel production facilities as well as gas- and solar energy-based power plants.

MAN FERROSTAAL: CORE BUSINESS FURTHER EXPANDED

Industrial service provider MAN Ferrostaal used acquisitions and cooperative ventures to intensify its traditional and strategic businesses. Solar power plants and biofuel plants systematically open up new growth markets.

The markets for renewable fuels and energies are promising very good growth prospects. It is for this reason that the Projects division has been reoriented so as to serve these strategic business areas from fiscal year 2007. The biogenic fuels segment saw excellent growth, and MAN Ferrostaal was able to achieve its first successes.

As the general contractor, the company is currently erecting two turnkey biodiesel plants in Poland and the Netherlands with a planned annual output of 100,000 tons and 200,000 tons respectively. The company has also been developing bioethanol markets by focusing on Latin America and Southeast Asia since 2007. The emphasis is placed on fuels that are based on sugar but that do not compete with sugar destined for human consumption. Initial projects are currently in progress, and the company plans to manufacture second-generation biofuels in cooperation with technology partners in the future.

Solar Power Plants Show Growth
The solar electricity market is also experiencing dynamic growth. MAN Ferrostaal intends to grow in this sector and has negotiated partnerships with three technology companies in 2007 to build solar power plants. MAN Ferrostaal founded one joint venture with Solar Millennium, a technology expert and project developer of parabolic trough power plants, to build sun-fueled power plants. The joint venture company, named MAN Solar Millennium, is working on establishing itself as a leading supplier in the areas of project development, financing, and turnkey construction of solar power plants with a capacity of between 20 MW and 250 MW. In 2007, MAN Ferrostaal also acquired a 25 percent stake in a second technology company—Solar Power Group, which specializes in what is known as Fresnel-type technology. This uses flat mirrors instead of curved ones, which results in lower costs over the long term in the manufacture of mirrors as well as in the construction and operation of these plants. In 2007, MAN Ferrostaal built a pilot plant of this type with an output of 1 MW in Almería, in southern Spain. The pilot facility will be tested over the next two years as to its suitability for everyday use as well as its business viability. The aim is to quickly commercialize the technology. MAN Ferrostaal has also acquired a stake in Solitem, which is another technology provider that specializes in solar cooling, a technology that offers an alternative to conventional air-conditioning systems. This is of particular interest for hot countries such as those in the Middle East, where as much as 80 percent of electricity consumption goes to running air conditioning.

1.5 bill.

dollars is the investment volume of the methanol complex being built in Trinidad for Methanol Holdings (Trinidad) Ltd. (MHTL).

MAN Ferrostaal strengthened its presence in the energy and fuel industries in 2007 by taking over the Lisbon-based company Koch de Portugal, which specializes in the planning and execution of →**major industrial projects**. Within MAN Ferrostaal, the new corporate unit will support the construction of biofuel production plants as well as that of natural-gas- and solar-energy-based power plants.

Steel Trading Repositioning
In 2007, MAN Ferrostaal paved the way to provide a new foundation for the Ferrostaal Metals Group's activities in the steel trade, founding a joint venture with Hamburg-based CCC Steel GmbH & Co. KG. MPC Capital, a private-equity group based in Hamburg, and Grupo Villacero, a major Mexican distributor of steel products, hitherto joint owners of CCC Steel GmbH & Co. KG, will each hold a one third-stake in the new venture, as will MAN Ferrostaal. The new company is to operate under the name of Coutinho & Ferrostaal

and aspires to assume a leading position on the international steel market. With 56 locations in 34 countries around the world, the company is projecting about €2.1 billion in sales for 2008.

Since 2007, one of the biggest projects in the company's history is being carried out in Trinidad. Here, a plant complex representing an investment volume of $1.5 billion is being built for Methanol Holdings (Trinidad) Ltd. (MHTL), in which MAN Ferrostaal is a stockholder. Starting in 2009, the seven individual plants are to produce ammonia, urea ammonium nitrate and melamine. As it does in many petrochemical contracts, MAN Ferrostaal has taken responsibility not only for organizing the plant's construction, but also for project development, financing and product sales.

Projects Foster Boom

MAN Ferrostaal completed a methanol plant in →**Oman** in 2007, representing an overall investment volume of more than $500 million. With an output of 3,000 tons per day, the plant is a major step for the country as it moves on to future-oriented growth and greater sustainability: In the future, Oman will not limit itself to simply liquefying natural gas, but will in addition refine it domestically, potentially creating considerable added value.

MAN Ferrostaal completed Venezuela's first combined cycle power plant in 2007. An existing gas-fueled power plant was upgraded to generate 50 percent more electricity with the same amount of natural gas. The company received another large-scale order from Venezuela in 2007 regarding the construction of a fertilizer plant. The project is part of a new petrochemical industry taking root in Venezuela. MAN Ferrostaal's share of the billion-euro project includes an ammonia plant with a volume of about €400 million. MAN Ferrostaal started work on the facility in 2007, with completion scheduled for 2011.

Offshore Opportunities

In South Africa, MAN Ferrostaal completed the country's first manufacturing facility for the construction of oil and gas platforms. The platform shipyard was built under offset obligations from the sale of three submarines and offers all technical requirements for constructing the pumping platforms. The capital outlay is about €30 million and is the biggest project carried out within the scope of South Africa's offset program. The platform shipyard is to give the country an opportunity to tap into the booming oil and gas segment as a market. With platform yards in Europe, the US, the Middle East and Asia already working at maximum capacity, this industry's customers can expect waiting periods of up to seven years.
The project is especially important to the country because of the large number of jobs it is poised to create. Specifically, the yard just completed and a second one currently in the preparation phase will create a total of 12,000 jobs, providing much-needed employment in a country where one out of four workers is without a job.

There is another reason why the offshore exploration sector is of interest to MAN Ferrostaal: As more and more platforms are set up offshore, demand is growing for powerful specialized boats that position the drilling rigs and tow FPSO (Floating Production Storage Offloading) vessels. MAN Ferrostaal, along with its partners, is concentrating on the construction of such ships. The company's delivery of the first of three 200-ton tugboats in 2007 helped it attain a solid market position in the deep-sea exploration industry.

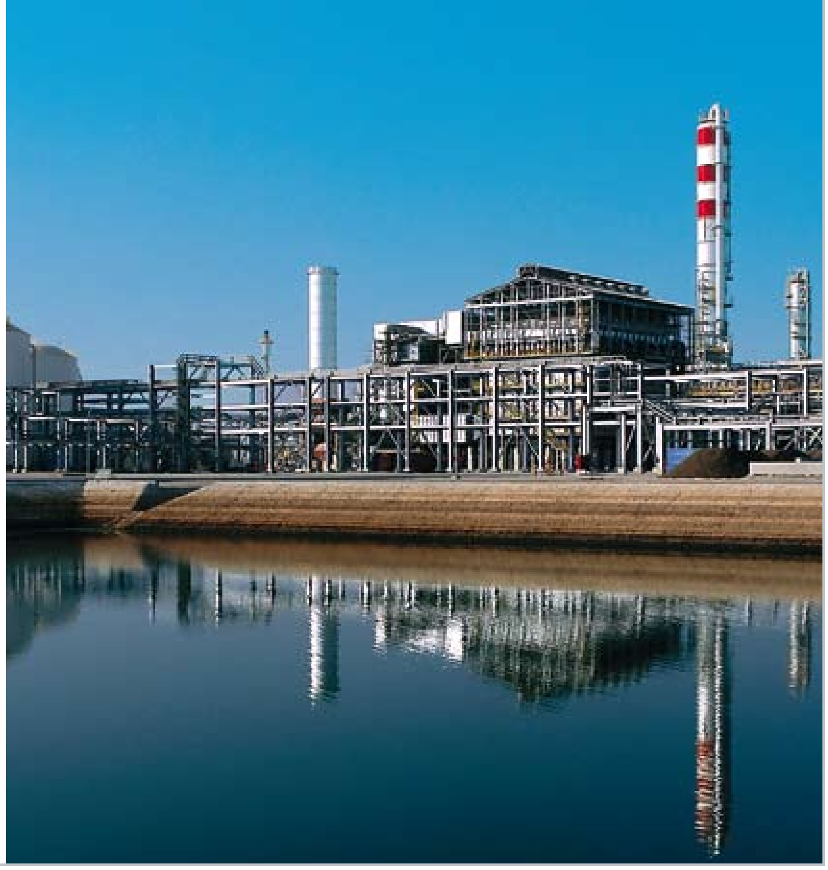
MAN's Business Platform

Alongside the operative business, MAN Ferrostaal strengthened its function as a business platform for the MAN Group. Managed from headquarters in Essen, Germany, four MAN Houses were set up in China, Dubai, Mexico and Peru in 2007. Additional agencies will follow in India, Russia, Indonesia and Malaysia in the first half of 2008. These →**MAN Houses** will help the company to create a shared business platform in non-European countries aiming to give customers easier access to MAN products.

MAN Ferrostaal

€ million	2007	2006
Order intake	1,556	1,982
Sales	1,445	1,379
Operating profit	179	119
Headcount (at Dec. 31)[1]	4,687	4,879
Return on sales (ROS) (in %)	12.4	8.6

[1] including temporary employees



→Oman

Almost half of Oman's natural gas is processed into liquefied gas. Production is to increase thanks to new petrochemical plants like the methanol plant built by MAN Ferrostaal in Sohar, which has a daily output of 3,000 tons. Natural gas is not only liquefied and exported, but it is also refined domestically as a value-adding industry.

→MAN Houses

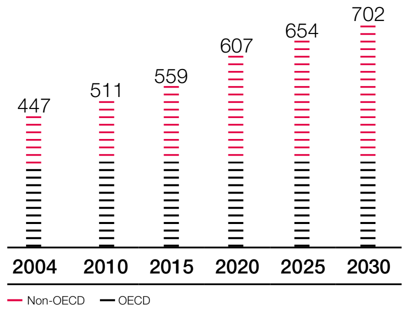
At the MAN House in Dubai, the Group bundles its activities in the Middle East. The concept of shared representation aims to generate a clear brand image and improve the long-term market presence of all companies in the MAN Group.

Increased Demand for Energy in non-OECD Countries

While energy consumption is expected to go up by 0.8 percent in OECD countries having a developed economy, an increase of 2.6 percent is projected for non-OECD nations.

Demand growing worldwide

Forecast energy consumption to 2030 in quadrillion BTU (1 million BTU* = 293 kWh)



Source: Energy Information Administration (EIA); *British thermal units

ELECTRICITY FROM THE SUN FOR THE WORLD

Dr. Matthias Mitscherlich, CEO of MAN Ferrostaal, sees great potential in tomorrow's biofuel and solar energy markets. To tap them, the company is counting on its experience in project development.

Dr. Mitscherlich, MAN Ferrostaal operates a solar thermal test power plant in Almería, Spain. What does this facility promise in terms of future energy production?

According to the latest findings by Germany's Fraunhofer Institute, half of the world's energy demand could be met by renewable energy sources by 2050. The basis for this is technology that is already available today. Experts project that by 2050, solar thermal power plants in the Mediterranean region will supply twice as much electricity as wind, photovoltaic, biomass and geothermal energies combined. The electricity generated in the desert would then be transported to other less sun-blessed regions of the world.

"If you don't do research and development, sooner or later you'll find you have nothing left to sell."

What is keeping this from already happening today?

In the past, too much electricity would be lost in transit. However, new processes have resolved that problem. If solar thermal power plants came to cover only 1 percent of the Sahara Desert, they would meet the world's entire demand for electricity. Moreover, solar thermal technology can also be used to desalinate water and for air-conditioning. This makes the technology interesting for hot countries that get a lot of sun. In Abu Dhabi, for example, 80 percent of the electricity consumption goes toward cooling.

Is MAN Ferrostaal betting on other future-oriented technologies?

We intend to continue expanding the solar and biofuel energy sectors. Once we've completed the initial projects—which are currently ongoing—we aim to obtain more orders of this type. Biofuels will be an international business. The spectrum will expand to include bio-ethanol and second-generation biofuels with an emphasis on Latin America, Southeast Asia and southern Europe, and these happen to be regions in which we're well represented. We have many years' experience as a general contractor building large industrial plants. We also make an outstanding partner in terms of financing, technology and engineering. This is exactly the type of profile required by operators in these newer industries.

Does that mean MAN Ferrostaal develops projects, not products?

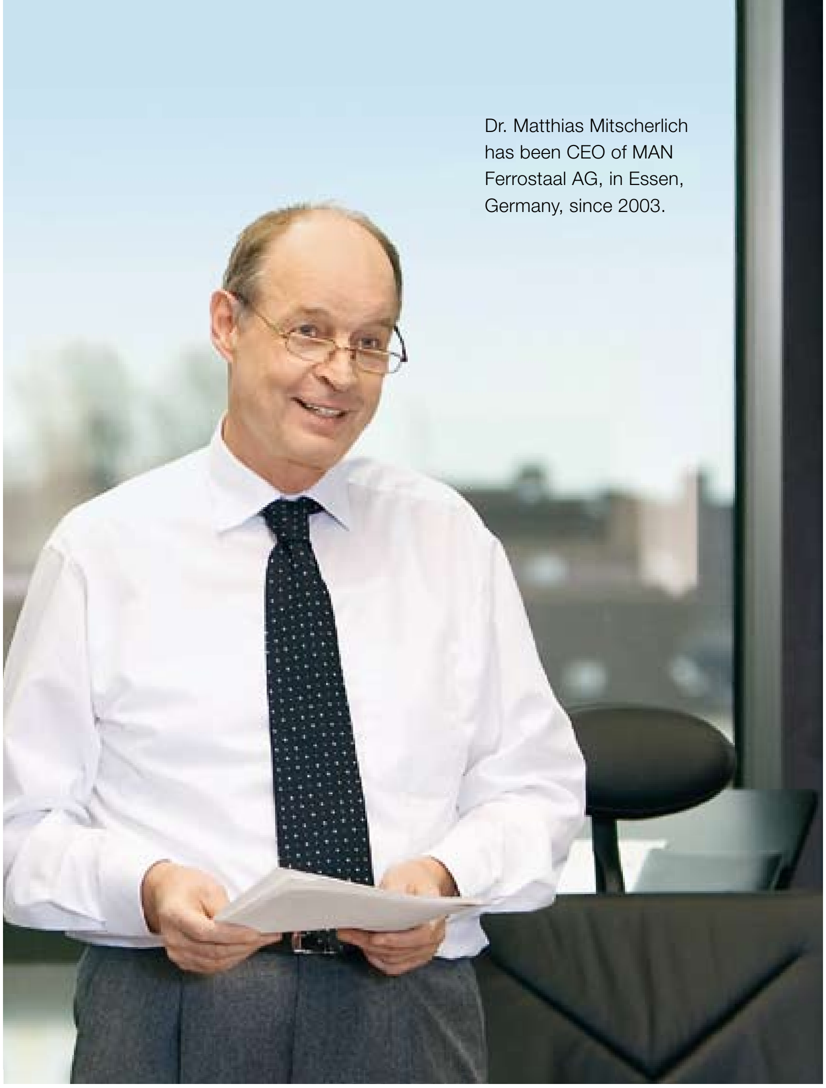
Unlike most of our competitors, we do not have products or processes of our own. That may sound like a shortcoming at first, but in truth it's a competitive advantage. Because our aim is not to sell only our own products, we can select the right products for any particular situation. Of course, this means we need to create partnerships with product manufacturers and process developers. As the service provider, what we develop is business ideas, business models and the projects that result from them.

What makes for good project development in your business?

Manufacturing companies develop products and aim to sell them. If you don't do research and development, sooner or later you'll find you have nothing left to sell. There's a similar link in our case, but it's more direct because we develop every single project in-house before it can be implemented. That gives us a constant feel for emerging topics, making us a valuable partner. This is fundamentally different from reacting to inquiries and requests for quotes. We do that as well, but it's much more interesting to develop the projects ourselves.

Why is that so?

Because then, the benchmark isn't the marketplace and its ebb and flow, but instead the project's profitability. That improves our position, but the customer benefits, too, because we can tailor a project to meet his needs a hundred percent. This includes the business model, financing, technolo-



Dr. Matthias Mitscherlich has been CEO of MAN Ferrostaal AG, in Essen, Germany, since 2003.

gies, components all the way to the overall plant.

Does MAN Ferrostaal also support product marketing?

Yes, we often do—in certain situations we will even take a stake in the company. Let's understand that in developing a project, our objective is to bring to life a viable business that helps ensure our company's long-term profitability. To do that, obviously we take on the actual construction of the plant, but we will also become involved in the upstream and downstream portions of the value chain, or, in other words, the project development and the plant operation. In the case of highly profitable projects, we will even take a temporary stake in the operating company. This is a strategy which we refer to as a "triple play," because we earn money from all three aspects: project development, plant construction and operation.

How can you tell what the different markets need, respectively?

For many years, we've had a presence in our focus regions. In Latin America, Southeast Asia, North Africa and the Middle East, we've always worked for big companies or governmental organizations. Accordingly, we're quite familiar with these markets. We know where they are heading, and what respective potentials remain to be tapped. Moreover, we watch those markets closely in order to anticipate developments or sometimes even initiate them. In some cases, opportunities can be very obvious, as was the case with our petrochemical plant in Trinidad. What we found was that for the longest time natural gas that was produced together with petroleum would simply be burned off. Now, it's used in our plants. There is great potential in this kind of installation because worldwide, a lot of gas is still being burned off in the same way it was in Trinidad. This adds up: estimates say the amount of natural gas burned off worldwide these days is equivalent to 4 percent of the world's demand for energy, or Germany's total annual energy demand.

What will business look like 20 years from now?

We're looking at practically unlimited potential in the field of future energy sources. For example, in the solar sector the planet's sunbelt regions have tremendous growth potential. We have been maintaining a presence in many of these countries for a long time, and the prospects for developing and carrying out projects are very good. The market prospects are also very favorable in the area of biofuels, where we expect increased business in the biomass segment. Experts are projecting that by 2030 only 38 percent of fuels will be petroleum-based. The real increase in business will come from the biomass segment. By then, biofuels will account for 23 percent of all energy sources.

We've just taken a look at the future, now let's have a look at the past. MAN will be celebrating its 250th anniversary this year …

It's true, and this anniversary makes MAN Germany's oldest industrial company. MAN has a great reputation, and MAN Ferrostaal is part of a highly successful corporate group. Success is even more special when you're part of it.

With gear sets like this two-stage CODAD system for mega-yachts, RENK sets new low-noise standards.

RENK: UPSWING IN GROWTH MARKETS

This propulsion technology specialist benefits from a worldwide increase in demand, resulting in record sales. RENK is currently preparing for continued growth by expanding its production capacity.

The RENK Group finished fiscal year 2007 posting the best results ever in company history. Operating profit rose by 80 percent to reach a record €68 million. Return on sales climbed from 10.5 to 15.7 percent. Following several increases in previous years, revenue rose yet again, increasing by 21 percent this time to reach €430 million as production facilities ran at full capacity. A global increase in demand, especially for slide bearings and high-performance marine gear units, contributed to these outstanding business developments. In addition, the company enjoyed the benefits of internal measures to expand production capacity and increase profitability. As incoming orders totaled €439 million, order backlogs increased to €684 million at the close of the fiscal year just ended.

The company can proudly look back on more than 135 years of experience and achievements in its developmental work with propulsion technology. Construction and production of intelligent connections between machines and engines is the area in which RENK has been working with its customers for generations. Today the RENK Group, which has been part of the MAN Group since 1923, is a globally recognized producer of high-quality specialized bearings, propulsion components and testing systems. The company has three production locations in Germany as well as subsidiaries in France, Switzerland, and the United States. In 2007 , RENK was once again the world market leader for tracked-vehicle transmissions and electric machine bearings.

Leading in High Performance

An essential contribution to 2007 sales and revenue was made by the transmission unit, which is the leading global producer of fully automatic tracked-vehicle transmissions for the medium and heavy weight classes. RENK's electronically controlled load-shift transmissions are ideal for front or rear installation in combination with all modern diesel engines.

Wind energy is another area that is seeing growing interest as concern grows about global warming and depletion of fossil fuel resources. Consequently RENK's product programs, such as the newly developed 5 MW wind energy converter gear units, have excellent future prospects. These converters have been developed for offshore installation and currently lead the market in a segment that seems destined for strong future growth. Another business segment with growth potential is RENK's high-performance marine gear units, which are built primarily for use in military vessels such as frigates and corvettes, but also in luxury yachts and large cruise ships. These gear units make it possible to operate a ship economically and flexibly, with only a minimum of noise generation.

RENK anticipates growth in its core markets over the medium term: maritime transport volumes continue to increase, and demand for clean energy is growing. RENK is well positioned in these markets. This is why expansions to the hardening shop in Augsburg and the production facility in Hanover began in 2007. Both projects will soon be completed according to schedule, with additional capacity expansions following over the course of 2008.

RENK

€ million	2007	2006
Order intake	439	417
Sales	430	356
Operating profit	68	38
Headcount (at Dec. 31)[1]	1,854	1,654
Return on sales (ROS) (%)	15.7	10.5

[1] including temporary employees

STRATEGIC GOVERNANCE: THE CORPORATE CENTER'S TASK

MAN's Corporate Center and the Executive Board believe in the industrial governance concept. While MAN companies enjoy autonomy in operational matters, the Corporate Center focuses on tasks relating to the Group's strategies.

The Corporate Center takes on key functions such as the development of a sound business strategy for all corporate areas, the selection and development of managers, as well as entrepreneurial financial management and controlling based on targets. CFO Prof. Dr. h.c. Karlheinz Hornung talks about the role of his Finance and Controlling Department.

Prof. Hornung, in the past year, MAN ratcheted up its prognoses every time it announced quarterly results. Does that mean you are being too conservative in making your forecasts?

We never promise more than we can deliver, and we are determined to make good on our prognoses. In early 2007, we couldn't tell that the economy would improve so much by the end of the year. In addition, events such as the subprime crisis have shown that during a series of quarters, things can happen that have a direct impact on the business. So, yes we do tend to be cautious, which has proven to be the correct attitude. One should never promise too much to the public.

How important is the business cycle in this respect?

The cycle of our production business is the biggest influence, and that's why we have to be careful with our prognosis. Large-volume orders are usually accounted for using the "percentage of completion" method, This has a rather stabilizing effect on sales and profits trends. We have implemented a rolling forecast that consistently gives us a 12-month focus so we can better estimate possible cyclical fluctuations.

The annual statements are completed faster and faster every year. What used to take 41 days is now done in 18. Do you think that process can be accelerated even further?

A first draft of the 2008 annual statements will be available after 12 days. Then, we will combine announcing the figures with the supervisory board's meeting dealing with the disclosure of the financial statements—that will take place in mid-February. Essentially, this is also due to disclosure requirements. Companies trading in the Prime Standard (a market segment of the German Stock Exchange that lists German companies that comply with international transparency standards) are required to notify the capital markets as soon as they know that the overall results of the year have stabilized.

What sort of process optimization measures have made that possible?

We've instituted a new IT system. That was necessary so that routine processes are handled more quickly. In addition, we moved critical, financial-statements-related tasks, such as computing of reserves, up to November 30. All that is open after that is the sales figures for the month of December and any major changes. Thanks to the optimized processes, the improved reporting systems of our operational units and automatically processed data, we can obtain information sooner. This improves the overall quality of our annual financial statements, and it also provides us with an early-warning system.

What is required of contemporary financial management?

My sense is that less is more: simple key data that are readily available and less bureaucracy. Routine tasks are handled automatically by our new IT system. The key task is obviously monitoring cash flow. I find this to be the best controlling instrument. This is why MAN has set up a new system in the time that I have been responsible for controlling and financial management. We have reduced the monthly report to include only the most critical operational control variables. It is currently 25 pages long, compared with 500 in the past. That means it is more transparent and more accurately reflects business activity.

The debate about corporate governance in Germany has changed the CFO's role. What additional tasks have emerged for you?

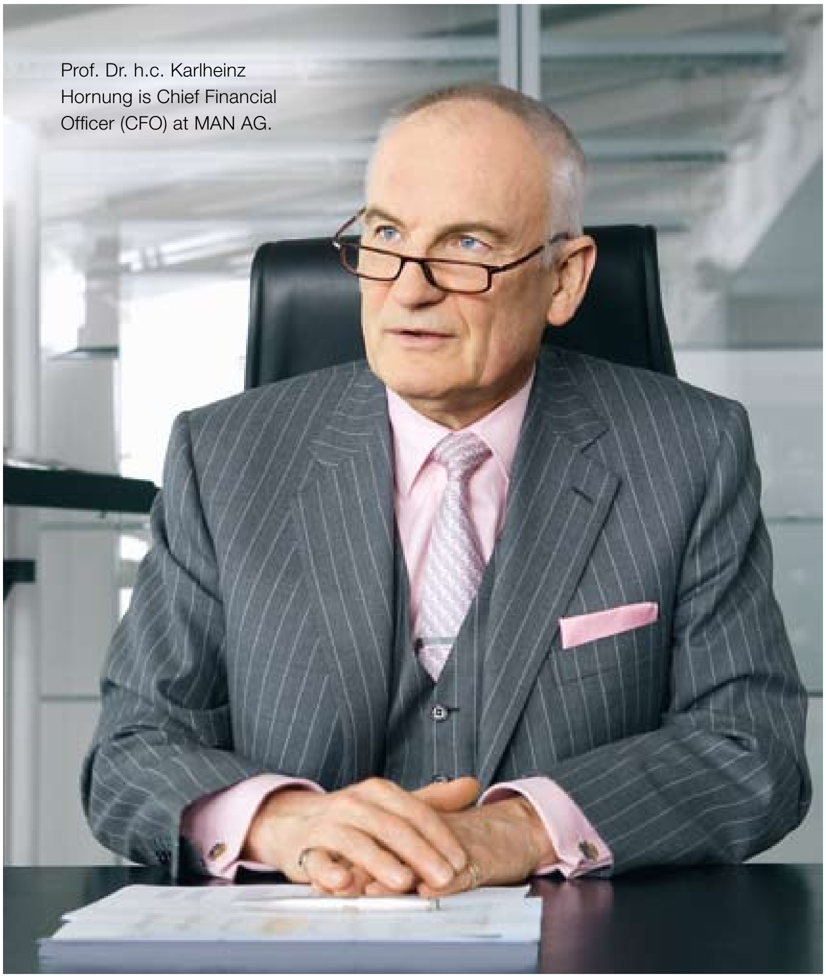
Essentially, I now also deal with risk management. Sometimes, I have to be a little unpleasant to my colleagues, the CEOs of the four business areas—I raise my finger and tell them that we need to be prepared for harder times. Cost-monitoring also was always part of the job, but before, it was being done applying a principle of "save, save, save."

How is it done these days?

It's about putting money to use in a sensible and targeted manner. For one thing, the CFO's job is to comply with legal requirements. For another, he needs to manage data quality and data availability. Those are important in regard to forecast quality. Thirdly, he serves as a kind of co-pilot, acting as a strategic sparring partner for the operational members of the Executive Board. Everything costs money, so how should we spend it sensibly? Whenever a matter relates to strategy and governance, I feel I need to be involved.

What role does a CFO play in implementing rules for good corporate governance?

I am a member of the Compliance Board and there are interfaces to governance issues and risk management. My contribution consists of increasing the transparency and ensuring compliance with guidelines. We have simply prohibited cash payments and no operational unit can use its own money. We only pay for contractually defined services. In addition, we have approval processes for projects worth more than €20 million. The documents need to be submitted to Controlling and be approved by the Executive Board after consulting contracts and payment recipients have been reviewed.



Prof. Dr. h.c. Karlheinz Hornung is Chief Financial Officer (CFO) at MAN AG.

Investors are watching cash management very closely. What challenges does that pose?

If our bid for Scania had been successful, this debate would not exist. We are seeking what we call structural leverage. This means that MAN will continue to push ahead with its internationalization strategy and is prepared to spend money on it. In terms of funds utilization, we have a clear list of priorities. First, we need to finance investments in organic growth, new markets and new products. It is only after that that we will consider possible acquisitions.

What priorities are next?

Financing the pension entitlements is an important issue. In the past two years, we have done this entirely with our own money. Then comes customer financing. Recent events on the credit markets have made us cheaper than banks' leasing companies. Then come special dividends or stock buy-backs. However, these only make sense in very mature and consolidated industries, where you can reduce equity—that's the most expensive kind of money. MAN is in transformation, so we should put a little more cash aside.

Full Steam Ahead

In 1907 the new turbine workshop of the Gutehoffnungshütte AG saw in a new era in mechanical engineering. This was a time of high demand for the machines used to compress air and process gases. In the mining industry, steam turbines drove compressors that supplied mine shafts with air. This superhuman-sized condenser was installed in the Sterkrade mine, an MAN predecessor. MAN Turbo plants, which now compress gases like oxygen and nitrogen, are used by chemical and other industries, and are instrumental in the transport of oil and gas.

MAN GROUP MANAGEMENT REPORT

for fiscal year 2007

HIGHLIGHTS

2007: ANOTHER RECORD YEAR

- Expansion continuing: order intake €19.4 billion (up 17 %), sales €15.5 billion (up 19 %)
- Operating profit again outpacing sales: up 57 % from €1.1 billion to €1.7 billion
- ROS: 11.2 % (up from 8.5), ROCE: 31.9 % (up from 28.0)
- Earnings per share €8.24 (up 63 %), EpS excl. nonrecurring result €7.99 (up 58 %)
- Dividend surging from €2.00 to €3.15

VIGOROUS CAPACITY EXPANSIONS

- Production start-up at commercial vehicle plants in Poland and India, for the first time over 100,000 vehicles sold inside a year
- Fine-tuned diesel engine production structures and capital expenditures allowing added engine production
- New turbo machinery plant in China
- Alongside expanded capacities also enhanced production flexibility

PROSPECTS FOR 2008

- Prospects for our capital goods remain bright; all business areas with brimming order books
- Global economic growth jeopardized mainly by financial market turmoils
- Commercial Vehicles production capacity to rise to 110,000 trucks in 2008
- Sales to mount by over 5 %
- ROS in line with the high 2007 level
- MAN celebrating its 250th anniversary in 2008

THE MAN GROUP: BUSINESS AND STRATEGY

The MAN Group

The Group's origins date back to 1758 when in Oberhausen, Rhineland, the St. Antony iron mill was founded. From this and two other metallurgical plants emerged later Gutehoffnungshütte (GHH). A second accretion was Sander'sche Maschinenfabrik, founded in Augsburg in 1840, which following the merger with Nuremberg-based Klett & Comp. in 1908, adopted the name Maschinenfabrik Augsburg-Nürnberg AG (M.A.N.). M.A.N. was taken over by GHH in 1920. In 1986, GHH and M.A.N. merged to form the MAN Group, which in 2008 is celebrating its 250th birthday.

Concentrating on transport, propulsion and energy, today's MAN is among Europe's foremost engineering groups. In their respective markets, the MAN companies all rank among the top three. With a workforce of around 55,000 in 120 countries, the Group operates in four core areas of business: Commercial Vehicles, Diesel Engines, Turbo Machinery, and Industrial Services. Heading the MAN Group is MAN AG, the Group's corporate headquarters and parent. In 2007, the MAN Group generated sales of €15.5 billion and an operating profit of €1,730 million.

The business areas: an overview
MAN Nutzfahrzeuge is among the foremost manufacturers of commercial vehicles in Europe, with production plants in four European countries and India. The product range reaches from trucks with a GVW between 7.5 and 60 t for both short- and long-haul service, trucks for military use and public purposes, regular service and tourist buses and coaches to combustion ignition (CI) and spark ignition (SI) engines for vehicles, ships, and power generation. MAN Finance provides financing arrangements for commercial vehicle customers, in particular leasing options. These activities are backed by an international marketing and service network. With sales of €10.4 billion and an operating profit of €1,039 million, MAN Nutzfahrzeuge is the MAN Group's biggest business area.

MAN Diesel is one of the world's leading developers and manufacturers of large-bore diesel engines, chiefly for marine applications but also for stationary use. The business area commands a strong market position both in the development of two-stroke diesels for the propulsion systems of large ships and in the manufacture of four-stroke diesel engines built into smaller vessels and as stationary engines for power plant energy production. Whereas the two-stroke engines are chiefly built by licensees, MAN Diesel itself manufactures most of the four-stroke variety at its locations in Germany, Denmark, and France. The area's sales added up to €2.2 billion; the operating profit reached €313 million.

MAN Turbo is a manufacturer of turbo compressors, industrial turbines, and chemical reactor systems. This business area markets a complete range of turbo machines for a variety of industries such as oil and gas, refinery, and chemical as well as for the production of industrial gases and electricity. The product range is supplemented by comprehensive after-sales service operations. This business area reported sales of €1.1 billion and an operating profit of €104 million.

MAN Ferrostaal is a global supplier of industrial services and systems while also acting as general contractor for project development, management, and financing arrangements. The lineup focuses on turnkey projects for industrial plant including the related financing and operator concepts, as well as on the marketing of capital goods. Another specialty is just-in-sequence assembly services for the automotive industry. Sales in 2007 reached €1.4 billion; the operating profit amounted to €179 million.

The MAN Group's strategy and strengths

The MAN Group's business goal is profitable growth and added value through competitive products and services. In sustainable pursuit of this goal we have set out a strategy matching the following requirements.

Focus on Transport-Related Engineering
MAN's manufacturing areas focus on sectors relating to the growth markets of transport, propulsion, and energy. These areas are required to grow through investment and acquisition spending, thus expanding their foremost positions.

Industrial Governance leadership system
The MAN Group's strategic leadership system—Industrial Governance—strengthens the entrepreneurial forces within the business areas through clear strategic focus. The strategic leadership of the Group is the responsibility of the Management Board of MAN AG on which all the core areas are represented. Each of the MAN business areas must be able to develop independently within the Group; each must measure itself against the strongest competitor in its market. Benchmarks have been set for the business areas and these must be achieved on average within any one economic cycle. Losses are not tolerated; neither is cross-subsidizing among the business areas. It is the task of Corporate Center to develop group strategy and structure, advance and deploy management staff, ensure target-oriented controlling, and provide central finance to the Group.

International expansion and growth
MAN is a global group that is further expanding its international presence in terms of production and its marketing and after-sales service networks in order to more efficiently exploit existing market potentials and seize the opportunities offered by attractive growth markets, all through acquisitions, alliances, and capital expenditures for production, marketing and services.

Strengthening the business areas' competitiveness and profitability
MAN concentrates on expanding markets with strong earning potential. Concurrently, one of our chief objectives is to rank among the most profitable suppliers in the respective markets. We measure our business areas against our strongest rivals and base our managerial decisions on the outcome of such comparisons. With the aid of ultramodern production facilities and marketing and logistics structures, on the one hand, and an after-sales service organization in close customer proximity, on the other, we will further enhance our profitability while devoting special attention to achieving financial indicators that are both strong and stable.

Steadily adding value
Profitable growth in attractive markets is essential to upgrading MAN's value. This we measure with the aid of a control system based on operating profit, the return on sales (ROS) and the return on capital employed (ROCE). A key factor we see in the addition of such value is excellent cash conversion that allows us to transform high operating profits into high cash inflow and, through a judicious expenditure policy, into a high free cash flow.

Harnessing group synergies
The synthesis of individual strengths and the product expertise of the individual business areas offers potential synergies that are exploited through close cooperation among the business areas and the selective support by MAN AG's corporate functions, thus furthering the Group's expansion potential. Highly significant is also the sharing of R&D results for achieving further emission reductions at Commercial Vehicles and Diesel Engines.

Acquisitions and divestments

In 2007, we rigorously pushed ahead with our strategic focus on Transport-Related Engineering.

Acquisitions
With a view to bolstering MAN Nutzfahrzeuge's growth strategy, MAN Finance International GmbH (MFI) has extended its activities to include vehicle rental and leasing. The measures included the acquisition by MFI as part of a capital increase, of a 25.13-percent stake in EURO-Leasing GmbH, Sittensen, Germany. The deal was closed in early 2008.

Divestments
A majority stake in MAN Ferrostaal's steel trading unit was transferred to CCC Steel GmbH & Co. KG, Hamburg, a move that will sustainably strengthen the competitive position of this business. The new limited partnership started operations on January 1, 2008, under the name of Coutinho & Ferrostaal GmbH & Co. KG. MAN Ferrostaal holds a 33.33-percent interest in the newcomer.

At the end of September, Siemag-Invest GmbH exercised its call option for the remaining 25.5-percent stake in SMS GmbH.

MAN Nutzfahrzeuge AG contributed to MAN Region West B.V, Vianen, Netherlands, its wholly-owned sales companies in France and Belgium. MAN and PON each hold a 50-percent stake in the company. PON, in turn, inputted PON Equipment & Power Systems B.V., a Dutch sales company headquartered in Almere, Netherlands. The purpose of the deal is improved market penetration.

BUSINESS TREND AND RESULTS OF OPERATIONS 2007

Economic environment

In all, global economic growth at around 5 percent was robust in 2007. However, in the latter half of the period, the uptrend flattened with the US subprime mortgage crisis, a sharp surge in commodity prices and the strong dollar inhibiting international business. In the USA, in particular, the economy subsided as the year advanced although our growth markets of Asia and C&E Europe did maintain their momentum.

Within the eurozone, business again prospered in 2007, albeit at a somewhat slower pace than in 2006. It was the solid demand for capital goods and a further decline in unemployment that propelled the economy. Spain and the UK appear to be moving in directions parallel to the US property and mortgage markets.

In Germany, business has slightly tapered, too, with growth nonetheless 2.5 percent (down from 2.9). Moreover, industry has tall order backlogs. Still, the appreciation of the euro, the financial market upsets and rising commodity prices have damped optimism although companies are still quite confident regarding economic trends especially given the barely abated expectations regarding capital goods. A sharp reduction in unemployment has partly offset the burdens imposed by the VAT hike, albeit private spending had little impact on the economy in 2007.

Worldwide demand in the transport, propulsion and energy sectors, of particular significance to MAN, was again voracious in 2007. In our most important market, Europe, unit sales of commercial vehicles leapt 6.8 percent from 397,000 to 424,000. In shipbuilding, the biggest market for our diesel engines, tonnages ordered worldwide in 2007 surged by 75 percent to 157 million gross tons. The rise in energy prices and the worldwide robust demand for energy again fueled business in turbo machinery.

Order situation

MAN managed to once again vigorously boost its performance in 2007 with strong gains in both order intake and sales.

Surge in new orders

Given the worldwide buoyant demand for capital goods, the MAN Group boosted order intake in 2007 once again double digit by 17 percent to €19.4 billion (up from €16.6 billion).

The burgeoning global economy is spurring worldwide demand for haulage services and concurrently for energy. These are factors reflected in order intake by our manufacturing areas, viz. Commercial Vehicles, Diesel Engines, and Turbo Machinery. Commercial Vehicles and Diesel Engines again clearly exceeded their record prior-year figures.

At €1.9 billion (down from €2.2 billion), the MAN Group in 2007 again reported a sizable volume of megaorders (contracts each worth at least €15 million). Given the steep surge in regular business (up 21 percent), such megacontracts have slipped in significance for the Group's order intake, particularly at the manufacturing areas. At Industrial Services, in contrast, the very nature of megaproject business and the disposal of the steel trading unit have developed into steeper order intake ups and downs. At the end of 2007, this business area signed a contract worth €379 million for the construction of an ammonia production plant in Venezuela. Orders booked by Commercial Vehicles mounted 26 percent, by Diesel Engines by as much as 29 percent; Turbo Machinery order intake was just 3 percent shy of the high 2006 level. Essential if this area is to achieve further gains are the capacity expansions presently underway. Order intake at Industrial Services was down by 22 percent from 2006, a period which had reflected an €833 million megacontract from Trinidad.

Order intake by business area

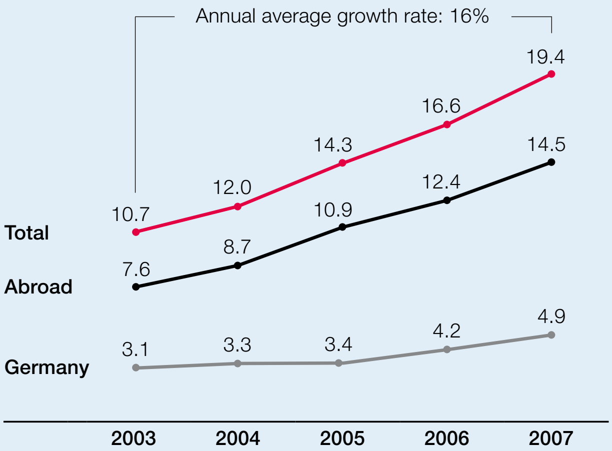
€ million	2007	%	2006	%
Commercial Vehicles	12,684	65	10,103	61
Diesel Engines	3,371	17	2,619	16
Turbo Machinery	1,454	8	1,498	9
Industrial Services	1,556	8	1,982	12
Others/Consolidation	309	2	365	2
MAN Group	**19,374**	**100**	**16,567**	**100**

Order intake by region

€ million	2007	%	2006	%
Germany	4,929	25	4,151	25
Other EU	7,150	37	5,683	34
Other Europe	2,039	11	1,667	10
Asia	2,907	15	2,369	14
Americas	1,354	7	1,817	11
Africa	858	4	749	5
Australia and Oceania	137	1	131	1
MAN Group	**19,374**	**100**	**16,567**	**100**

5-year order intake trend

€ billion



Data like-for-like excluding discontinued operations

In 2007 we reported double-digit gains in orders booked both in and outside Germany. Domestic orders mounted 19 percent to €4.9 billion, international by 16 percent to €14.5 billion, these latter thus accounting for 75 percent of the total.

The sharpest rise of 26 percent to €7.2 billion was achieved with the other EU members; elsewhere in Europe order intake climbed 22 percent to €2.0 billion. The still burgeoning regions of Asia contributed orders worth €2.9 billion (up 23 percent) while the Americas lost 25 percent due to the above-mentioned Trinidad contract of 2006. The European markets accounted for the lion's share of new orders (73 percent), followed by Asia (15 percent).

Sales once again robust

MAN boosted sales in 2007 by 19 percent to €15.5 billion. Commercial Vehicles contributed €10.4 billion (up €1.7 billion or 20 percent), including €512 million from the sale of leased vehicles held by MAN Finance. Excluding this nonrecurring factor, Commercial Vehicles raised its sales by 14 and the MAN Group by 15 percent. Whereas Truck' sales jumped 25 percent to €9.0 billion (excluding the sale of the leased vehicles, by 18 percent), Buses' sales slipped 6 percent to €1.4 million. Diesel Engines likewise reported a double-digit sales increase, by 21 percent to €2.2 billion. Turbo Machinery's sales mounted 22 percent to €1.1 billion. The 5-percent rise to €1.4 billion at Industrial Services resulted from additional service business; project-related sales edged down from the prior-year level.

Sales by business area

€ million	2007	%	2006	%
Commercial Vehicles	10,410	67	8,685	67
excl. sale of leased vehicles	9,898	–	8,685	–
Diesel Engines	2,179	14	1,802	14
Turbo Machinery	1,108	7	908	7
Industrial Services	1,445	9	1,379	10
Others/Consolidation	366	3	275	2
MAN Group	**15,508**	**100**	**13,049**	**100**

Sales by region

€ million	2007	%	2006	%
Germany	4,343	28	3,394	26
Other EU	5,549	36	4,784	37
Other Europe	1,492	10	1,281	10
Asia	2,288	15	1,989	15
Americas	1,011	6	802	6
Africa	702	4	671	5
Australia and Oceania	123	1	128	1
MAN Group	**15,508**	**100**	**13,049**	**100**

The extra revenue from the sale of leased vehicles meant that domestic growth in 2007 outpaced foreign. The former rose by 28 percent to €4.3 billion and, excluding this one-off contribution, by 13 percent. Commercial Vehicles accounted for 80 percent of domestic sales and generated 33 percent of its sales in the German market. Domestic sales at Diesel Engines amounted to 12 percent, at Turbo Machinery and Industrial Services in each case 19 percent.

Sales outside of Germany in 2007 moved up 16 percent or €1.5 billion to €11.2 billion, thus continuing our international expansion. Non-German sales made up 72 percent of the total (down from 74 percent). Europe accounted for 74 percent of total sales (up 20 percent to €11.4 billion), Asia, where we pushed up sales by 15 percent to €2.3 billion, also contributed 15 percent to the total.

Over the past five years sales have surged, growing from 2003–2007 by an annual average of some 11 percent, by €5.1 billion from €10.4 billion to €15.5 billion.

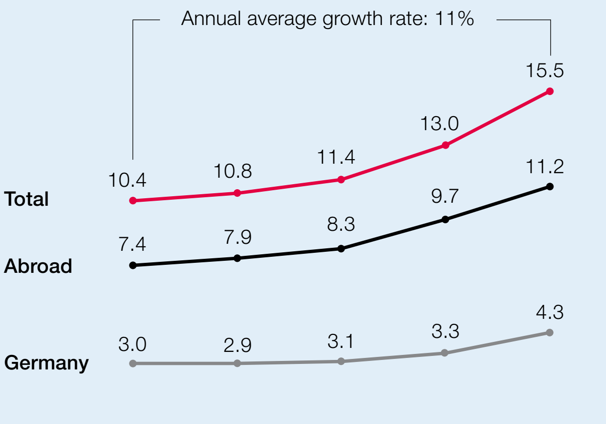
Order backlog at all-time high

During 2007 our production plants were once more working to capacity and hence sales were unable to keep up with the rush of incoming orders. Orders on hand were well above the previous prior-year record of €11.3 billion to reach €14.8 billion (up 31 percent). All the manufacturing areas reported sharp growth rates, with order backlog at Commercial Vehicles showing the steepest hike of 49 percent to €6.3 billion, followed by Diesel Engines (up 38 percent to €3.9 billion), and Turbo Machinery (up 23 percent to €1.7 billion). Orders on hand at Industrial Services mounted 3 percent to €2.4 billion. These bulging order books together form a solid launch pad for repeated growth in 2008. Concurrently, our customers have stepped up their insistence on quick, on-time delivery. The international expansion of our production and assembly facilities will enable us to address these rising demands.

Order backlog figures mirror the booming demand for our products and in fact, have almost trebled over the past five years from €5.5 billion to €14.8 billion, enough to keep us busy for 11+ months (book-to-bill ratio as of end-2007).

5-year net sales trend

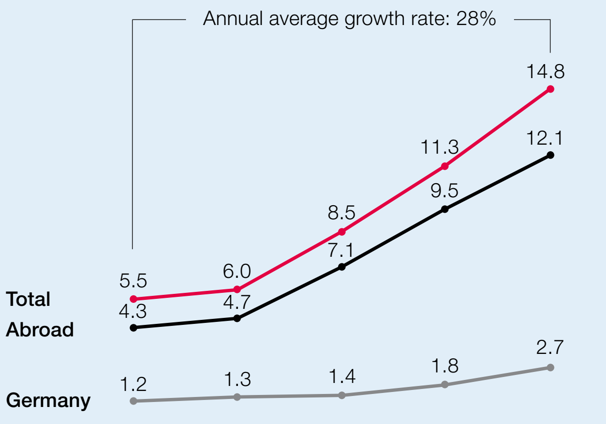
€ billion



Data like-for-like excluding discontinued operations

5-year order backlog trend

€ billion



Data like-for-like excluding discontinued operations

Operating profit

€ million	2007	2006
Commercial Vehicles	1,039	698
Diesel Engines	313	229
Turbo Machinery	104	71
Industrial Services	179	119
Others/Consolidation	95	(12)
Operating profit	**1,730**	**1,105**

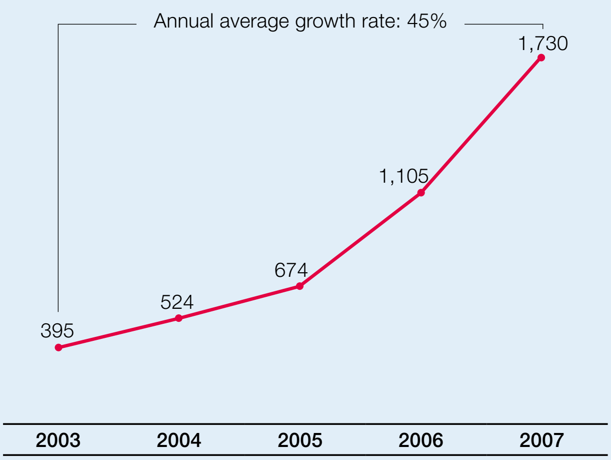
Following its 64-percent surge the previous year, the MAN Group's operating profit was in 2007 again vigorously boosted to a new all-time high of €1,730 million (up 57 percent from €1,105 million). Given the ongoing growth in business volume and the repeated efficiency enhancement efforts, all business areas shared in the marked improvements. Once again, the advance in operating profit outpaced the 19-percent sales rise by far.

The operating profit at Commercial Vehicles rose by 49 percent or €341 million to €1,039 million. Diesel Engines upgraded its by €84 million or 37 percent to €313 million, Turbo Machinery its operating profit by 47 percent or €33 million to €104 million, Industrial Services improving its by 50 percent or €60 million. Others/Consolidation (which consolidates the earnings from the RENK industrial subsidiary, MAN AG plus its shared-service companies and includes the prorated earnings from the MAN Roland stake and the Scania dividend) improved its performance mainly thanks to RENK (up from €38 million to €68 million), the first-time collection of the Scania dividend, and the absence of the prior-year one-off costs and expenses.

Business and performance by business area are set forth in detail starting from page 120 of this management report.

5-year trend of operating profit

€ million



Data like-for-like excluding discontinued operations

During the past five years the MAN Group's operating profit has improved considerably. In the period from 2003 through 2007, we have more than quadrupled earnings, from €395 million to €1,730 million, and pushed up sales by 49 percent.

Income statement

	2007		2006	
	€ mill.	%	€ mill.	%
Net sales	15,508	100.0	13,049	100.0
Cost of sales *	(11,901)	(76.7)	(10,161)	(77.9)
Gross margin	3,607	23.3	2,888	22.1
Other operating income *	738	4.8	609	4.7
Selling expenses	(911)	(5.9)	(813)	(6.2)
General administrative expenses	(749)	(4.8)	(679)	(5.2)
Other operating expenses *	(1,096)	(7.1)	(950)	(7.3)
Net investment income *	141	0.9	50	0.4
Operating profit	**1,730**	**11.2**	**1,105**	**8.5**

* In 2007 excl. the proratable nonrecurring result of a total €183 million

Sales in 2007 climbed 19 percent. Since cost of sales grew 17 percent in the period, the relative gross margin edged up from 22 to 23 percent.

Selling expenses in 2007 mounted 12 percent to €911 million, also due to the expansion of our international distribution networks. The rate of increase of general administrative expenses remained below that of sales, they advanced to €749 million.

Other operating income surged €129 million to €738 million (excluding nonrecurring factors), primarily thanks to higher gains from financial instruments, the remeasurement according to IAS 39 of currency hedges and hedged underlyings, as well as from interest rate hedges. These gains contrast with virtually same-amount losses, which largely explains the €146 million rise of other operating expenses to €1,096 million (excluding nonrecurring factors). Moreover, R&D expenditures were leveled up.

The €91 million increase in investment income is basically attributable to the €43 million Scania dividend and higher prorated profits from investments carried at equity, that from methanol and ammonia plants rising by €26 million and that from MAN Roland by €12 million.

Reconciliation from operating profit to net income

€ million	2007	2006
Operating profit	**1,730**	**1,105**
Net nonrecurring result	183	–
Net interest expense	(61)	(82)
EBT	**1,852**	**1,023**
Income taxes	(631)	(273)
Posttax profit of discontinued operations	4	175
Net income (EAT)	**1,225**	**925**
EpS of continuing operations in €	8.24	5.05
Total cash dividend per share in €	3.15	2.00

In fiscal 2007, several factors and circumstances produced nonrecurring income and expenses that do not impact on operating profit. For instance, as early as the first half of 2007, we had planned a restructuring program for Buses since, despite enormous efforts, this unit failed to get even close to our ROCE benchmark. As Buses business continued poor even in the latter half, we decided to purge the product portfolio and delisted several models from our range. With the agreement made in early 2008 for the Salzgitter location, we further streamlined production structures, besides integrating Buses more closely into Trucks. We predict the Buses restructuring expenses to total €65 million. In the period, we fully wrote off the €85 million goodwill from the Neoplan acquisition. Accruals of €35 million provide for warranty obligations for delisted products, bringing the total Buses-related nonrecurring expense to €185 million.

In favorable contrast, the settlement after years of litigation of the ERF case upon agreement with Freightliner resulted in an indemnification of £250 million. In this context, the residual €34 million goodwill from the ERF acquisition was derecognized since the indemnity paid reduced to nil the original cost, thus also removing the basis for any goodwill capitalization. The nonrecurring result further reflects a €33 million gain from the Scania stock split and repurchase, bringing the net total for 2007 to a black €183 million.

The net interest expense of €61 million mirrors not only interest from bank credit and debit balances but also the net interest portion from pension obligations and was slashed by €21 million as bank interest charges were downscaled. The MAN Group's EBT soared by €829 million to €1,852 million.

The MAN Group's tax expense surged €358 million to €631 million, the tax load ratio—determined from the income tax rates of German and foreign subsidiaries, as well as from earlier-period taxes and tax-exempt income and gains—rising from 26.7 to 34.1 percent.

The posttax profit of discontinued operations came to €4 million and represents the net from the disposal of MAN Ferrostaal's Steel Trade and additions to accruals for guaranties and warranties in connection with divestments in previous years.

The MAN Group earned net income (EAT) of €1,225 million (up 32 percent); earnings per share of continuing operations improved from €5.05 to €8.24.

Proposed dividend: €3.15 per share
MAN AG's Executive and Supervisory Boards will propose to the annual general meeting to distribute a total cash dividend of €3.15 per share (up from €2.00), corresponding to a 58-percent or €1.15 upgrade per share

Again beyond expectations

The excellent overall business success has by far surpassed all expectations we had when writing last year's management report, and substantially been spurred by an outstanding order situation, which resulted in higher workloads and sales, and also by the impact of our efficiency enhancement programs. The originally envisaged high single-digit growth rate was considerably outnumbered by the actual 19-percent sales increase. The return on sales of 11.2 percent also well outperformed the 9.0 percent we budgeted a year ago. Operating profit, too, exceeded our January 2007 predictions. When this general uptrend emerged in sufficiently specific outlines in the course of the period, we commensurately revised upward and communicated our expectations.

Controlling system and VA management

Focal financial controlling parameters within the MAN Group are operating profit, ROS (operating profit returned by sales), and ROCE (operating profit returned by annual average capital employed). These indicators are used to assess performance not only at MAN Group level but also at the level of each business area, as well as major portions of variable management compensation.

Performance benchmarks raised
For the period 2005 through 2007 we had set for the MAN Group a 6.0-percent ROS and an 18.0-percent ROCE benchmark in each case as an average for an economic cycle. Recent years' structural improvements enabled us to already achieve these benchmarks and so we decided to adopt new more ambitious ones. For the years ahead, the ROS benchmark is now 8.5 percent and for ROCE we are targeting figures in excess of 22 percent. The former applies to the Group as such and all the subgroups. For Commercial Vehicles and Turbo Machinery the ROS bandwidth across an economic cycle is ±2 percentage points, for Diesel Engines, because of the greater long-term volatility of the 2-stroke licensee business, the bandwidth is ±4 percentage points, and for Industrial Services it is ±1 percentage point.

Operating profit
Prime parameter for assessing and controlling a business area's profitability is the operating profit. As a rule, operating profit equals EBIT. Significant income and expenses that originate from extraordinary events or sources outside ordinary business operations are eliminated restrictively on a case-by-case basis. While in fiscal 2006, no such adjustments had been made, fiscal 2007 produced a net nonrecurring income of €183 million which is reflected in EBIT but not in operating profit.

For the breakdown of operating profit by business area, see page 194.

ROS

%	2007	2006
Commercial Vehicles	10.0	8.0
Diesel Engines	14.4	12.7
Turbo Machinery	9.4	7.8
Industrial Services	12.4	8.6
MAN Group	**11.2**	**8.5**

With an ROS of 11.2 percent (up from 8.5), the MAN Group clearly again topped its target in 2007. All business areas contributed by substantially raising their ROS and hence their operating profit hike again outpaced sales increases.

With its business volume again up and thanks to efficiency measures Commercial Vehicles raised its ROS from 8.0 to 10.0 percent, despite losses at Buses; truck business alone achieved 11.3 percent (up from 8.8). The previous year Diesel Engines' ROS had reached a substantial 12.7 percent and in 2007 this climbed even higher to 14.4 percent making Diesel Engines easily MAN's most profitable business area. Turbo Machinery likewise attained a notable improvement from 7.8 to 9.4 percent as did Industrial Services whose ROS surged from 8.6 to 12.4 percent thanks in particular to the lucrative stakes in the methanol and ammonia complexes.

ROCE

€ million	2007	2006
Equity	**5,177**	**3,779**
Pension obligations	132	946
Financial liabilities	1,967	2,108
	7,276	**6,833**
Volume not funded by MAN Finance equity	(1,939)	(1,727)
Total CE of the MAN Group at Dec. 31	**5,337**	**5,106**
Annual average CE of the MAN Group	**5,488**	**4,222**
Operating profit *	**1,752**	**1,181**
ROCE in %	**31.9**	**28.0**

* Incl. the discontinued operations' operating profit of €22 million (down from €76 million)

The return on capital employed (ROCE) relates operating profit to the annual average capital employed (CE). For the MAN Group, we determine CE from how capital employed is funded. CE breaks down into the MAN Group's equity, pension accruals and financial liabilities, less the volume not funded by MAN Finance equity. The operating profit also accounts for that of discontinued operations up to the date of their disposal as these operations are funded from the Group's capital. The rise in annual average capital employed is chiefly due to the equity surge after a steep earnings upswing.

The capital employed by a business area is derived from the asset side. An Industrial Business area's CE comprises its entire assets other than financial and tax assets, less all accruals and liabilities other than financial liabilities, pension accruals and tax liabilities.

Prepayments received are only deducted to the extent that they have already been appropriated to work in process.

Despite the higher average CE, the MAN Group's ROCE was boosted from 28.0 to 31.9 percent.

WACC

The Group's weighted average cost of capital (WACC) corresponds to the minimum return investors expect to earn for their capital and the investment risk. It is determined as the weighted average cost of equity and debt, equity cost being calculated on a CAPM (capital asset pricing model) basis by applying an interest rate for long-term risk-free investments plus a premium for the specific risk from investing in MAN stock. Debt cost, too, is based on an interest rate for risk-free investments plus a risk premium for long-term investments in corporates.

We maintain WACC (based on 11.0 percent pretax) as control parameter for ROCE benchmarking and hence at this level over a longer period of time.

MAN Value Added (MAN VA)

This financial indicator shows if the MAN Group and its business areas have earned their cost of capital and added value beyond. MAN VA equals the differential between our ROCE and WACC, multiplied by CE.

The MAN Group added value of €1,148 million in 2007, 60 percent above the prior year's €717 million. All business areas outearned their WACC, generating MAN VA beyond. Absolute outperformer was Commercial Vehicles, adding value of €762 million to MAN's (up from €404 million including Financial Services).

MAN VA by business area

	2007	2006	2007	2006	2007	2006
€ million	Operating profit	Operating profit	Average CE	Average CE	MAN VA	MAN VA
Commercial Vehicles	1,039	698	2,497	2,640	762	404
Diesel Engines	313	229	444	492	264	175
Turbo Machinery	104	71	216	232	81	45
Industrial Services	179	119	485	382	126	77
MAN Group * **	**1,752**	**1,181**	**5,488**	**4,222**	**1,148**	**717**

* Incl. the €22 million operating profit of discontinued operations
** Due to different CE formulae, the business areas do not add up to the MAN Group's total.

FINANCIAL POSITION

Principles and objectives of financial management

The MAN Group's finances are centrally managed by MAN AG which decides on the intragroup allocation of financial resources, secures the Group's financial independence and liquidity at all times, and communicates on the entire Group's behalf with the capital markets. MAN AG's Executive Board is responsible for the due and proper conduct of financial transactions, as well as for the deployment of an appropriate financial risk management system, throughout the Group.

The tasks and purposes of financial management are to secure liquidity at all times, contain financial risks, and add value to MAN.

Securing liquidity at all times includes the use of suitable financial instruments, guaranty commitments and other master agreements which ensure reliable access to debt and equity markets and financial institutes. Thus, the MAN Group has always the necessary financial scope for funding business operations and capital expenditures.

It is essential that financial risks affecting enterprise value and profitability be contained by efficiently hedging (mainly through the capital markets) against such risks as currency, interest rate and price risks inherent in commodities or any other price risks whatsoever, as well as by actively managing counterparty and country risks as well as collateral received.

Financial management adds value to MAN by optimizing the results of all financial moves and transactions in proactively adapting the Group's liquidity and asset and capital structure according to requirements, shifting financial risks cost-effectively and ensuring the efficiency of handling and processing these tasks.

Cash flow

For the MAN Group's consolidated statement of cash flows, turn to pages 146 and 147. For a conclusive, explanatory analysis of the financial position, financial information is broken down into Industrial Business and Financial Services; the latter includes customer financing transactions of MAN Finance for commercial vehicles leased to customers.

The table below analyzes the movement of our net liquid assets, a financial controlling parameter consisting of cash and cash equivalents, securities and financial liabilities.

	Industrial Business		Financial Services	
€ million	**2007**	**2006**	**2007**	**2006**
Net liquid assets/(Net financial debt) at Jan. 1	**572**	**1,270**	**(1,518)**	**(1,097)**
Cash earnings	1,656	923	5	40
Change in net CE	433	271	15	(457)
Cash flow from operating activities	2,089	1,194	20	(417)
Cash flow from investing activities	(421)	(1,321)	(5)	(8)
Free cash flow	1,668	(127)	15	(425)
Cash flow from net financial debt financing activities	(953)	(549)	(46)	(17)
Cash-based changes in net liquid assets/net financial debt	**715**	**(676)**	**(31)**	**(442)**
Other changes in net liquid assets/net financial debt	(139)	(22)	(46)	21
Net liquid assets/(Net financial debt) at Dec. 31	**1,148**	**572**	**(1,595)**	**(1,518)**

The MAN Group's free cash flow amounted to €1,683 million in 2007, Industrial Business's to €1,668 million (including the £250 million from the ERF settlement less a net €26 million from the purchase of further Scania shares, the Scania dividend, and the Scania stock split with share repurchase). Adjusted for these nonrecurrent factors, Industrial Business generated in 2007 a free cash flow of €1,326 million, well in excess of Industrial Business's posttax profit (EAT) of €1,121 million after adjustment for the net nonrecurring income of €183 million, the Scania dividend of €43 million and the related income taxes, the reason being the €433 million slash in net capital employed. Financial Services' free cash flow of €15 million reflects the cash inflow from the sale to Hannover Mobilien Leasing GmbH of leased vehicles from the MAN Finance pool, net after offset against the extended customer financing volume of commercial vehicles.

We used the higher free cash flow not only to distribute a total cash dividend of €297 million but also to bolster our financial position by downsizing our financial liabilities by €288 million and endowing our pension fund with another €702 million. The MAN Group's net financial debt was substantially upgraded, from €946 million a year ago by €499 million to a net debt of €447 million. Industrial Business improved its net liquid assets by €576 million, from €572 million at year-end 2006 to €1,148 million as of December 31, 2007, while Financial Services stepped up its net financial debt from business volume refinancing to €1,595 million (from €1,518 million).

MAN Group funding

Current net liquid funds suffice to largely finance the MAN Group's operating activities. Debt-funded finances are ensured through a syndicated variable-rate credit facility of €2.0 billion granted by a consortium of 25 banks for a term up to December 2010. This credit facility was utilized neither as of December 31, 2007, nor as of year-end 2006.

Another group-funding cornerstone is the €300 million 5.375-percent 2003/2010 Eurobond issue floated by MAN AG in December 2003 through MAN Financial Services plc, Swindon, UK. Repurchases in 2007 scaled back the total par value of the bond issue to €240 million.

Under the floating-rate credit facility agreement with a banking syndicate to fund the acquisition of Scania stock, a facility portion of €1,000 million was utilized as of December 31, 2007, after repayments in 2007. The unutilized balance of this facility (originally €11 billion) expired. The credit facility portion utilized carried interest in 2007 at an average 4.45 percent annually.

Equity-based financing is ensured by authorities conferred on MAN AG's Executive Board by the annual general meeting, including authorized capital of €188 million (50 percent of the capital stock) for the issuance of fresh shares against cash contributions or—up to 20 percent of the capital stock—in return for contributions in kind. Moreover, the Executive Board is authorized to issue convertible or warrant bonds at a total par value of €1.5 billion for a maximum term of 20 years.

Asset and capital structure

In a year-on-year comparison, total assets of Industrial Business soared €720 million to €14.1 billion. The main reason was the Scania stock price rally (at €450 million) which boosted the value of investments accordingly. Besides the prorated profits for 2007 from investees carried at equity, the addition of the 50-percent stake in MAN Region West B.V., Vianen, Netherlands, and the 33.33-percent interest in Coutinho & Ferrostaal GmbH & Co. KG contributed to the increase.

The business volume expansion not only drove up inventories (by €256 million) and trade receivables (by €233 million) but, on the liabilities side, also prepayments received (up €472 million). The €1.4 billion equity surge is primarily ascribable to the high EAT for 2007 and the Scania stock price soar (which boosted OCI). The €813 million shrinkage of pension obligations was largely caused by the additional €702 million endowment for the pension plans.

The net cash inflow was used not only for the additional pension fund endowment but also to repay financial liabilities. Intragroup funding of Financial Services from Industrial Business's liquid assets was leveled down by €111 million to €975 million.

Following the great leap of equity, the cover ratio of fixed assets (tangible/intangible assets, investments) to equity

	Industrial Business		Financial Services	
€ million	**2007**	**2006**	**2007**	**2006**
Tangible and intangible assets	2,092	1,997	4	91
Investments	2,259	1,595	7	1
Assets leased out	1,074	1,590	727	805
Tax assets	563	717	6	5
Inventories	3,239	2,983	40	49
Trade receivables	2,557	2,324	1,148	663
Assets of disposal groups	13	244	–	–
All other noncurrent and current assets	809	783	103	237
Financial funds	1,494	1,147	26	15
Total assets	**14,100**	**13,380**	**2,061**	**1,866**
Equity	5,054	3,643	123	136
Pension obligations	130	943	2	3
Financial liabilities	1,321	1,661	646	447
Intragroup finance	(975)	(1,086)	975	1,086
Accruals	1,579	1,507	9	8
Prepayments received	2,029	1,557	2	0
Tax liabilities	1,084	817	16	33
Trade payables	1,560	1,513	245	89
Liabilities of disposal groups	–	95	–	–
All other noncurrent and current liabilities	2,318	2,730	43	64
Total capital	**14,100**	**13,380**	**2,061**	**1,866**

was upgraded by 14 percentage points from 102 to 116 percent. Industrial Business's equity ratio climbed from 27.2 to 35.8 percent. For the MAN Group as a whole, equity outcovered fixed assets by 19 percent (up from 3), the equity ratio jumping from 24.8 percent to 32.0.

Flourishing business meant that total assets of Financial Services mounted from €1.9 billion to €2.1 billion. Liabilities of €646 million are debt-funded, €975 million being refinanced through intragroup financial resources.

As of December 31, 2007, the MAN Group improved its net financial debt to €447 million (down from €946 million). This 2007 net is the balance of cash and cash equivalents of an aggregate €1,266 million (up from €1,162 million plus securities of €254 million (up from €0 million) and financial liabilities of €1,967 million (down from €2,108 million).

Noncapitalized assets and off-balance financing instruments

Besides its capitalized assets, the Group also resorts to noncapitalizable assets, such as the MAN brand as a major incorporeal asset, plus patents from internal R&D and our services and sales networks for customers. For us, the associated expenses are investments in the future and safeguard our market success for the years ahead.

MAN AG's capital stock amounts to an unchanged €376,422,400, divided into 147,040,000 no-par bearer shares, these subdivided into 140,974,350 shares of common, and 6,065,650 shares of nonvoting preferred, stock.

For further details of our capital stock, stock classes, the annual general meeting's approval of the Authorized Capital 2005 and the issuance of convertible and warrant bonds, including the associated authorized but unissued capital thus created (Contingent Capital 2005), as well as the 2007 authorization to acquire treasury stock, see the section below, *Statutory disclosures pursuant to Art. 315(4) HGB and explanatory report according to Art. 120(3) clause 2 AktG*.

Statutory disclosures pursuant to Art. 315(4) HGB and explanatory report according to Art. 120(3) clause 2 AktG

Breakdown of capital stock, stock classes
MAN AG's capital stock amounts to an unchanged €376,422,400, divided into 147,040,000 fully paid-up no-par bearer shares, these subdivided according to Art. 4(1) of the Memorandum & Articles of Incorporation (the "Bylaws") into 140,974,350 shares of common, and 6,065,650 shares of nonvoting preferred, stock. Each no-par share represents a notional €2.56 interest in the capital stock. According to Art. 4(2) clause 2 of the Bylaws, no stockholder may insist on the issuance of a physical share certificate.

Both stock classes rank for dividend, however, a cumulative preferred dividend of €0.11 per share of preferred stock being payable in advance from net earnings and another €0.11 per share of common stock subsequently. If net earnings do not suffice to pay the preferred dividend, the balance short is payable in arrears (without carrying interest) from the succeeding year's net earnings prior to the distribution of any dividend to common stockholders.

Common stock is voting, preferred stock nonvoting. Pursuant to Art. 140(2) German Stock Corporation Act ("AktG"), this does not apply in cases where (i) the preferred dividend has not or not fully been paid for any one fiscal year and (ii) the arrears plus the full preferred dividend have not been paid in the succeeding fiscal year. In any such case, (i) preferred stockholders have a voting right until such arrears have been duly paid and (ii) the preferred stock is included when calculating any capital majority required by the law or Bylaws. Moreover, preferred stockholders are entitled to vote pursuant to Art. 141(1), (2) clause 1 in conjunction with Art. 141(3) AktG. According to these provisions, a resolution of approval is required of the preferred stockholders when adopting a resolution at a general meeting which would cancel, revoke or limit the preferred dividend, or result in the issuance of preferred shares that rank prior to, or pari passu with, the existing nonvoting preferred stock in terms of distribution of profits or corporate assets.

In all other respects, the same rights and obligations attach to all the shares.

Restrictions on voting or share transfer
We are not aware of any voting restrictions except for those on preferred stock and imposed by the law, such as under the terms of Art. 136 AktG. The same applies mutatis mutandis to share transfers except that shares granted to Executive Board members under the MSP (MAN Stock Program) are subject to a waiting period. For details see the Board Compensation Report.

Shareholdings above 10 percent
The provisions of Sec. 21(1) German Securities Trading Act ("WpHG") require any investor that, by way of acquisition, disposal or otherwise, reaches or crosses above or below a threshold of 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of a listed company's voting capital, is obligated to report so to the listed investee (i.e., MAN AG) and to BaFin (German Federal Financial Supervisory Authority). Sec. 28 WpHG prevents a stockholder who has failed to comply with this reporting obligation from exercising voting rights for as long as the violation of Sec. 21(1) continues.

Pursuant to Sec. 21(1) clause 1 WpHG, Wolfsburg-based Volkswagenwerk AG notified MAN AG in February 2007 that its voting interest in MAN AG had crossed above the 25-percent mark, then coming to 29.9 percent. No further direct or indirect shareholdings in MAN AG which equal or exceed 10 percent of the voting rights have been reported or are known to us.

Appointment and removal of Executive Board members, amendments to the Bylaws
The appointment and removal of MAN AG's Executive Board members are governed by Arts. 84 and 85 AktG as well as Art. 31 German Codetermination Act ("MitbestG") in conjunction with Art. 5 of the Bylaws. Accordingly, the Executive Board shall have not less than two members. The Supervisory Board is entitled and authorized to appoint an Executive Board member for a maximum 5-year term of office and revoke the appointment if for good cause.

The provisions of Arts. 179 et seq. AktG apply to any amendment of the Bylaws. Accordingly, any amendment to the Bylaws requires a special resolution (i.e., with a minimum 3-quarter majority) of the capital stock present or represented at the vote thereon. Art. 10(5) of the Bylaws entitles and authorizes the Supervisory Board to vote on amendments that affect only the wording of the Bylaws.

Executive Board powers, also to issue and repurchase stock
The Executive Board's powers are governed by the provisions of Arts. 76 et seq. AktG in conjunction with Art. 6 of the Bylaws. Accordingly, the Executive Board is responsible for managing and conducting the business of the Company and representing the Company in and out of court.

The disclosures below describe the Executive Board's powers to issue and/or repurchase MAN shares. In 2007, none of these authorities was exercised.

Authorized Capital 2005
According to the resolution by the annual general meeting of June 3, 2005, MAN AG's Executive Board is authorized, after first obtaining the Supervisory Board's approval, to increase the Company's capital stock on or before June 2, 2010, by an aggregate maximum of €188,211,200 (50 percent of the capital stock) through one or several issues of bearer shares of common stock in return for cash and/or contributions in kind (Authorized Capital 2005).

While stockholders must generally be granted a subscription right, the Executive Board is authorized, subject to the Supervisory Board's prior approval, to exclude the stockholders' subscription right in the case of a noncash capital increase for the purpose of acquiring other enterprises, any equity interest therein or other material assets from these. In a stock issue in return for cash contributions, the Executive Board is authorized, subject to the Supervisory Board's consent, to exclude the stockholders' subscription right (i) where required to grant the creditors of convertible, or holders of warrant, bonds issued or issuable by the Company or its subsidiaries the right to subscribe for new stock to the extent they would be entitled to upon exercise of their conversion or option rights (antidilutive provision), and/or (ii) if the issue price of new shares is not more than 5 percent below market and provided that the total stock issued pursuant to Art. 186(3) clause 4 AktG does not exceed 10 percent of the capital stock. Such shares shall be counted toward this limit as (i) by application of this proviso (whether direct or extended by virtue of other authorizations) have been issued or sold during the term of this authority up to the date of its exercise, and (ii) have been or will be issued in accordance with the terms of convertible or warrant bonds issued when this authority is exercised hereunder, and/or (iii) to apply fractions toward the rounding of the capital stock. For additional details, see Art. 4(3) of the Bylaws.

According to the statement of May 24, 2005, the Executive Board will exercise this authority when increasing the capital against noncash contributions for the purpose of acquiring other enterprises or equity interests therein or other material assets, only up to an aggregate €75,284,480 (20 percent of the current capital stock).

Issuance of convertible/warrant bonds; Contingent Capital 2005
At their annual meeting on June 3, 2005, the stockholders further authorized the Executive Board (endorsing this resolution on May 10, 2007), subject to the Supervisory Board's consent, to raise an aggregate maximum of €1.5 billion on or before June 2, 2010, by issuing once or several times in return for cash convertible and/or warrant bonds with a maximum term of 20 years as from issuance date. The bondholders will in this case be granted warrants or conversion privileges for subscribing for new bearer shares of MAN AG common stock at a maximum of €76,800,000 (around 20 percent) of the capital stock, all subject to the detailed convertible or warrant bond terms.

This authority also covers the option of guaranteeing bonds issued by other MAN companies and granting MAN AG shares in settlement of the conversion or option rights conferred by such bonds.

Concurrently, by resolution of the annual general meeting of June 3, 2005, the capital stock was conditionally increased by up to €76,800,000 (authorized but unissued capital), divided into a maximum of 30,000,000 bearer shares of common stock. The contingent capital increase will only be implemented to the extent that (i) holders of convertible or warrant bonds which had been issued by MAN AG or MAN companies by dint of the resolution of authorization of June 3, 2005 (endorsed by resolution of the annual general meeting of May 10, 2007) in return for cash, exercise their bond rights and (ii) such rights are not settled or satisfied other than by stock issue. The new stock will for the first time rank for dividend for the year of issuance (Contingent Capital 2005).

Stock repurchase

The authority conferred by resolution of the annual general meeting of May 19, 2006, to repurchase treasury stock was superseded at the effective date of the resolution of the annual general meeting of May 10, 2007.

The resolution adopted by the stockholders at their annual meeting on May 10, 2007, authorized the Executive Board, after obtaining approval from the Supervisory Board, to repurchase on or before November 9, 2008, once or several times MAN AG common and/or nonvoting preferred stock. The authority is capped throughout at an aggregate 10 percent of the capital stock, any other treasury shares held by, or assigned under the terms of Arts. 71d and 71e AktG to, the Company always being counted toward this cap. Such treasury stock may also be reacquired by other MAN companies and/or third parties for the account of MAN AG or other MAN companies.

Such treasury shares may be acquired via stock exchange or by public offering to the holders of the respective stock class. If acquired via a stock exchange, the purchase price excluding incidentals may not be more than 10 percent above or below the price quoted for the respective stock class at the opening auction of that market day's Xetra trading (or any comparable successor system). In a public offering, the bid price or bid price range per share (excluding purchase incidentals) may not be more than 20 percent above or below the closing price quoted for the respective stock class in Xetra trading (or any comparable successor system) on the third market day prior to the bid's public announcement. If the total stock offered for repurchase exceeds MAN's bid volume, the share offers shall be accepted pro rata. The preferential acceptance of small share numbers may be stipulated to the legally permitted extent, however, not in excess of 100 shares offered by any one stockholder for repurchase by MAN.

The Executive Board is further authorized, subject to the Supervisory Board's prior approval, to use repurchased treasury shares of common stock also in a way other than by (i) sale on stock markets or (ii) public offering to all stockholders, such as for any other lawful purposes while excluding stockholders from subscription. This option shall, in particular, also apply in cases where the repurchased common stock (i) is sold at a price that is not significantly below market, and/or (ii) is used as consideration in a business combination or for the acquisition of other enterprises or any equity interest therein, and/or (iii) is used to settle or satisfy conversion or option rights granted to holders of convertible or warrant bonds which had been issued by MAN AG or MAN companies. The shares transferred by dint of this authority may not exceed an aggregate 10 percent of the capital stock if used to settle or satisfy conversion or option rights granted while excluding the stockholders' statutory subscription right pursuant to Art. 186(3) clause 4 AktG. Such shares shall be counted toward this cap as (i) by direct or indirect application of this provision were issued or sold up to the date of their use while this authority was in force and effect, and (ii) were issued or are issuable at the date of their use in conformity with the terms of convertible or warrant bonds floated in accordance with this provision.

As resolved by the annual general meeting of May 10, 2007, the Executive Board is further authorized, subject to Supervisory Board approval but without any further vote by a stockholders' meeting, to redeem and withdraw any treasury shares of common and/or nonvoting preferred stock.

Major MAN agreements terminable upon a change of control in the wake of a takeover bid

As mentioned above under *Funding of the MAN Group,* MAN AG made agreements with banking syndicates for credit facilities of €2.0 billion and €1.0 billion.

Such agreements can be terminated with immediate effect if and when one or several entities or individuals (either jointly or severally) gain control over MAN AG.

RESEARCH AND DEVELOPMENT

€ million	2007	2006
R&D expenditures	**433**	**396**
R&D expenditures by the manufacturing business areas (% of sales)	3.1	3.4
Internally funded R&D	331	297
Annual average R&D headcount	3,156	3,174

R&D expenditures by business area

€ million	2007	2006
Commercial Vehicles	234	215
Diesel Engines	129	119
Turbo Machinery	56	45
Industrial Services	0	3
Others	14	14
Total	**433**	**396**

The Intergovernmental Panel on Climate Change (IPCC) submitted its keenly anticipated three-part study in 2007 which describes the possible consequences of the greenhouse gas emissions generated by humankind. Since publication of this report at the latest, the causal link between emissions of greenhouse gases, such as CO_2, and climate change on our planet has been perceived as scientifically substantiated. For many years, the MAN Group has been contributing through its R&D activities to the reduction of greenhouse gas emissions and thus to climate protection. Achieving the maximum possible efficiency in energy use, conserving scarce fossil resources and improving the emission properties of our products remained the focus of our efforts in 2007.

For example, MAN's Commercial Vehicles played an active part in a study initiated by the Federation of German Industries (BDI) and entitled, "The cost and potential for avoiding greenhouse gas emissions in Germany." This study is the first of its kind because it explores the causes of greenhouse gases. In the Commercial Vehicles business area, the two new TGX and TGS truck series were unveiled and crowned as the Truck of the Year 2008 shortly after their market launch. Sophisticated aerodynamics reduce the already low fuel consumption of the common-rail diesel engine in the TGX series by another 3 percent. The development of innovative and forward-pointing gas, biofuel and hybrid drive systems remains an additional focus of activity. MAN's hybrid buses, for example, have been successfully running within the Nuremberg public transit system on up to 25 percent less fuel than buses equipped with a conventional diesel drive.

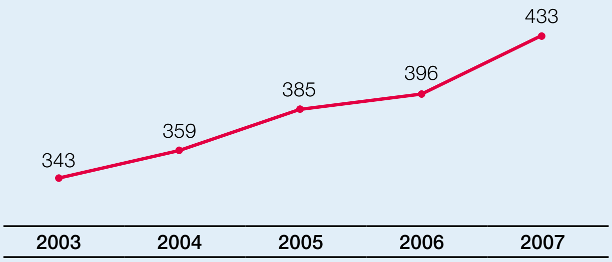
The developments being pursued by Diesel Engines offer our customers the greatest possible flexibility in the choice of fuels used—depending on regional availability. The big engines are already operating on biogas, vegetable oil and other biofuels with considerably lower CO_2 emissions than engines run on fossil fuels. At our CHP diesel power plants, the big engines operate especially efficiently in terms of energy input, achieving energy efficiency levels of up to 95 percent, making them extremely environment-friendly.

One example of the breakthroughs in the Turbo Machinery business area is what is known as geological carbon sequestration, which involves pumping CO_2 into oilfields whose reserves are virtually depleted with the aim of prolonging the production life. Turbo Machinery has developed an eight-stage gear-type compressor for this technique. It compresses the carbon dioxide from a company in the USA, which manufactures synthetic natural gas from coal, from ambient pressure to almost 190 bar. The gas is then piped some 370 kilometers to the north to be fed into a Canadian oilfield in order to increase the latter's yield. The technique has proved effective, thus underpinning Turbo Machinery's technological supremacy in this segment.

In 2007, Industrial Services unveiled together with industrial partners and renowned research institutes a solar thermal demonstration plant in Almería, Spain, based on so-called Fresnel technology. Thanks to the especially flat and low-cost mirrors used at this plant as well as the easily obtainable standard components, such facilities are more economical and efficient than rival technologies. The new technology is scheduled to go into commercial operation following a successful productivity test at the end of 2008. In the long term, solar thermal power plants in the sun-drenched regions around the Mediterranean could produce sufficient electricity to supply the whole European continent.

5-year R&D expenditure trend

€ million



Data like-for-like excluding discontinued operations

The MAN Group is investing in its future, consistently spending on the development of innovative products offering high customer benefits and improvements in production at a high level. R&D outlays came to €433 million, representing 3.1 percent of sales by the manufacturing areas.

Internal funding accounted for €331 million, equivalent to 76 percent of total R&D expenditures. An amount of €102 million was spent on order-related R&D activities and publicly subsidized R&D. Some 36 percent of the Group's own funds were invested in basic research and the development of new products.

3,156 employees were engaged in research and development activities in 2007 (down from 3,174).

CAPITAL OUTLAYS

€ million	2007	2006
for tangible assets and investment properties	411	340
for intangible assets	67	106
for investments	286	1 214
Total	**764**	**1,660**
thereof Scania stock purchase	228	1,174
Outlays excl. Scania stock	536	486
thereof in Germany	391	333
thereof abroad	145	153
Amortization/depreciation/ write-down *	425	328
Investment ratio in % **	126	148

* excl. discontinued operations
** excl. Scania stock purchase

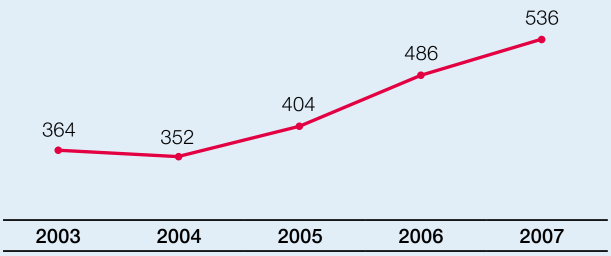
Capital outlays by business area

€ million	2007	2006
Commercial Vehicles	357	350
Diesel Engines	48	49
Turbo Machinery	39	53
Industrial Services	46	22
Others	274	1,186
Total	**764**	**1,660**

Total investing activities in 2007 amounted to €764 million (down from €1,660 million), including €228 million for the purchase of Scania stock (down from €1,174 million). Excluding the Scania shares acquired, our capital outlays for tangibles, intangibles and investments totaled €536 million (up from €486 million), including €145 million or 27 percent spent outside of Germany.

5-year trend of capital outlays ***

€ million



*** 2006 and 2007 excl. Scania stock purchase. Data like-for-like excluding discontinued operations.

Capital spending focused on measures to alleviate capacity bottlenecks in production areas that are pivotal to the Group's growth and on acquiring stakes in key-sector companies.

€51 million was expended in 2007 on completing and commissioning the new truck assembly plant at Niepolomice near Kraków in Poland. In all, this plant accounted for capital expenditures of €99 million. Industrial Services spent €24 million on acquiring a 34-percent stake in specialty chemicals company Eurotecnica.

Turbo Machinery and Diesel Engines directed their expenditures toward expanding their servicing, testing and production capacities.

PROCUREMENT

Cost of materials by business area		
€ million	**2007**	**2006**
Commercial Vehicles	5,996	4,763
Diesel Engines	959	900
Turbo Machinery	507	429
Industrial Services	1,028	972
Others/Consolidation	62	23
MAN Group	**8,552**	**7,087**

Cost of materials		
in % of sales	**2007**	**2006**
Commercial Vehicles	58	55
Diesel Engines	44	50
Turbo Machinery	46	47
Industrial Services	71	70
Others/Consolidation	17	8
MAN Group	**55**	**54**

The MAN Group's business areas are expanding their global procurement activities. Through MAN FORCE TRUCKS Private Limited, Akurdi, Pune, India, MAN Nutzfahrzeuge will source locally all the parts needed for truck production in India. Diesel Engines and Turbo Machinery are purchasing in low-wage countries increasingly without having to compromise the quality of MAN products. The cost of materials procured by the MAN Group amounted to €8.6 billion (up from €7.1 billion) or about 55 percent of sales.

So as to generate synergies through the effect of pooling, shared procurements are coordinated from a central department. With the business areas pooling their requirements, the Group's purchasing power in the marketplace is fortified.

The basic procurement volumes are covered by master agreements which guarantee good terms and conditions for the MAN Group while ensuring reliable sources of supply. All major material categories are continually monitored within the purchasing organization through employees, known as lead buyers, especially assigned to this task.

In 2007, we continued to realign groupwide purchasing activities and started to introduce a new and uniform B2B platform across the group. Procurement processes are being increasingly harmonized and efficiency further enhanced as a result.

As part of our global procurement strategy, existing and newly established MAN Houses throughout the world are being utilized in an effort to pool our purchasing activities. We are systematically studying what savings can be made by including suppliers in low-wage countries.

The MAN Group's products are world-leading, thus guaranteeing the success of our brands. This is underpinned by product properties achieved through reliability, economic efficiency and innovative design as well as technical expertise and a high quality and cost awareness. Such merits, in turn, hinge on a commensurate input on the part of suppliers. Commercial Vehicles acknowledges such input and confers annually its Trucknology® Supplier Award on up to ten vendors.

EMPLOYEES

Employees at Dec. 31 *

	2007	2006
Germany	31,611	31,368
Abroad	23,475	22,347
Total	**55,086**	**53,715**
Abroad in %	43	42

Employees by business area at Dec. 31 *

	2007	2006
Commercial Vehicles	36,591	36,206
Diesel Engines	7,383	6,862
Turbo Machinery	4,011	3,545
Industrial Services	4,687	4,879
Other industrial investees	1,854	1,654
MAN Shared Services	361	365
MAN AG	199	204
MAN Group	**55,086**	**53,715**

* incl. temporary employees (2006 data restated)

Headcount up

At December 31, 2007, the MAN Group employed a workforce of 55,086 persons, up 1,371 from 53,715. In Germany, the headcount edged up 0.8 percent, abroad it climbed 5.1 percent. Of the total workforce, 43 percent have their jobs outside of Germany.

By scaling up the number of temporary employees, we also greatly improved workforce flexibility given the sharp rise in production. At December 31, 2007, the MAN Group had a total 4,031 temporary employees (up from 3,425). The number of employees with limited-term contracts advanced by 21 percent to 3,500 at December 31, 2007.

Pension system

The pension system, groupwide substantially the same, is based on a defined contribution plan under which each employee's contributions are linked to annual pay. When going into retirement, instead of current pension payments, employees receive the pension capital (including interest) that has accumulated through their interest-bearing contributions, either in one sum or on an annuity basis. The pension plan for officers and executives within the MAN Group is based on a capital sum and provides that the postretirement capital sum paid out is linked to the performance of certain investment fund indexes.

At the end of 2007, with the approval of BaFin (the Federal Financial Supervisory Authority), MAN Pensionsfonds AG was incorporated, a separate company to which MAN AG and participating group companies assigned a fully externally funded pension obligation volume of about €850 million for around 26,000 pensioners. Major obligations of the MAN Group from closed pension systems which are confined to the payment of life annuities have thus been bundled transparently in one company.

Pensioners benefit from their pension claims having been fully backed by capital and being directly enforceable against the corporate pension fund. The MAN Group remains liable as debtor in default for the pension obligations assigned. In addition, company pensions continue unchanged to be secured by the statutory insolvency insurance via PSVaG, a mutual pension trust fund.

After adding another €699 million in fiscal 2007 to the capital cover of German pension obligations, the market value of €1,381 million of the special pension fund (including the pension plan assets) covers 92 percent of the German pension obligations of €1,501 million.

Most of the non-German pension obligations are funded externally in full, some are even outcovered. No special endowments were provided in the period.

SUSTAINABILITY MANAGEMENT

The MAN Group's continued long-term growth is based on sustainable economic success. We are thus committed to ensuring that the conditions for profitable operations can be sustainably guaranteed in future.

These conditions are marked not only by the economic environment but also by environmental and societal issues. Only in an intact environment and with the acceptance of society have we been able to operate successfully in the past and will we be profitable in the future. Due to increasingly alarming reports the debate about climate change has been pushed to the forefront of the sustainability issue. As a group whose core competence is transport-related engineering, we are aware of our special responsibility. It is the aim of our sustainable corporate management 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 longstanding tradition of seeking to interlink environmental and economic issues and practicing sound corporate citizenship. This is especially true with regard to CO_2 emissions, which are playing a prominent role in the current debate on climate change.

We incur a large proportion of our R&D expenses for improving the environmental efficiency of our products while maintaining their technological supremacy. Here are just a few examples of our innovative resources geared to sustainability: in the Commercial Vehicles business area our TGX and TGS truck series achieve ambitious environmental targets. We are busily engaged in further developing the common-rail engines already in use in compliance with future emission limits and intend to bring these engines on the market as soon as possible. With their low fuel and lubricant consumption, our engines rank among the most eco-friendly and economical commercial vehicle engines in the marketplace. We have also achieved further improvements in our marine diesel engines: equipped with electronic control and common-rail technology, these big diesel engines now consume about a quarter less fuel than 25 years ago, have much lower emissions and are thus ready for the increasingly demanding requirements of the International Maritime Organization (IMO). In the Turbo Machinery business area, we have the core technological components to produce synthetic diesel fuels or zero-CO_2 fuel from biomass. This represents an attractive future market for us, combining both environmental and economic interests. Moreover, we signed up to the international 3C Combat Climate Change Initiative in 2007, which is striving to reduce climate-damaging emissions worldwide.

We have made good progress on issues relating to corporate citizenship in recent years as well. With our vocational training programs well beyond MAN's own requirements we offer young people the opportunity to acquire a skilled trade. We have also expanded our contacts with universities through the MAN Campus Initiative aimed at attracting talented top graduates. And, we are adopting new methods in our relationship with our workforce: so as to offer skilled women improved employment prospects we are intensively exploring issues related to child-care provision and an improved work-life balance. In addition, we have also made a commitment to substantially increase the still low proportion of women in managerial positions.

In our relaunched and updated mission statement we stipulate our responsibilities to our key stakeholders—customers, investors, employees, and society as a whole. The mission statement, based on our corporate values of reliability, innovation, dynamism and openness, is put into concrete terms by a code of conduct, which is binding on all MAN Group employees. The code of conduct describes in more detail the basic conditions, outlined in the mission statement, governing our operations while demonstrating how our corporate values can be implemented in our daily activities. A Compliance Board, assisted by external ombudspersons, ensures that this code of conduct is adhered to. With these tools we are continuing to guarantee that our actions comply with the principles of good corporate citizenship.

These few examples prove that we are serious about our strategy of sustainable corporate governance. This strategy is supported by our leadership concept of industrial governance, which underlines our commitment to an up-to-date corporate culture. Detailed examples, facts and figures on our sustainability policy are summarized in our sustainability report, which can be requested or downloaded at www.man.eu.

This sustainability report continues our comments on issues affecting the environment and society. We also perceive the report as a commitment to our sustainable corporate governance system which we will continue to enact. After all, we can only prove successful when society and the environment are in good health. In pursuit of such goals we rely on the support of our stakeholders and are confident that, backed by this strategy, MAN will continue to do business in a style that reconciles sustainability and profitability.

THE BUSINESS AREAS

Commercial Vehicles

The markets of relevance to Commercial Vehicles maintained their momentum in 2007 and we sustained our growth strategy by branching out within C&E Europe and Russia and winning additional market shares in Western Europe. Order intake rose 26 percent to €12.7 billion, up over the high year-earlier €10.1 billion. At €1,039 million (up from €698 million), Commercial Vehicles reported for the third time running an all-time high in operating profit. Thanks to the bulging order books, 2008 is expected to once again show solid progress..

Commercial Vehicles

€ million	2007	2006
Order intake	12,684	10,103
thereof Trucks	10,996	8,604
thereof Buses	1,688	1,499
Unit order intake	127,345	97,336
thereof Trucks	119,112	90,120
thereof Buses	8,233	7,216
Net sales	10,410	8,685
thereof Trucks	9,023	7,212
thereof Buses	1,387	1,473
Vehicles shipped out	100,609	87,160
thereof Trucks	93,260	79,822
thereof Buses	7,349	7,338
Headcount *	36,591	36,206
Operating profit/(loss) **	1,039	698
thereof Trucks	1,023	632
thereof Buses	(13)	38
thereof Financial Services	30	28
ROS in %	10.0	8.0

* Headcount incl. temporary employees at December 31
** 2007 incl. €1 million from consolidation between MFI and Trucks

Economic environment
Unit sales of trucks within Europe rose 6.8 percent, from 397,000 to 424,000 in 2007 (in terms of EU enlargement, these figures are comparable). Commercial Vehicles raised its truck shipments by altogether 16.8 percent worldwide. The repeated sharp gain in order intake resulted also from revved-up demand outside Europe. Within Europe, we lifted our share of trucks of over 6 t by 0.2 percentage points to 16.1 percent. Our like-for-like share of the European bus market slipped from 15.0 to 14.9 percent.

Despite global economic uncertainties we are confident regarding further demand trends, especially since we expect unabated momentum from C&E Europe and the CIS.

Business trend
Order intake by Commercial Vehicles mounted 26 percent to €12.7 billion. New orders for trucks surged 28 percent from €8.6 billion to €11.0 billion. The number of trucks ordered climbed from 90,120 to 119,112 (up 32 percent). A breakdown of order influx reflects the successful rollout of the heavy-duty TGX and TGS models. Order intake at Buses climbed 13 percent, from €1.5 billion to €1.7 billion, a total of 8,233 units being ordered (up from 7,216).

With 100,609 shipments (up 15 percent) for the first time we delivered over 100,000 units (93,260 trucks, 7,349 buses) within a year. Sales at Commercial Vehicles rose 20 percent or €1.7 billion to €10.4 billion. Of this addition, €512 million resulted from the sale of leased vehicles from MAN Finance's pool to Hannover Mobilien Leasing GmbH. Excluding this one-off effect, the sales increase at Commercial Vehicles was 14 percent. Whereas Trucks business grew 25 percent to €9.0 billion (excluding the sale of leased vehicles, by 18 percent), sales at Buses fell 6 percent to €1.4 billion. At year-end 2007, orders on hand at MAN Nutzfahrzeuge amounted to €6.3 billion (up 49 percent from €4.2 billion).

Our truck plants in both Germany and abroad were very busy. The beginning of October 2007 saw the start-up of the highly automated assembly plant near Kraków, Poland, set to build 15,000 trucks in single-shift operation as early as 2008.

Operating profit
Earnings again surged. At €1,039 million, Commercial Vehicles achieved its best ever operating profit, 49 percent over the high prior-year €341 million. ROS rose from 8.0 to 10.0 percent. This repeated operating profit improvement is the outcome of higher volumes and substantial efficiency enhancements.

At Trucks, we raised our operating profit €391 million (up 62 percent) to €1,023 million, bringing the ROS to 11.3 percent (up from 8.8). Factors in this ongoing improvement are the very high capacity utilization and productivity progress as well as more favorable margins. Buses reported an operating loss of €13 million (down from a €38 million profit). The reasons for this were, in particular, poor capacity utilization, high warranty costs, and deteriorated margins. This prompted us back in the first half of 2007 to draw up a restructuring plan which burdened the nonrecurring result with €185 million (for details, see p. 101, *Reconciliation from operating profit to net income*). Together with the €13 million operating loss, Buses weighed on EBT in 2007 with a loss of €198 million.

Employees
At December 31, 2007, Commercial Vehicles had a workforce of 36,591 (including 2,443 temporary). 20,541 (up from 20,966) were employed in Germany, 16,050 (up from 15,240) abroad. At the close of the period, the number of apprentices totaled 2,127 (up from 2,101), the proportion rising slightly from 5.8 to 5.9 percent.

Research and development, capital expenditures
During the period, R&D expenditures added up to €234 million (up from €215 million), equivalent to 2.2 percent (down from 2.5 percent) of sales. The R&D departments employed a workforce of 1,709 (down from 1,737) worldwide.

We intend to advance our technological leadership and continue to set standards in terms of quality, safety, and respect for the environment. Numerous trailblazing technologies which we have developed for passenger and goods haulage, relate to emission standards and alternative modes of propulsion. We are the only commercial vehicle builder with engines between 150 and 480 HP (DIN) all with exhaust gas recirculation (EGR) and PM-Kat® according to existing Euro 4. In the heavy-duty range starting from 320 HP, we can supply SCR technology as from October 2009 in compliance with Euro 5. The new V8 with 680 HP is Europe's most powerful standard-production commercial vehicle engine. The first of these, also complying with Euro 5 additive-free and with EGR, had their public premiere in 2007.

Buses, just as Trucks, will comply with Euro 4 using the zero-additive EGR formula with PM-Kat. On the basis of this, Euro 5 solutions have been developed and these are already in standard production for local buses on regular service and, combined with a particle filter, will even fulfill the again stricter EEV requirements. For tourist coaches, such engines will come into series production in 2008.

At the moment we are the leading supplier of natural-gas buses besides running our hydrogen buses in Berlin traffic conditions. Still being researched yet already on the road are our series hybrid buses plus the 7.5 to 12-t local distribution trucks featuring parallel hybrid propulsion. Brake-energy recovery on these vehicles allows significant fuel and emission reductions.

Most recent developments in driver-assistance systems are moving from comfort-promoting to safety-relevant features as exemplified by the subject of emergency braking that presently commands priority. At the threshold of conceptual completion is a system that alerts the driver to impending emergencies. Also under research is a downstream version allowing timely braking response. To achieve our research goals we are closely examining such underlying issues as driver attention measured as a realization of the respective traffic situation.

At €357 million, capital expenditures were 2 percent up. A major item on the bill was the construction of a new assembly plant in Niepolomice near Kraków, which accounted for a total €99 million. In 2007, work also started on expanding capacities at the Nuremberg engine plant and this will cost altogether €72 million.

Another expenditure focal point is the Munich location which up to 2009 is being systematically enlarged into a main production plant. In 2007, we also started work on the construction of new head-offices and an engineering center.

Developments ahead
Commercial Vehicles is rigorously enacting its international growth strategy. Our original goal of selling as from 2010 annually at least 100,000 trucks will probably be reached as early as 2008. It is our intention to significantly lift our truck shipments in future, too. In the market for heavy trucks with over 18 t GVW, we have now launched the TGX and TGS models as successors to the successful TGA series. A jury of international trade jour-

nalists conferred the industry's most coveted award Truck of the Year 2008 on these new models. Completing our cost-effective highly dependable and modern product line-up at the lower end of the market are the TGL and TGM series. For regions outside of Europe, we have engineered two additional series: the new Cargo Line, being built in India specifically for the needs of the Asian and African markets, and the TGA Worldwide primarily destined for C&E Europe. Our two engine ranges, the D08 Common Rail and the D20 Common Rail plus the new D26 Common Rail are the market's most modern truck and bus engines.

The restructuring measures we have planned will inject profitability into our bus business. The production of complete buses destined for local public transportation will be relocated to Poland, the assembly of bus chassis will be restructured, and a major portion of central functions concentrated in Munich. These measures took effect at the start of 2008 and will this year and thereafter substantially enhance earnings.

Given the generally hospitable economic climate prevailing at present and the tall order backlog we expect for 2008 once again good business progress at a rate that repeatedly outpaces the market. Above and beyond this, our strategic target regions are CIS, India, and China. With a view to promoting international growth and hence securing our long-term profitability, we opened in 2007 our Polish truck plant near Kraków and are pushing ahead with our Indian truck affiliate. At Buses, our efforts in 2008 will be chiefly directed at bolstering profitability. We will progress with the efficiency enhancement programs launched and hence arrive at structural improvements and a productivity hike.

In order to further sharpen our profile toward customers and more effectively exploit earnings potentials, we began in 2007 to realign on a worldwide scale our sales organization and invest in the expansion of our distribution and service network. Parallel to these efforts, are closely focused activities aimed at raising customer satisfaction. We are confident that by rigorously pursuing these plans we will continue to show successful progress and further polish our profitability.

Diesel Engines

Demand for diesel engines was again most buoyant in 2007. Developments in global trading meant that demand for ships remained vigorous. At the same time, many countries were investing in diesel power plants. Given these trends, Diesel Engines once again succeeded in topping a very high prior-year order intake. Sales mounted 21 percent from €1.8 billion to €2.2 billion. The operating profit rose thanks to the appreciably larger sales volume and the resulting high capacity utilization at the production plants, to €313 million, a 37-percent hike. Given the very tall order backlog and the projects for integrating all parts of the company as well as for restructuring the production network, we expect 2008 to see yet another rise in sales and operating profit.

Diesel Engines

€ million	2007	2006
Order intake	3,371	2,619
thereof Two-Stroke	953	659
thereof Four-Stroke	2,418	1,960
Net sales	2,179	1,802
thereof Two-Stroke	650	576
thereof Four-Stroke	1,529	1,226
Operating profit	313	229
thereof Two-Stroke	144	106
thereof Four-Stroke	169	123
Headcount *	7,383	6,862
ROS in %	14.4	12.7

* Headcount incl. temporary employees at December 31

Economic environment

Contrary to the expectations of most experts, 2007 showed another increase in the number of ships ordered and this, in turn, meant for us yet another record 12 months. China's appetite for commodities led to record freight rates for bulk cargo freighters and unleashed a torrent of new orders. Also in strong demand were container, conventional freight, passenger and ferry vessels. Demand for ships employed by the offshore sector stabilized at a high level. The shipbuilding centers were once again located in Asia, especially South Korea, followed by China and, well behind, Japan. Shipyard order books are brimful through 2010.

The repeated global surge in energy consumption again fueled demand for our energy production plant. We are also benefiting from the trend in favor of smaller, locally installed power plants. Gas has gained in significance as a primary source of energy. The sharp rise in oil prices and acuter environmental awareness are factors compelling ship and power plant builders to develop even more efficient solutions.

Business trend

A spillover of the brimming order books at the shipyards was strong demand for our marine diesel engines with the result that even the very high 2006 order intake was topped. Despite steep oil prices and the repeated erosion of the dollar, order intake for stationary engines was again strong. The power plants are designed for operation by both public utilities and a wide variety of industrial enterprises. A downside of the present market situation: delivery times in some cases stretching up to 2011.

Order intake at €3.4 billion was €0.8 billion up over the very high prior-year volume, order backlog swelling from €2.8 billion to €3.9 billion.

In the market for two-stroke marine engines, the Diesel Engines business area again achieved a share well above 80 percent, thus further expanding its unique position as the foremost developer of large low-speed diesel engines. Total orders on hand for our two-stroke engines at the licensees was equivalent to around 80,000 MW at the end of 2007—enough to keep production busy over the next three years. Deserving special mention are orders for several K98 14-cylinder engines which given the capacity of around 115,000 HP, are presently the most powerful diesel engines sold worldwide and are intended for supersized container ships.

The order situation for four-stroke medium-speed diesels was likewise most congenial, both as propulsion units and for powering onboard equipment. An outstanding contract was for the propulsion of the world's biggest offshore multipurpose vessel Pieter Schelte. Measuring 360 m in length and 117 m in width, this specialty ship will be fitted with nine engines from the new 32/44 CR series delivering a total 95 MW. The first order was placed for the 51/60 DF diesel-gas engine series. Five 8-cylinder engines delivering a total 40 MW will be installed on a liquefied-gas tanker operated by a Spanish shipping line. Other important applications for our 4-stroke engines included midsized container vessels, oil and specialty tankers, RoRo/ferry vessels, cruise ships, dredges, as well as offshore tugboats and supply vessels.

Contracts concluded for four-stroke power plant diesel engines likewise were well above the prior-year level. Highlights included orders for two power plants for Brazil and Pakistan requiring together 19 large V48/60 engines outputting a total of about 360 MW. Other important sales regions were North and Central America, the Caribbean Basin, and Western Europe, this latter prioritizing biofuel engines. The 32/40PGI and 51/60DF rollouts will make easier for us to share in the gas-engine growth market.

If we consider the total medium-speed engine market of over 0.5 MW including both marine and stationary power generating units, with a market share of 34 percent, here, too, we are leaders.

Within a market characterized by further economic growth, the MAN Diesel Group at its European locations in fiscal 2007 booked orders for 796 four-stroke engines with a total output of 3,990 MW. Of this output, 73 percent is destined for marine applications. During the same period, our licensees sold altogether 3,973 four-stroke engines with a total output of 4,898 MW.

Operating profit

The operating profit at Diesel Engines rose thanks to the advance in sales volume and the resulting high capacity utilization from €229 million to €313 million (up 37 percent). ROS at 14.4 percent (up from 12.7 percent) was well above the 12.5 percent for years of economic boom (average benchmark of 8.5 percent with an economic cycle-related bandwidth of 4 percent).

Employees

At December 31, 2007, the MAN Diesel Group employed a workforce of 7,383 (including 546 temporary). Accounting for the extra headcount were alongside the first-time consolidation of the Indian company, additional hirings at Augsburg. In order to cope with the tall order backlog and enhance flexibility, we repeatedly resort to temporary labor, limited-term employment contracts and flexitime arrangements. With its international operating environment, outlays for advancing employee skills and the establishment of new locations, Diesel Engines is an attractive employer.

Research and development, capital expenditures

A substantial share of expenditures in fiscal 2007 went toward the restructuring of the business area's diverse production plants into a global production network. In particular, funds during the past period were invested at Saint-Nazaire, France, in order to provide the capacities necessary for the production of the V48/60 engines. Heavy expenditures were also allocated to injection component production facilities.

In order to expand our aftermarket business, we acquired in 2007 from PON Holdings B.V. the diesel-engine related operations of MAN Rollo B.V., The Hague and Zoetermeer, Netherlands, and MAN Rollo Belgium N.V., Antwerp. Services companies were also established in Panama, Italy and Latvia and bases opened in Spain, Sweden, Brazil, Australia, and the United States.

Also accentuated during the period was the development of the 51/60 DF dual-fuel engine for liquefied-gas tankers, its certification by the classification societies representing an important milestone. Since April 2007, we have had the first order for five engines of this type. Additionally, we have applied our efforts toward fine-tuning our engines in terms of fuel consumption, performance, and emission reduction. Associated with such activities is the launch of additional versions with common-rail injection and innovative systems such as the variable nozzle ring and multistage turbocharging. We have also made further progress with regard to the flexible use of fuels. Our big four-stroke engines will run on vegetable oils, frying fat and animal fats. A power plant has placed an order for our two-stroke engines to be operated on vegetable oil.

Developments ahead

Propelled by the very tall order backlog and projects for integrating all MAN Diesel units as well as restructuring the production network, we expect 2008 to once more show rising sales and another hike in operating profit. The workload at the international shipyards is again extremely good. Although the trend is for a slight departure from the all-time high, the expected level over the months ahead will remain very robust. Regarding order intake in 2008, we generally expect stabilization at a still high level. In addition to freighters, feeder, container and cruise vessels, our marketing efforts will be directed in particular at LNG tankers, the offshore and naval sectors.

Worldwide rising energy consumption will sustain demand for stationary diesel, gas and biofuel engines at a high level for some time. We also expect growth from expanding business in turnkey power plants and further stepping up our entire aftermarket operations. The greatest challenge presently confronting the MAN Diesel Group is for the contracted engines to be shipped out in good time. In the medium term, the European production network currently being woven will play a major role in reducing the lead times for the engines we build ourselves.

Turbo Machinery

Turbo Machinery again expanded its operations in 2007. At €1.5 billion, order intake once more matched the very high year-earlier level. Sales surged 22 percent or €200 million. The operating profit mounted to €104 million, ROS reached 9.4 percent (up from 7.8 percent).

Turbo Machinery

€ million	2007	2006
Order intake	1,454	1,498
Net sales	1,108	908
Operating profit	104	71
Headcount *	4,011	3,545
ROS in %	9.4	7.8

* Headcount incl. temporary employees at December 31

Economic environment
Despite extended delivery times, demand for turbo machinery and drive turbines was sustained. Repeatedly, Asia was the geographical focal point, with business operations again branching out on the Chinese market. Demand was again vigorous on the European market.

Business trend
New orders matched the very high year-earlier magnitude, a period largely influenced by the Shell Pearl megaproject. Order intake was strong both for new plant and in the service business. We again raised orders booked from the chemical/petrochemical, fertilizer and air separation sectors. Again vigorous sales of steam and gas turbines as compressor drive units cemented our position as single-source suppliers. We also raised shipments of generator steam turbines for energy production using biomass and waste incineration. Profit margins from new equipment again showed marked improvement. The acceleration of our marketing activities, started up in the previous period, enabled us to increase our service business, too.

The expansion of our capacities pushed up sales by 22 percent in 2007. Sales reached €1,108 million (up from €908 million). For 2008, we are planning for a further increase with a view to downsizing the tall order backlogs and shortening the lengthy delivery periods. Capacity expansions will play a decisive role in this regard. In the area of purchasing, steps were also taken for shortening delivery periods at our subcontractors and these will likewise take effect over the coming year and lead to rising sales.

Waves of incoming orders outpacing sales due to capacity bottlenecks impelled order backlog to €1.7 billion by year-end, 23 percent or €0.4 billion over the prior-year total. Bulging order books and the negotiated delivery dates will keep all locations busy, in some cases beyond 2008.

Operating profit
This jumped from €71 million to €104 million thanks to added sales, improved margins, and the enormous workloads. ROS rose from 7.8 to 9.4 percent.

Employees
The headcount was again raised to cope with the towering order backlogs, by 466 to 4,011 (including 401 temporary). The growth plans envisage further gains in 2008. At December 31, 2007, the German locations had a workforce of 2,815, the non-German 1,196. The German, Swiss and Italian locations employed 197 youngsters serving apprenticeships in blue, gray and white-collar trades (up from 177). HR efforts focused on integrating the newly hired employees. Topstart is a project comprising a guide for superiors during new-employee induction. In-company and external courses were stepped up and intensified. In order to tie undergraduates to the company at an early stage we have devised a program that provides support for those engaged in university studies parallel to their jobs.

Research and development, capital expenditures

As in the previous year, demand continued unabated for gas-to-liquid (GTL) and other (xTL) liquefaction technologies. The necessary products at both the steam turbine and turbo compressor ends call for heavy R&D outlays since the plants are growing bigger and bigger. MEGA 160 is an ambitious program devised by Turbo Machinery that is beginning to bear fruit. The prototype for a new generation of industrial axial compressors was successfully tested. Existing ranges were significantly upgraded by applying new technologies for maximum achievable pressures and mass flows. The MEGA league requires, moreover, steam turbines with much higher performances. Such machines are only manufacturable using state-of-the-art technologies. Highly advantageous in this context is the steam turbine modular system developed by Turbo Machinery.

Of growing importance in the oil and gas industry is the tapping of deposits hitherto hardly used and the more efficient exploitation of existing resources. Turbo Machinery's response is to develop high-pressure compressors of up to 1,000 bar. For the first time such a machine was successfully tested during the past period as were newly engineered underwater compressors. The high-frequency motor built into these compressors demonstrated its operability in the course of an extensive test program. Tapping virgin oil and gas fields also requires small gas turbines. An important step in this direction was taken with the development and testing of a new gas turbine compressor. These are efforts that will cement for us our worldwide supremacy in such equipment.

One aspect of the ongoing public debate on CO_2 emissions and their impact on the climate is the haulage and storage of CO_2, and for this purpose turbo machinery is required. For the first time, newly developed standardized gear components were tested for the CO_2 compressors.

Repeated project-independent development work combined with ongoing market intelligence enables Turbo Machinery to come up with timely and marketable attractive products for more and more applications.

The business area pressed ahead with its growth plans launched in 2006 for upscaling capacities. Work started on a new production facility in China as well as on new buildings and extensions at Oberhausen, Deggendorf and Zurich with a view to boosting production and testing capacities. On the manufacturing front, newly acquired machinery will enhance our productivity. The expenditure program will run on into the new period for a substantial advance in sales. On completion of the building and start-up of the machinery, production will commence at Turbo Machinery's plant in China around Q3/2008. The business area also started out on the construction of a service workshop at the Oberhausen location in 2008 which in time will turn into a competence center for repair work in Europe, thus enabling us to fully exploit growth potentials in the aftermarket. The Hamburg location is revamping its turbine vane manufacturing facility in order to cope with the heavier workload. This, we expect, will lead to much shortened throughput times.

Developments ahead
With the market still congenial, we are confident of booking in 2008 orders at the level of the two preceding periods. Business is expected to again rise especially in oil and gas products as well as air separation equipment. Aftermarket activities will once more be stepped up in order to increase our share of servicing work on our own machine population and our proportion of service contracts. In all, demand is likely to remain strong for all types of equipment and from all regions.

For 2008 we are planning to again hire employees, especially at the new production plant in China. This, combined with another increase in manufacturing and testing capacities, will help us shrink the order backlog, avoid delivery delays, and further shorten lead times.

Rising sales and widened margins will bring about a higher operating profit both in absolute and ROS terms. Ongoing process optimization, cost-reduction initiatives and further product standardization will trigger another accelerated gain in operating profit over the years ahead.

Industrial Services

Industrial Services continued the strong progress of the previous year. Sales climbed 5 percent to €1.4 billion, the operating profit improved from €119 million to 179 million. At €1.6 billion (down from €2.0 billion) order intake again topped sales. ROS surged from 8.6 to 12.4 percent.

Industrial Services		
€ million	**2007**	**2006**
Order intake	1,556	1,982
thereof Projects	849	1,352
thereof Services	707	630
Net sales	1,445	1,379
thereof Projects	694	747
thereof Services	751	632
Operating profit	179	119
Headcount *	4,687	4,879
ROS in %	12.4	8.6

* Headcount incl. temporary employees at December 31

Business trend

The entry into the growth market of energy and fuels has again sharpened the international profile of Industrial Services. Alongside our focus on the traditional markets such as petrochemicals and conventional power plant construction, we are developing a promising foothold in the market for renewable energies. A joint venture founded in 2007 together with Solar Millennium will develop and implement solar-thermal plant projects. Through additional partnerships we have also secured for ourselves exclusive access to key technologies in this sector. Renewable fuel sources are other markets in which our activities are pressing ahead.

Order intake at Projects in 2007 fell from €1,352 million to €849 million, due to the extraordinarily high year-earlier order influx as a consequence of the AUM project in Trinidad as well as, in certain cases, a more critical screening of potential projects. Among our most important customers were, especially, petrochemical companies and the power-generating industry.

Sales at Projects added up to €694 million (down from €747 million). The construction of a methanol plant in Oman was successfully completed. From Venezuela we booked a megacontract for an ammonia complex worth €379 million and modeled on our Trinidad deal. Work has started according to schedule. Also progressing according to plan is the AUM complex in Trinidad, booked the previous period.

International service business proved favorable in 2007, with order intake climbing 12 percent, from €630 million to €707 million. As a consequence, sales jumped from €632 million to €751 million. Triggering this improvement, among other factors, was the decision to supplement our range of high-price machinery with an additional segment for marketing mid-priced equipment of Asian origin. We have thus succeeded in accessing new groups of customers that, in time, can be weaned to the high-price segment.

Operating profit

Industrial Services' operating profit mushroomed 50 percent from €119 million to €179 million, especially due to our equity interests in the methanol and ammoniac complexes; operating profit from service business likewise showed a sharp improvement. ROS jumped from 8.6 to 12.4 percent.

Employees

As a company engaged in project development and project management, human resources are our most important asset. Hence the priority we attach to professional personnel management and development. So far 57 employees in and outside of Germany have obtained certification as part of an internationally recognized project management program. Employees also have the option of selecting from a broad range of recognized courses. The headcount fell by 192 to 4,687 (including 512 temporary).

Developments ahead

A majority stake in our steel trading business was sold in 2007 to CCC Steel GmbH & Co. KG, Hamburg. The new company came on stream as of January 1, 2008, under the name of Coutinho & Ferrostaal GmbH & Co. KG. Industrial Services holds a 33.33-percent interest in this new limited partnership which will command a leading position in international mill-independent steel trading. With 320 employees at 56 locations in 34 countries, the partnership is budgeting sales in the region of €2.1 billion for 2008. The central locations in Hamburg, Houston and Essen will continue. The merger of CCC Steel and Ferrostaal Metals represents a milestone toward improving the competitive position within a global environment.

As part of our efforts to expand capacity in handling large-scale plant construction projects, we acquired the Portuguese company Koch de Portugal. Its longstanding experience particularly in power plant construction, dovetails outstandingly with our own capabilities.

The establishment of international MAN Houses is proceeding according to plan. Alongside the shared facility opened in Mexico the year before, MAN Houses were opened in Beijing, Dubai and Lima in 2007. Further ones will follow in Moscow, Mumbai and elsewhere in 2008.

Given the inquiries presently being processed, we expect for 2008 growing order intake and advancing sales. In order to achieve a leading position in the rapidly growing market for renewable energies, we intend to expand our activities in the solar power and biofuel sectors.

Others/Consolidation

€ million	2007	2006
Order intake	309	365
thereof RENK	439	417
thereof shared services/ consolidation	(130)	(52)
Net sales	366	275
thereof RENK	430	356
thereof shared services/ consolidation	(64)	(81)
Headcount *	2,414	2,223
thereof RENK	1,854	1,654
thereof shared services	361	365
thereof MAN AG	199	204
Operating profit	95	(12)
thereof RENK	68	38
thereof MAN AG and shared services	(41)	(68)
thereof Scania dividend	43	–
thereof investee Roland (at equity)	24	12
thereof consolidation	1	6

* Headcount incl. temporary employees at December 31

Others/Consolidation (which consolidates the earnings from the RENK industrial subsidiary, MAN AG plus its shared services companies and includes the prorated earnings from the MAN Roland stake and the Scania dividend) improved its performance thanks in particular to RENK, the first-time collection of the Scania dividend, and the absence of the prior-year one-off costs and expenses.

RENK slightly upped its prior-year all-time high in order intake to €439 million, with Large-Gear Units maintaining a strong market position. Orders for Drive Elements/ Slide Bearings again picked up appreciably. By making the most of existing capacities RENK managed to raise sales 21 percent to €430 million; the operating profit climbed 80 percent to €68 million on account of busy production plants, further productivity improvements and a general upgrade in profit margins. ROS reached 15.7 percent (up from 10.5 percent), an all-time high. With order books bulging RENK expects business in 2008 to continue at the high level of 2007.

Separate financial statements of MAN AG

Prepared in accordance with German Commercial Code ("HGB") provisions, MAN AG's separate financial statements are summarized below. The full financial statements (in German) are available from MAN AG or downloadable from our website: www.man.eu

Results of operations

€ million	2007	2006
Net investment income	1,033	639
Remaining pretax P/L, net	(157)	(136)
EBT	**876**	**503**
Income taxes	(379)	(169)
Net income	**497**	**334**
Transfer to reserves retained from earnings	(34)	(40)
Net earnings	**463**	**294**

MAN AG's EBT soared in fiscal 2007 by €373 million to €876 million, substantially thanks to the surging investment income in the wake of the greatly booming operating business areas and the divestments. The remaining pretax loss is the net balance of general administrative expenses, net interest income and other income and expenses. The €210 million rise in income tax expenses is largely ascribable to those for prior periods and MAN AG's higher taxable income.

After transferring €34 million to the reserves retained from earnings, MAN AG reports net earnings of €463 million. The Company's Executive and Supervisory Boards will propose to the annual stockholders' meeting on April 25, 2008, to distribute per share a total cash dividend of €3.15 (up from €2.00).

Asset and capital structure, financial position

€ million	2007	2006
Fixed assets	2,909	2,878
Current assets	3,597	2,983
Total assets	**6,506**	**5,861**
Equity	2,216	2,013
Financial liabilities	3,444	3,208
All other liabilities and accruals	846	640
Total capital	**6,506**	**5,861**

Most fixed assets comprise investments.

Current assets mainly include the intragroup finance receivables and the cash and cash equivalents which originate from MAN AG's central group financing system, as do the financial liabilities which have been incurred by MAN AG to centrally fund the Group, their rise chiefly resulting from higher total of cash, cash equivalents, and securities.

In the year under review, the pension accruals for eligible employees and the related security assets were assigned and transferred to newly incorporated MAN Pensionsfonds AG.

Additional information

The rules governing the appointment and removal of MAN AG's Executive Board members as well as the amendment of the Bylaws conform with the law.

The principles of the compensation system for Executive and Supervisory Board members are described in the Board Compensation Report, an integral part of the management report for the purposes of Art. 315 HGB. For the itemized breakdown of each board member's compensation, see Notes (35) and (36) to the consolidated financial statements.

At December 31, 2007, MAN AG's workforce numbered 199 including temporary employees (down from 204).

RISK REPORT AND PROSPECTS

Risk management

Doing business entails a constant exposure to risks. We define risk as the danger that certain events, decisions or actions prevent the Group from achieving defined goals and/or successfully implementing certain strategies. For us, this means seizing opportunities only if we can expect a reasonable addition to MAN's value. Any undertaking consciously accepts risks in order to exploit opportunities surfacing on the market. However, such a policy is only affordable with a risk management system that is effective and tailored to the needs of the business operations.

Risk management within the MAN Group is an inherent component of the various business, business-planning and controlling mechanisms. Together, strategic corporate planning, the internal reporting system and, since 2007, the group ombudsman constitute the core elements of the risk management system. Among the objectives of the strategic planning progress is the early identification and assessment of long-term risks and rewards for the purpose of adopting structural measures. Additionally, the internal reporting system is designed at all levels of the Group to supply up-to-date and relevant information concerning the status of major risks. These elements were supplemented in 2007 with the institution of a group ombudsman for assisting management in identifying in good time any compliance-related risks and responding appropriately.

Our Industrial Governance system is such as to employ local decision-making mechanisms at MAN combined with a risk management system organized in a parallel manner. Despite this, some kind of uniform and standardized framework is necessary and assured by MAN's risk management manual which has groupwide applicability. This contains binding rules for identifying, recording, analyzing, assessing, controlling and monitoring any significant risks within the MAN Group. The risk-related principles and policies it contains ensure groupwide common understanding of risk management. Risks and rewards are identified and quantified quarterly, and discussed and evaluated at review meetings attended by the Executive Board and Corporate Controlling. Where necessary, adequate action is initiated. The Supervisory Board is periodically briefed on the MAN Group's risk position. On the basis of a standardized risk catalog, all of the business areas are required to conduct (at least) quarterly updated risk assessments. Uniformly defined risk areas and evaluation parameters allow the Group to spot risks and, at an early stage, identify and contain any accumulating major risks. The introduction of threshold values for each business area ensures that risks are adequately subdivided into four categories commensurate with the business area's size.

It is up to each business area's management to make sure that the group companies are integrated into the risk management system so that within the areas risk management is practiced according to our principles. Throughout the business areas we have installed risk boards authorized to exercise control and monitoring functions within the MAN Group. These are staffed by representatives from financial, engineering, and legal departments plus the operating units. The job of the risk boards is to identify and assess, in their respective areas, hitherto unidentified risks as well as to initiate and follow up on any risk-control measures and mechanisms.

Internal Auditing and the statutory auditors are responsible for reviewing the workability of the MAN Group's risk management system. The system also explores continuously any possibilities of fine-tuning its mechanisms and improving the processes, data management and reporting tools deployed.

Risks and rewards

In line with the organization of the MAN Group's risk management system, the following comments explain the significant risk and reward categories that might severely impinge on the asset and capital structure, financial position, or results of operations. In the Risk Management Manual and risk reporting systems, they are broken down into market, product, process, human resources, and finances.

Market
The global business climate during the past year was clouded by the emergence of new imponderabilities. Accumulating mortgage repayment problems in the US

property market led to property price adjustments in the United States and liquidity problems for a number of banks. Moreover, years of US balance-of-payment deficits have eroded the value of this nation's currency. In addition, still strong demand on the part of the emerging markets has fueled commodity and food prices, thus entailing the risk of further inflation. For the MAN Group, exchange rate trends might stifle demand in those economies that are tied to the dollar. These risks would be aggravated if exchange and interest rate trends were to jeopardize the economy in our own core European markets. In contrast, rising interest rates and credit restrictions imposed by the banks provide us with an opportunity to bolster customer loyalty through financing terms and conditions in the commercial vehicle market. The strained commodity markets are leading to profit margin risks throughout MAN's business areas wherever rising purchase prices are not downloadable onto customers. There is also the risk of bottlenecks occurring in the supply of parts. In the medium term, nonetheless, the worldwide rise in haulage mileages and volumes, capital expenditures on the part of the oil and gas industries and innovative challenges posed by trends in global climate politics are seen to offer opportunities for profitable growth throughout the Group. Through measured expansion of our sales and distribution networks in the growth markets we are attempting to expand sales potentials and thus effectively absorb short-term risks triggered by economic cycles.

Products

As a leading supplier in the market for advanced technology, the MAN Group develops products of foremost engineering and cost efficiency which are then launched onto their markets in outstanding quality. Any deviation from this policy would mean an irresponsible risk of market share shrinkage. Nonetheless, the rollout of new products is tied to certain conceptual and market uncertainties which we counter through careful strategic planning processes that scrutinize trends in the markets and corporate environment. The resulting product plans are used for controlling our extensive R&D efforts. R&D outlay by the manufacturing areas has for years now ranged between 3 and 4 percent of sales by these areas. The TGX and TGS market launches by Commercial Vehicles in 2007 demonstrated that these risks can successfully be circumvented; their successful rollout and the repeated Truck of the Year 2008 award point to the market opportunities open to these models.

In the case of products already launched, there are certain quality risks. Since these products are essential to the smooth functioning of various industries and trouble-free overland and sea haulage, any shortcomings can cause considerable loss or damage. Substandard quality may result in obligatory or nonobligatory (goodwill) warranty costs and/or, in the long run, an erosion of market share or margins. In extreme cases, product liability and compensation claims are conceivable. Identifying and containing such risks is a process commencing right from the product gestation phase at MAN. Our standardized product gestation process ensures that only well-functioning and reliable product concepts are approved for downstream development. Suppliers and their products are required to undergo a strict approval process in order to ensure compliance with our high quality standards. After production start-up, defined quality assurance measures within the production process make sure that manufacturing defects are identified and remedied in good time while when the products themselves are subsequently in operation, together with the service shops any defects are collected, analyzed, and then eliminated. Forthright communication with our suppliers and customers minimizes, where possible, quality-related risks.

Finally, MAN as a manufacturer of capital goods is exposed to risks due to the often extended period between order and delivery. Such risks may, on the one hand, be of a political or economic nature if there is a change in the general market conditions under which a megacontract is being handled. Other sources of risk are contractual, such as buyback and warranty obligations. Buyback obligations at Commercial Vehicles represent a risk whenever the future cash inflow from the sale of used vehicles substantially falls short of expectations entertained at the time the contract was signed. Financing guaranties are part of the Industrial Services business model and cover a wide array of obligations under funding-related bonds or guaranties. These, however, are often covered by third-party guaranties or, where in the form of downpayment bonds, by prepayments received from customers. By meticulously scrutinizing the standing before and after furnishing a guaranty or bond, we have to date been able to keep defaults at a minimum.

Processes

We perceive the repeated rehoning of our processes and mechanisms in R&D, Purchasing, Production, Sales, and Administration as a central and never-ending challenge since any deficiencies lead to excessive capital employed and hence financial risks. Moreover, overstocked inventories regularly entail loss through shrinkage and/or the need to scrap. Too high receivables entail the risk of default. In order to alleviate these risks the MAN Group in 2007 introduced a groupwide and all-embracing optimization project in order to arrive at improvements and lastingly reduce the Group's financing needs. The project has already resulted in the first improvements in terms of materials scheduling and A/R management.

Plant construction and megaproject handling are businesses exposed to special risks including contracting deficiencies, miscosting, post-contracting changes in the economic and technical parameters and poor performance on the part of consortium partners. We address these risks through comprehensive project and contract controlling. Industrial Services, for instance, deploys a special instrument kit to ensure a systematic and comprehensive risk management system right from the bidding phase. This also involves powerful simulation techniques. Megaprojects are additionally scrutinized and assessed by MAN Corporate Controlling and submitted to MAN AG's Executive Board for approval. Should any approved contracts depart significantly from budget or plan they are monitored in a special reporting system for critical contracts.

As in any modern enterprise, the MAN Group's processes largely rely on IT systems which, besides promoting efficiency, also harbor risks. Parts of the system may fail as a result of accident, disaster, malfunction or technical defect, thus impinging on a wide variety of business processes. Unauthorized access is also a risk as are theft and the destruction of business information. Following the spin-off of MAN IT Services GmbH we started in 2007 to harness the potential synergies from the spin-off. We also commenced the systematic introduction of service management processes according to ITIL (IT Infrastructure Library) in order to inject added transparency and reliability into the IT infrastructure.

MAN Internal Auditing regularly reviews the extent to which the risk avoidance measures are efficiently implemented. The latest hardware and software ensure uninterrupted data availability and protection from unauthorized access. Modern data backup procedures abate any risk of total loss. Any potential Internet threat to the operability of our systems is combated by the latest and most efficient data security mechanisms.

Employees

Our highly qualified specialists and managerial staff, who set technological standards with MAN products, represent an essential success ingredient. HR rewards are tied to the skills, international focus and innovative capabilities of our employees who are developing continuously improved products, services, and processes. The risks, on the other hand, surface whenever key positions cannot be staffed in line with our future requirements, especially within the context of globalization and growth. We therefore need a holistic attitude toward talent management. With the aid of a variety of personnel marketing efforts we have succeeded in tying to our group outstanding specialists and managers. Next year we will focus on positioning the MAN Group even more strongly as an attractive place for people to work. Such a reputation helps us in reverting worldwide to the human resources we require. Filling leadership vacancies from within our own ranks is another aspect of our efforts to promote our global growth strategy. As part of its internationalization strategy, the MAN Group will in future concentrate on promoting intercultural talents in the ongoing training of its specialists and managerial staff.

Our employees work around the world in their efforts to negotiate and conclude transactions on behalf of MAN. Any misconduct on their part may tarnish MAN's reputation while possibly eroding assets and profitability. These considerations prompted MAN back at the start of 2006 to adopt a Code of Conduct for its employees and to set up a Compliance Board. Additionally, two external ombudspersons were appointed in 2007 and entrusted with the role of examining and assessing, in particular, suggestions of possible misconduct by employees and, wherever such suspicions are founded, of forwarding the matter for further handling to MAN's Compliance Board. Steps were also intensified to train employees, especially in sales, in questions and procedures regarding compliance with existing laws. Compliance with the Code of Conduct is being monitored by Corporate Controlling and in 2007, this issue was a focal point in audit planning.

Finances

The financial functions of the MAN Group and its operating companies are handled centrally by MAN AG.

One key task is to ensure cash supplies sufficient for short-term cash requirements, based on a 3-tier financial plan for the MAN Group. Liquidity and finance requirements are estimated as part of the triennial corporate plan, supplemented by rolling quarterly financial budgeting for the succeeding four quarters, and fine-tuned by estimating short-term cash requirements for three months.

When investing any liquidity reserves, we generally incur the risk that a bank's failure also results in the loss of invested funds. We therefore focus our surplus cash investments on conservative instruments, distributing them among several financial institutions (all well-reputed and of prime credit standing).

Varying exchange rates may impact on the prices for goods and services as well as on profit margins. The MAN Group generally hedges all firm customer contracts, its own foreign-currency purchase orders and other transactions against currency risks. Hedges are also contracted for budgeted or planned sales from standard-production business and high-probability forecasted transactions with customers. Despite these efforts we remain exposed to a certain residual risk if timing or amount of customer payments departs from budgeted sales.

Currency risks also emanate from the repercussions of exchange rate volatility on the purchasing power of our customers. Adverse forex trends may produce short-term losses in the markets concerned. In the long term, MAN endeavors to market, notwithstanding current exchange rates, competitively priced products and services through the ongoing enhancement of efficiency and productivity.

Adverse effects may also result from capital market rates. To absorb or contain such risks, we contract caps or floors, thus hedging, in particular, our customer financing arrangements which, as a rule, are made at fixed interest rates.

Financial derivatives and other hedges are exclusively contracted via MAN's Group Treasury and are subject to stringent internal controls. We confine our currency and interest rate risk management to the use of marketable instruments for the sole purpose of hedging current underlyings and, to some extent, forecasted transactions, never for any speculations.

The manufacture of our products consumes substantial quantities of commodities and other raw materials. Unfavorable commodity market price trends or escalator clauses in supplier contracts could ensue in risks that may adversely affect our operating profit. Where material, such commodity requirements are covered by appropriate futures.

Operating worldwide, the MAN Group is exposed to a plurality of financial market risks which we manage through organizational procedures and suitable financial instruments.

Major strategic risks may arise from changes in our shareholding portfolio. Examples include M&A where certain assumptions underlying purchase pricing fail to materialize after the acquisition, such as when potential synergies cannot be harnessed.

Moreover, M&A transactions may alter the MAN Group's financing structures, thus potentially entailing higher financing costs and/or a narrower financial scope.

For the envisaged combination with Scania, we held 105,873,036 shares equivalent to 13.23 percent of Scania AB's capital stock and 15.57 percent of the voting rights as of December 31, 2007. This stake's current market value is substantially above historical cost but is subject to stock market volatility and may entail the need for write-down. However, any such decline in fair value would not affect operating profit but be recognized in equity only (accumulated other comprehensive income).

Counterparty and country risks are reduced by carefully selecting our transactions and counterparts as well as through appropriate contract and payment terms and conditions. Any residual risks are classed according to debtor standing and largely shifted or assigned to banks or insurers, using suitable hedging tools. Guaranty bonds are provided centrally by or through MAN AG to ensure that standardized and restrictive rules are observed. In this context, our attention is focused on the avoidance, wherever possible, of any unjustified enforcement of such bonds.

With a view to downsizing the accounting risks attaching to pension obligations, the MAN Group has externally funded parts of its pension liabilities and accruals by separating certain assets from its operating assets. These special pension plan assets are managed and administered by MAN Pensionsfonds AG (incorporated in 2007) and placed by external investment companies, based on the rules of a prudent investor. The fair value of such plan assets is nonetheless subject to the concomitances of interest rate and stock price swings.

Assessment of MAN's risk situation

On the basis of the risk management system set up by the MAN Group, the Executive Board notes that at the present time there are no perceivable risks that might have a material long-term adverse effect on the Group's asset and capital structure, financial position, or results of operations. The risk management system including the related organizational mechanisms enable the Executive Board to obtain early warning of any risk situation in order to take adequate action.

In itself, risk management is a lasting and never-ending corporate activity that, naturally, is continuously undergoing development. For MAN this means that in 2008, we will again repeatedly hone our systems to match them to changing parameters. High significance will again be assigned to financial risk management and with this in mind, the contractual and technological risks inherent to our business operations will again be scrutinized with great vigilance.

Significant subsequent events

The January 2008 swap of further class B for class A Scania shares raised our voting interest to 17.01 percent while our shareholding remained at an unchanged 13.23 percent.

During the past weeks, the MAN Group has gone through a corporate rating process: The two agencies, Standard & Poor's and Moody's, have rated MAN at A– and A3, respectively. These grades place MAN among the 10 top-rated DAX industrial corporations. The rating grades assigned further improve the MAN Group's access to the capital market and will add to MAN's financial flexibility and a more diversified finance structure.

No other subsequent events occurred that are of material significance for the MAN Group and might result in a different assessment of MAN. Business in early 2008 has endorsed the statements made in the *Prospects* chapter.

Prospects

	2008
Order intake	➔
Sales	➚
Operating profit	➚
ROS	➔
ROCE	➔

Global economic trend
The general prospects for worldwide growth are jeopardized by the crisis on the financial markets and hence international economic growth in 2008 is currently forecasted at about 4 percent following the around 5 percent of 2007. What lies ahead will largely be influenced by how quickly the US economy succeeds in overcoming its property and financial market crises and to what extent the Asian and C&E growth markets manage at least in part to compensate for weak US demand.

Current forecasts envisage a GDP growth for the eurozone of just under 2 percent and for Germany around 1.5–2 percent following the 2.5 percent of 2007.

The prospects for the capital goods markets continue bright and demand for transport services and hence commercial vehicles is likely to remain robust. In other markets of significance to MAN, propulsion and energy, we also count on a continuation of strong demand. Over the period ahead it is especially important to be able to respond to economic trends with the necessary flexibility.

Order intake and sales
Assuming that the global economy develops as forecasted in 2008 we expect the congenial capital goods market to continue. Given the already towering order backlog throughout the business areas and the related, in some cases very lengthy, delivery periods, we expect order intake in 2008 to match the prior year's volume.

Sales by the MAN Group in 2008 are expected to again advance, also due to the tall order backlog, by over 5 percent above the 2007 figure of €15.5 billion.

Returns, operating profit
This year we expect another rise in the MAN Group's operating profit and an ROS on par with the strong performance of 2007, with the biggest advance once more being reported by Commercial Vehicles, the other manufacturing areas raising their operating profit, in some cases appreciably. Both EAT (€1,225 million in 2007) and EpS (€8.24 in 2007) will decelerate compared with the operating profit due to the absence of 2007's nonrecurring income.

Long-term growth strategy
We will press ahead along the path of growth and, parallel to rising revenue, further fine-tune the flexibility of our cost structures. This will enable us to actively respond to economic and demand fluctuations without jeopardizing our long-term growth goals. The growth regions for Commercial Vehicles are C&E Europe, the Middle East, and parts of Asia. Diesel Engines will vigorously expand worldwide its four-stroke diesel engine business, especially for stationary applications, while Turbo Machinery will again implement its growth plans for a sustainable high business volume. Industrial Services will benefit from focusing on its key activities and strong presence on international expansion markets.

Throughout the manufacturing areas an additional emphasis, besides extending new business, will be a significant strengthening of aftermarket business.

Capital outlays, R&D, procurement
Fiscal 2007 saw major outlays directed at the ongoing revamping of production and, especially the planned growth at Commercial Vehicles, Turbo Machinery, and Diesel Engines. Capital expenditures in 2008 will match the year-earlier magnitude of €536 million (excluding the purchase of Scania stock), with emphasis on further rationalization and adapting capacities to growing business. The budgeted amounts are fully fundable from our cash flow from operating activities.

R&D is of elementary significance for MAN since we are required to address with repeatedly refined engineering solutions the challenges set by markets and legislators. At the same time, R&D is not an end in itself but rigorously aimed at generating competitive advantages for our customers. Given these considerations, our R&D efforts spotlight such issues as advancing our commercial vehicle and diesel engines for enhanced performance, fuel efficiency and emission abatement, developing our truck and bus models, and improving our turbo machinery product range. In comparison to the €433 million in 2007, the R&D budget for 2008 will show a slight increase.

In order to sustain the success of our purchasing efforts and achieve further synergies, our common purchase-pooling strategy will be expanded in 2008 to systematically embrace further international supply sources.

Cash flow
In 2008 we will continue boosting our cash flow from operations by turning the unfaltering uptrend of our operating profit into net cash provided from operating activities, raising it to a level well above that of 2007 and supported by the groupwide working capital enhancement program. We will readjust our business process fine-tuning in order to further downscale the capital employed in inventories and receivables, the budgeted sales upthrust notwithstanding.

Workforce
The number of employees in the MAN Group will remain in the region of 2007 (around 55,000).

Imponderabilities in Prospects
The above forward-looking statements and information are based on our present expectations and certain assumptions. As a consequence, they harbor a series of risks and uncertainties. There are numerous factors, many of them beyond our control, that impact on our business operations and their results. These factors may mean that the actual performance and results shown by the MAN Group are widely at variance with the predictions stated.

250 years

Power for Nature . . . Power from Nature

M.A.N. farm tractors have been a legend for decades. As early as in 1916, MAN already drew up blueprints for a one-person vehicle with a single-axle tow trailer unit. It wasn’t until 1938, however, when the AS 250 went into production, that the compression-less, direct injection diesel was used in a 50-horsepower farm tractor capable of pulling a four-wheel trailer. MAN continues to operate in nature. MAN Ferrostaal and MAN Turbo, for example provide technology essential for the production of biomass-based synthetic diesel fuel.

MAN CONSOLIDATED FINANCIAL STATEMENTS 2007

MAN GROUP: CONSOLIDATED INCOME STATEMENT FOR FISCAL 2007

		MAN Group		Industrial Business *		Financial Services *	
€ million	**Note**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Net sales		**15,508**	**13,049**	**15,508**	**13,049**	**–**	**–**
Cost of sales		(11,936)	(10,161)	(11,936)	(10,161)	–	–
Gross margin		**3,572**	**2,888**	**3,572**	**2,888**	**–**	**–**
Other operating income	[8]	1,073	609	899	416	174	193
Selling expenses		(911)	(813)	(903)	(806)	(8)	(7)
General administrative expenses		(749)	(679)	(732)	(666)	(17)	(13)
Other operating expenses	[9]	(1,246)	(950)	(1,123)	(805)	(123)	(145)
Net P/L from investees carried at equity	[18]	76	42	71	42	5	–
Income from financial investees	[19]	98	8	99	8	(1)	–
EBIT		**1,913**	**1,105**	**1,883**	**1,077**	**30**	**28**
Interest income	[10]	33	43	33	43	–	0
Interest expense	[10]	(94)	(125)	(94)	(125)	0	0
EBT		**1,852**	**1,023**	**1,822**	**995**	**30**	**28**
Income taxes	[11]	(631)	(273)	(627)	(265)	(4)	(8)
Net result of discontinued operations	[7]	4	175	4	175	–	–
Net income		**1,225**	**925**	**1,199**	**905**	**26**	**20**
Minority interests		9	7	9	7	–	–
Net income after minority interests (EAT)		**1,216**	**918**	**1,190**	**898**	**26**	**20**
Basic (undiluted) EpS of continuing operations in €	[12]	**8.24**	**5.05**	**8.06**	**4.92**	**0.18**	**0.13**

* The breakdown into Industrial Business and Financial Services is not obligatory for IFRS reporting purposes and therefore unaudited.

MAN GROUP: STATEMENT OF CHANGES IN COMPREHENSIVE INCOME 2007

€ million	**2007**	**2006**
Currency translation differences	(38)	(30)
Change in fair value of securities and financial investments	454	73
Change in fair value of financial derivatives	15	6
Actuarial gains on pensions	112	35
Actuarial gains on accruals for accumulated termination indemnities	8	0
Defined benefit asset (excess cover) acc. to IAS 19:58	(7)	0
Offset of unrealized gains/losses from divestments	–	28
Proratable deferred taxes	(70)	(11)
Pretax gains/losses directly recognized in equity, net	**474**	**101**
Net income	**1,225**	**925**
thereof OCI released to net income	4	–
Comprehensive income	**1,699**	**1,026**
thereof minority interests	9	7
thereof MAN stockholders	**1,690**	**1,019**

For more equity details, see also Note (24) below.

MAN GROUP: CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2007

ASSETS		MAN Group		Industrial Business *		Financial Services *	
€ million	**Note**	**12/31/2007**	**12/31/2006**	**12/31/2007**	**12/31/2006**	**12/31/2007**	**12/31/2006**
Intangible assets	[15]	324	439	322	438	2	1
Tangible assets	[16]	1,772	1,649	1,770	1,559	2	90
Investment properties	[17]	37	77	37	42	–	35
Shares in investees carried at equity	[18]	354	196	349	196	5	–
Financial investments	[19]	1,912	1,400	1,910	1,399	2	1
Assets leased out	[20]	1,801	2,395	1,074	1,590	727	805
Deferred tax assets	[11]	522	697	516	692	6	5
Other noncurrent assets	[23]	169	145	143	145	26	0
Noncurrent assets		**6,891**	**6,998**	**6,121**	**6,061**	**770**	**937**
Inventories	[21]	3,279	3,032	3,239	2,983	40	49
Trade receivables	[22]	3,705	2,987	2,557	2,324	1,148	663
Income tax assets		47	25	47	25	–	–
Assets of disposal groups	[7]	13	244	13	244	–	–
Other current assets	[23]	706	798	629	596	77	202
Short-term securities		254	0	254	0	–	–
Cash & cash equivalents		1,266	1,162	1,240	1,147	26	15
Current assets		**9,270**	**8,248**	**7,979**	**7,319**	**1,291**	**929**
		16,161	**15,246**	**14,100**	**13,380**	**2,061**	**1,866**

* The breakdown into Industrial Business and Financial Services is not obligatory for IFRS reporting purposes and therefore unaudited.

MAN GROUP: CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2007

EQUITY & LIABILITIES		MAN Group		Industrial Business *		Financial Services *	
€ million	**Note**	**12/31/2007**	**12/31/2006**	**12/31/2007**	**12/31/2006**	**12/31/2007**	**12/31/2006**
Capital stock		376	376				
Additional paid-in capital		795	795				
Retained earnings		3,643	2,731				
Accumulated OCI		334	(144)				
Stockholders' equity		**5,148**	**3,758**	**5,025**	**3,622**	**123**	**136**
Minority interests		29	21	29	21	–	–
Total equity	[24]	**5,177**	**3,779**	**5,054**	**3,643**	**123**	**136**
Noncurrent financial liabilities	[25]	405	1,678	149	1,334	256	344
Pension obligations	[26]	132	946	130	943	2	3
Deferred tax liabilities	[11]	451	441	435	408	16	33
Other noncurrent accruals	[27]	467	509	467	509	0	0
Other noncurrent liabilities	[28]	1,019	1,354	1,019	1,352	–	2
Noncurrent liabilities and accruals		**2,474**	**4,928**	**2,200**	**4,546**	**274**	**382**
Current financial liabilities	[25]	1,562	430	1,172	327	390	103
Payables/(receivables) from intragroup financing		–	–	(975)	(1,086)	975	1,086
Trade payables		1,805	1,602	1,560	1,513	245	89
Prepayments received		2,031	1,557	2,029	1,557	2	–
Current income tax liabilities		649	409	649	409	0	0
Liabilities of disposal groups	[7]	–	95	–	95	–	–
Other current accruals	[27]	1,121	1,006	1,112	998	9	8
Other current liabilities	[28]	1,342	1,440	1,299	1,378	43	62
Current liabilities and accruals		**8,510**	**6,539**	**6,846**	**5,191**	**1,664**	**1,348**
		16,161	**15,246**	**14,100**	**13,380**	**2,061**	**1,866**

* The breakdown into Industrial Business and Financial Services is not obligatory for IFRS reporting purposes and therefore unaudited.

MAN GROUP: CONSOLIDATED CASH FLOW STATEMENT

	MAN Group		Industrial Business *		Financial Services *	
€ million	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
EBT	1,852	1,023	1,822	995	30	28
Current income taxes	(548)	(383)	(527)	(378)	(21)	(5)
Cash earnings of discontinued operations	6	15	6	15	–	–
Amortization/depreciation/write-down of noncurrent assets (other than assets leased out)	425	328	424	311	1	17
Change in pension obligations	5	19	5	19	0	0
Undistributed P/L of investees carried at equity	(78)	(44)	(73)	(44)	(5)	–
Dividends received from investees	–	6	–	6	–	–
Other noncash income and expenses, net	(1)	(1)	(1)	(1)	–	–
Cash earnings	**1,661**	**963**	**1,656**	**923**	**5**	**40**
Change in inventories	(303)	(266)	(310)	(225)	7	(41)
Change in prepayments received	465	364	463	364	2	0
Change in trade receivables	(558)	(355)	(263)	(142)	(295)	(213)
Change in trade payables	176	177	18	200	158	(23)
Change in assets leased out	592	(85)	514	40	78	(125)
Change in customer payments for assets leased out	(569)	(78)	(569)	(78)	–	–
Change in income tax assets/liabilities, net	222	305	222	305	0	0
Change in other accruals	93	(47)	93	(40)	0	(7)
Change in other assets	82	(189)	(1)	(138)	83	(51)
Change in other liabilities	282	73	294	72	(12)	1
Elimination of the net gain/loss from fixed-asset disposal	(93)	(57)	(93)	(57)	–	0
Other changes in working capital	59	(28)	65	(30)	(6)	2
Net cash provided by/(used in) operating activities	**2,109**	**777**	**2,089**	**1,194**	**20**	**(417)**
Cash outflow for additions to tangible/intangible assets	(478)	(446)	(475)	(430)	(3)	(16)
Cash outflow for additions to investments	(286)	(1,214)	(284)	(1,214)	(2)	0
Cash inflow from fixed-asset disposal	256	111	256	103	0	8
Net cash used in investing activities of discontinued operations	(2)	(13)	(2)	(13)	–	–
Cash inflow from the disposal of discontinued operations and investees	84	233	84	233	–	–
Net cash used in investing activities	**(426)**	**(1,329)**	**(421)**	**(1,321)**	**(5)**	**(8)**
Free cash flow from operating and investing activities	**1,683**	**(552)**	**1,668**	**(127)**	**15**	**(425)**

	MAN Group		Industrial Business *		Financial Services *	
€ million	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Free cash flow from operating and investing activities	**1,683**	**(552)**	**1,668**	**(127)**	**15**	**(425)**
Intragroup dividend distribution	–	–	46	17	(46)	(17)
Dividend payout	(297)	(203)	(297)	(203)	–	–
Change in securities	(254)	170	(254)	170	–	–
Change in noncurrent financial liabilities	(1,255)	1,336	(1,189)	1,312	(66)	24
Change in current financial liabilities	928	(222)	850	(216)	78	(6)
Change in intragroup finance	–	–	(30)	(437)	30	437
Special endowment of pension plans	(702)	(363)	(702)	(363)	0	–
Net cash (used in)/provided by financing activities of discontinued operations	33	(4)	33	(4)	–	–
Net cash provided by/(used in) financing activities	**(1,547)**	**714**	**(1,543)**	**276**	**(4)**	**438**
Net change in cash & cash equivalents	**136**	**162**	**125**	**149**	**11**	**13**
Opening cash & cash equivalents	**1,162**	**1,019**	**1,147**	**1,009**	**15**	**10**
Consolidation-related change in cash & cash equivalents	(51)	(10)	(51)	(2)	0	(8)
Parity-related change in cash & cash equivalents	16	(6)	16	(6)	0	0
Separately capitalized cash & cash equivalents of discontinued operations	3	(3)	3	(3)	–	–
Closing cash & cash equivalents	**1,266**	**1,162**	**1,240**	**1,147**	**26**	**15**

* The breakdown into Industrial Business and Financial Services is not obligatory for IFRS reporting purposes and therefore unaudited.

The cash flow from operating activities includes the cash inflow from interest of €57 million (down from €58 million), as well as the cash outflow for interest of €107 million (down from €126 million) and for income taxes paid at €341 million (up from €113 million).

NOTES TO MAN'S CONSOLIDATED FINANCIAL STATEMENTS

Bases

(1) General

MAN AG is a listed corporation headquartered in Munich, Germany. With its four core business areas of Commercial Vehicles, Diesel Engines, Turbo Machinery and Industrial Services, the MAN Group is one of Europe's leading engineering groups, generating annual sales of €15.5 billion (up from €13.0 billion) and employing a worldwide workforce of some 55,000 including about 4,000 temporary employees (up from a headcount of 54,000, including around 3,500 temporary employees).

The present consolidated financial statements of MAN AG for the fiscal year ended December 31, 2007, have been prepared according to the provisions of Art. 315a German Commercial Code ("HGB") and hence conform with the International Financial Reporting Standards (IFRS, which includes the International Accounting Standards, or IAS) of the International Accounting Standards Board (IASB) which require application in the European Union under the terms of IAS Regulation (EC) 1606/2002 of the European Parliament and Council. On January 29, 2008, the Executive Board resolved to release the consolidated financial statements for submittal to the Supervisory Board.

With a view to deepening the insight into the MAN Group's asset and capital structure, financial position and results of operations, MAN has additionally broken down the consolidated financial information into Industrial Business and Financial Services. Industrial Business covers all MAN Group companies other than the MAN Finance Group's. Within the MAN Group, MAN Finance mainly transacts sales financing business for Commercial Vehicles. For enhanced transparency, the balances from eliminating intragroup transactions between Financial Services and Industrial Business have been assigned to the latter segment.

The consolidated financial statements have been prepared in euros (€), the Group's reporting currency, all amounts being shown in million euros (€ mill.) unless otherwise stated.

(2) Consolidation and valuation of investments

(a) Investments in general

MAN AG's investments (i.e., shareholdings) encompass shares in subsidiaries, joint ventures, associated affiliates, and financial investees.

Subsidiaries are investees whose financial and business policies can be controlled by MAN AG, either according to their articles of association or equivalent or under an intercompany or other contractual agreement. For virtually all such investments, this control is based on the majority of voting rights which are directly or indirectly held by MAN AG. Special-purpose entities in which MAN AG does not hold a voting majority are nonetheless consolidated if MAN AG beneficially controls such entities.

Joint ventures are investees which are under the joint control of MAN AG and one or more venturers. Joint control is predicated on a contractual agreement.

Associated affiliates are investees on which MAN AG can exert significant influence through its power to participate in the investee's financial and business policies. As a rule, any voting interest of 20–50 percent is deemed tantamount to significant influence.

Financial investments are any other investees.

(b) Subsidiaries

Consolidated companies

The consolidated financial statements include MAN AG as the parent and all its consolidated subsidiaries. Subsidiaries acquired during the fiscal year are included *pro rata temporis* (p.r.t.) as from the date at which control over their financial and business policies is transferred, while those disposed of during the fiscal year are excluded from consolidation as from the date of their disposal.

Number of consolidated companies:	Germany	Abroad	Total
Included as of December 31, 2006	**61**	**91**	**152**
Newly included in fiscal 2007	5	13	18
Excluded in fiscal 2007	3	9	12
Included as of December 31, 2007	**63**	**95**	**158**

No significant shares in subsidiaries were acquired in 2007, the initially consolidated ones primarily referring to newly formed companies or existing ones that started their business operations.

Disposals chiefly included the sale and transfer of MAN Ferrostaal's Steel Trading unit to CCC Steel GmbH & Co. KG, Hamburg. In the new limited partnership, Coutinho & Ferrostaal GmbH & Co. KG, MAN Ferrostaal holds a 33.33-percent interest. In addition, sales subsidiaries of MAN Nutzfahrzeuge in France and Belgium were contributed to MAN Region West B.V., Vianen, Netherlands.

Major investees are listed on pages XX. A complete listing of the MAN Group's shareholdings has been prepared separately and will be published as required by the law.

Consolidation methods

The purchase method is used for capital consolidation. For first-time consolidation purposes, the book values of identified assets and liabilities (including contingent liabilities) of the acquiree are stated at fair value. Any residual positive difference (i.e., the net prorated equity of the acquiree under cost) is allocated to the appropriate MAN division as cash-generating unit (CGU) and separately capitalized as goodwill. The CGU including the assigned goodwill is tested for impairment at least once annually and, if found impaired, written down to its current fair value. When a subsidiary is disposed of, its proratable goodwill is duly accounted for to determine the net gain or loss from disposal.

Intercompany accounts (profits, gains, losses, income, expenses, receivables, payables) among companies included in the consolidated financial statements, as well as intercompany profits/losses from intragroup transfers of inventories and noncurrent assets, are all eliminated. Deferred taxes are recognized for consolidation transactions if affecting the income statement.

(c) Investees carried at equity

These include associated affiliates and joint ventures and are capitalized at cost. Subsequently, MAN's share in the profits or losses generated after the acquisition date is recognized in the income statement. Any other changes (such as currency translation differences) in the equity of associated affiliates and joint ventures are recognized in, and only in, equity. Intercompany profits/losses from business transacted between MAN companies and associated affiliates or joint ventures are eliminated pro rata from the P/L of such affiliates or JVs.

Any goodwill arising from the acquisition of an associated affiliate or joint venture is reflected in such investee's book value. When an associated affiliate or joint venture is disposed of, its proratable goodwill is duly accounted for to determine the net gain or loss from disposal.

(d) Financial investees

If a publicly quoted market price or other reliably determinable fair value exists, financial investments are carried at such value; if not, they are stated at cost. Financial investees stated at cost are tested for impairment wherever certain facts hint at a potential impairment, and if found impaired, written down accordingly, the impairment loss being recognized in the income statement.

(e) Currency translation

Transactions in foreign currency are translated at the historical rates. In subsequent periods, monetary assets and liabilities are measured at the current rate, the resulting unrealized gains/losses being recognized in the income statement. Nonmonetary assets or liabilities stated at cost in a foreign currency are translated at the historical rate.

The functional-currency method is used to translate the financial statements of non-Euroland subsidiaries and associated affiliates. The functional currency of subsidiaries is that used in their primary economic environment and corresponds virtually throughout to their local currency. However, certain subsidiaries use the euro (albeit not their local currency) as their functional currency.

Balance sheet lines are generally translated at the current closing, and income statement captions at the annual average, rates. The annual average rates are generally derived from the monthly means.

In the fixed-asset and accruals schedules and the statement of changes in equity, the fiscal year's opening and closing balances as well as consolidation group changes are translated at the applicable current rates, while for the remaining lines, the annual average rates are used for translation. Differences from the prior-year currency translation of balance sheet captions are recognized in equity only (OCI).

The euro (€) exchange rates of major currencies are as follows:

	Current rate of €1 at		Average rate of €1 in	
	12/31/2007	**12/31/2006**	**2007**	**2006**
US dollar	1.4721	1.3170	1.3733	1.2573
Pound sterling	0.7334	0.6715	0.6847	0.6825
Danish krone	7.4583	7.4560	7.4512	7.4592
Swiss franc	1.6547	1.6069	1.6439	1.5746
Swedish krona	9.4415	9.0404	9.2480	9.2678
Polish złoty	3.5935	3.8310	3.7848	3.9008
Japanese yen	164.9300	156.93	161.7742	146.05
South African rand	10.0298	9.2124	9.6496	8.5604
Canadian dollar	1.4449	1.5281	1.4697	1.4202

(3) Accounting principles

Except for certain financial instruments which are stated at fair value, the consolidated balance sheet is prepared on the basis of (purchase or production) cost. The consolidated financial statements are based on MAN AG's and its subsidiaries' financial statements, which are all governed by MAN-wide uniform accounting and valuation methods.

(a) Revenue recognition

Sales are realized as and when the underlying products or goods have been delivered or the services rendered and after risk has passed to the customer, always net after all such sales deductions as cash and other discounts, allowances granted to customers, etc. Sales are not recognized unless the amount is reliably determinable and the receivable's collection reasonably certain.

Revenue from customized (or dedicated) manufacturing contracts is recognized on a percentage-of-completion (PoC) basis, see subnote (i) hereof for details.

Sale transactions where an MAN company incurs a buyback obligation at a predetermined value are not accounted for as sales in full but pro rata, distributed over the period up to buyback date, and recognized as operating leases.

If the sale of products includes a specifiable sum for future services (so-called multiple contract), the revenue allocable to such services is deferred and amortized to income pro rata of the services rendered over the contract term.

(b) Operating expenses and income

Operating expenses are recognized when the underlying products or services are utilized, whereas expenses for advertising and sales promotion and other sale-related expenses are recognized when incurred. Cost of sales breaks down into the production cost of goods sold and the purchase cost of merchandise sold. In addition to direct materials and direct labor, production cost also comprises production-related overheads, including the depreciation of production plant and equipment and write-down of inventories.

We provide for accrued warranty obligations when the products are sold. Research expenses are directly charged to income. Interest and other cost of debt are expensed in the period.

Financial Services revenue from (capital and operating) leases is shown as other operating income. Correspondingly, interest expense from refinancing leased assets is shown as other operating expenses.

(c) Intangible assets

Separately acquired intangible assets are capitalized at purchase cost. According to IFRS 3, intangibles acquired in a business combination are capitalized at fair value as of the acquisition date.

Finite-lived intangibles are amortized on a straight-line basis over their useful lives. The amortization range of software is mostly three years, while licenses and similar rights or assets are amortized over the agreed or contractual term of use. Intangible assets whose useful life cannot be determined (indefinite-lived intangibles) are not amortized but tested at least once annually for impairment. If found impaired, they are written down to their current fair value.

Expenses incurred for developing new products or series are capitalized (i) when the new products or series are found technically and economically feasible, (ii) when they have been scheduled for internal use or marketing, (iii) if the expenses can be reliably determined, and (iv) if sufficient resources are available for development project completion, any other R&D expenditures being directly expensed. Development expenditures are not capitalized unless future cash inflows are highly probable to recover them. Capitalized development costs are amortized as from the date of market rollout. Amortization is charged on a straight-line basis, as a rule over five to seven years (ten years within Diesel Engines). While a development project is still in progress, the accumulated capitalized costs are tested for impairment at least once annually.

(d) Tangible assets

Tangible assets are carried at historical (purchase or production) cost, less accumulated depreciation and, where appropriate, write-down. The production cost of internally manufactured tangibles includes all direct costs (labor and materials), as well as prorated indirect materials and indirect labor. If tangibles consist of significant identifiable components with different useful lives, such components are depreciated separately.

Unless subject to capitalization, maintenance and repair (M&R) costs are expensed, as are interest costs in the period of their incurrence.

Tangible assets are depreciated according to the straight-line method over their estimated useful lives.

The groupwide uniform asset depreciation ranges are based on the following useful lives:

	Years
Buildings	20 to 50
Land improvements	8 to 20
Production plant and machinery	5 to 15
Factory and office equipment	3 to 10

(e) Investment properties

Investment properties are real estate held for lease-out and/or capital appreciation. Like other tangibles, investment properties are carried at depreciated cost (i.e., historical cost less accumulated straight-line depreciation over their estimated useful lives, unless land), their fair value being reported in the notes—cf. Note (17)—as determined internally through generally accepted valuation techniques. The useful life of investment properties largely ranges between 5 and 25 years.

(f) Leasing, assets leased out

In capital asset leases (so-called investment leases), companies of the MAN Group are lessees. If a lessee bears substantially all significant risks and rewards associated with the leased asset's use, the underlying contract is treated as capital lease (*a.k.a.* finance lease). In this case, the lessee capitalizes the leased asset, and recognizes the corresponding financial liability, at (i) the present value of the minimum lease payments or (ii) the leased asset's fair value, whichever is lower. Any other leases where MAN companies are lessees are treated as operating leases, the lease payments thereunder being expensed.

Under customer financing leases for assets leased out, MAN Finance companies are lessors under either capital or operating leases, depending on the contract terms. Contracts under which MAN Finance keeps the leased asset after lease expiration, as well as sale contracts subject to a buyback obligation, are in the MAN Group accounted for as operating leases. The asset leased out is capitalized at cost and depreciated on a straight-line basis over the lease term or until bought back, whichever is appropriate.

(g) Impairment losses/write-down

Wherever any clues indicate that the book values of intangible or tangible assets, assets leased out or investment properties may be impaired, IAS 36 requires that an impairment test be conducted: first the amount recoverable for this asset is determined to identify the necessary write-down (if any). Recoverable amount is the higher of an asset's net fair value (i.e., fair value less costs to sell) or its value in use. Value in use is the present value of expected cash flows. Where no value in use is determinable for a specific asset, the amount recoverable for the smallest identifiable asset group (cash-generating unit, or CGU) to which the asset can be assigned is determined instead. If an asset's book value exceeds its recoverable amount, the asset is directly written down, this impairment loss being recognized as other operating expenses.

If subsequent to write-down, the asset's or CGU's recoverable amount rebounds, write-up is credited (and recognized in the income statement) up to the amortized or depreciated cost which would have been carried in the accounts had the impairment loss not occurred.

(h) Inventories

Inventories are stated at the lower of (purchase or production) cost or net realizable value. Production cost includes all manufacturing-related direct costs, as well as proratable fixed and variable indirect materials and indirect labor. The allocable overheads are mostly determined on a normal workload basis. General administrative and selling (GAS) expenses are not capitalized, nor are any debt interest costs. Raw materials and merchandise are generally priced at average purchase cost.

(i) Customized manufacturing contracts

Dedicated contracts for customized manufacture (or construction) are recognized according to the percentage-of-completion (PoC) method: Based on agreed revenues and expected contract costs, sales and cost of sales are recognized by prorating them at the PoC achieved by the balance sheet date. The contract progress, or PoC, is as a rule determined either on a cost-to-cost basis (i.e., from the ratio the costs incurred by the balance sheet date bear to the expected total contract costs), or on the basis of agreed milestones in cases where new and complex contracts are involved. In the balance sheet, the contract portions proratable according to such PoC are shown as trade receivables net after deducting customer prepayments.

Expected losses on customized manufacturing contracts (so-called onerous contracts) are immediately and fully expensed. Where the estimate of the outcome (P/L) of a PoC contract is not yet sufficiently reliable, revenue is recognized only at the amount of contract costs actually incurred.

(j) Straight financial instruments

Straight financial instruments mainly include trade receivables from customers, long-term loans, financial investments, securities, cash and cash equivalents, as well as financial liabilities and trade payables. Straight financial instruments are initially capitalized at fair value, which generally equals cost, i.e., the transaction price for consideration given or received.

In subsequent periods, straight financial instruments are carried at fair value or amortized cost, depending on the category to which they are assigned.

Loans and receivables held for purposes other than trading are generally carried at amortized cost less write-down. Write-down is charged for impairment losses where signs indicate the existence of any such loss. Within the MAN Group, this asset category primarily includes trade receivables from customers, the remaining receivables, and long-term loans. Non- or low-interest receivables with a remaining term above 6 months are discounted.

Monetary assets available for sale are carried at fair value; within the MAN Group, they basically include securities and financial investments. The difference between cost and fair value is recognized, after duly accounting for deferred taxes, in equity only within other comprehensive income (OCI). If the book value exceeds fair value over the long term or significantly, the corresponding impairment loss is charged as write-down in the income statement.

The fair value of securities corresponds as a rule to the stock market price. Non-listed and/or non-quoted financial investments whose fair value is not reliably determinable are carried at cost. An impairment test is conducted wherever facts indicate an impairment, any resulting impairment loss being charged as write-down in the income statement.

Assets held for trading are carried at fair value. If no market values are available, fair values are determined by means of adequate valuation techniques, such as DCF methods. Such straight financial instruments are, however, rarely found within the MAN Group.

Financial investments held to maturity are carried at amortized cost but exist within the Group in isolated cases only.

Financial liabilities (if straight) are carried at amortized cost.

(k) Financial derivatives
Financial derivatives (such as currency forwards or interest rate swaps) are largely used to hedge against currency or interest rate risks. Unless included in hedge accounting, financial derivatives are classified as held for trading.

Financial derivatives are measured at fair (market) value. The fair value of listed derivatives equals their positive or negative market value. Where no market values are available, we determine fair value by using generally accepted methods, such as DCF models or option pricing techniques. If their fair value is positive, financial derivatives are shown as assets and, if negative, as liabilities.

Fair value changes of derivatives held for trading are recognized in the income statement. For derivative financial instruments that bear a hedging relationship, the changes in fair value in the fiscal year are recognized in accordance with the hedge type.

As and when the IAS 39 hedge accounting criteria are met, MAN designates and documents the hedge as fair value hedge (FVH) or cash flow hedge (CFH).

An FVH hedges capitalized assets, recognized liabilities or unrecognized firm commitments against fair value changes. In this case, changes in the hedge's and the underlying's fair values are recognized in net income. If the hedge is perfect, these fair value changes (recognized in the income statement) virtually balance.

A CFH hedges capitalized assets, recognized liabilities, unrecognized firm commitments or high-probability forecasted transactions against the risks of cash flow tides. The effective part of a derivative's fair value change in a CFH is recognized in a separate equity line (OCI) after deducting deferred taxes, while the ineffective portion of the fair value change is reflected in the income statement. When the hedged transaction is recognized in the income statement, the proratable OCI is, too, by adjusting *net sales*.

Any financial derivatives failing to meet, or no longer meeting, the requirements for a hedging relationship are considered instruments held for trading, and for these, any differences from fair value remeasurement are immediately and fully recognized in the income statement.

For details of the MAN Group's hedging strategy and current notional volumes, see Note (32).

l) Deferred taxes
Deferred tax assets and liabilities are recognized for temporary differences between tax bases and book values, for consolidation transactions recognized in net income, as well as for tax loss carryovers. Deferred taxes are calculated at the tax rates current at December 31 for post-2007 assessment periods, in Germany, at 31.58 percent (down from 39.9).

Deferred tax assets are not recognized unless the attendant tax reductions are likely to materialize. Deferred taxes account only for those amounts of loss carryovers for which taxable income sufficient for realizing the deferred tax assets is expected in the future.

(m) Pension obligations

Pension obligations are determined according to the projected unit credit (PUC) method by measuring, and discounting to their current present value, the defined benefit obligations on the basis of the prorated entitlements acquired by employees by the balance sheet date, duly taking into account assumptions of the future trend of certain parameters that impact on future pension levels. Moreover, the fair value of plan assets is deducted from pension accruals. For measurement details, see Note (26).

Actuarial gains and losses are recognized in OCI only, after duly accounting for deferred taxes.

(n) Other accruals

The *other accruals* provide for all identifiable risks and uncertain commitments whose materialization is more likely than not, at the best estimate of the amount required for settlement. If the effect of interest is material, accruals are discounted at the market rate applicable to comparable risks. Accruals for obligations to be settled in kind are not discounted if valued at current prices.

Warranty accruals provide for the obligations on the basis of previously incurred warranty expenses, the warranty period and the sale of warranted products, as well as for specific warranties for known claims. Accruals for restructuring programs are recognized to the extent that a detailed formal restructuring plan has been prepared and communicated to those affected. Accrued costs yet to be billed and other business obligations are provided for at the best estimate of future cash outflows, as a rule the future production cost thereof.

Accruals for impending losses on onerous contracts are recognized if the unavoidable contract performance costs exceed the expected economic benefits from the contract.

(o) Noncurrent assets held for sale and discontinued operations

A noncurrent asset is classified as held for sale if it is to be realized mainly by disposal and not through its use in business or operations. Such assets are shown in a separate line at the lower of book value or net fair value (NFV, i.e., FV less costs to sell).

An organizational unit is classified as discontinued operation if (i) representing a major operation for the MAN Group and (ii) destined for disposal or already sold. Pending the closing of the sale, the assets and liabilities of a discontinued operation are shown as disposal group, valued at the lower of book value or net fair value and reported in separate lines of the balance sheet, cash flow statement, and income statement. Additional comments are made thereon in the notes.

For further details, turn to Note (7).

(p) Estimates and latitude

Preparing the consolidated financial statements requires certain judgment, estimates and discretionary decisions. Our estimates are based on empirical data and other relevant factors, as well as on a going concern. Accounting estimates and assumptions are made to the best of our knowledge and belief, with a true and fair view of the Group's asset and capital structure, financial position and results of operations in mind. Although valuation reasonably allows for identifiable uncertainties, future events may differ from such estimates. Accounting estimates and assumptions are periodically reviewed.

The following accounting estimates as of the closing date are of particular significance:

The goodwill impairment tests to be conducted at least annually require the projection of future cash flows and their discounting. These cash flows are based on forecasts predicated on financial budgets/plans approved by management, other key factors being the weighted average capital cost (WACC) and applicable tax rates.

Certain group companies (mainly the Industrial Services and Turbo Machinery segments) transact business in the form of manufacturing contracts to which the percentage-of-completion (PoC) method is applied. Revenue is recognized according to contract progress, measured as PoC. Depending on the PoC measurement method used, total contract costs, costs to completion, contract risks and other judgmental factors are among the key parameters of estimates.

Pension and similar obligations are measured using actuarial methods which, in turn, hinge on assumptions of discount rates, expected returns on plan assets, pay and pension trends, and mortality. A changed market or business environment may considerably impact on these actuarial assumptions, actual pension and similar obligations thus differing substantially.

Since the MAN Group operates in quite a number of countries it is also subject to a multitude of tax legislations and a plethora of different tax regulations. Actually expected income taxes as well as deferred tax assets/liabilities must be predicted for each corporate taxpayer, und this again calls for assumptions (such as the interpretation of complex tax regulations and the ability to earn sufficient taxable income, depending on tax type and jurisdiction). Any departure of actual assessments from assumed factors may affect tax expense or deferred taxes.

Depending on the underlying transaction, the measurement of certain other accrued liabilities and similar obligations may be sophisticated and require substantial judgment and a number of estimates. Management estimates of the probability and amount required for the settlement are, *inter alia*, predicated on empirical and available technical data, cost trend predictions, potential warranty claims, and the cash inflow from realization.

(4) Cash flow statement
The cash flow statement breaks down cash flows into those from operating, investing and financing activities. Effects of changes in the consolidation group and exchange rates are eliminated in the lines concerned. The net (forex) parity-related change in cash and cash equivalents is shown in a separate line. The indirect method is used to determine the cash flow from operating activities.

In the cash flow from operating activities, the noncash operating expenses and income, as well as the net gain/loss from fixed-asset disposal are all eliminated. Changes in assets leased out and in customer prepayments thereon are shown within the cash flow from operating activities. Cash earnings are shown in a separate line within this caption and represent the cash flow change attributable to the net income or loss for the year.

The cash flow from investing activities reflects the cash outflow for tangible/intangible assets and investments. This cash outflow is offset against the cash inflow from the disposal of tangible and intangible assets, investments, and discontinued operations. Cash and cash equivalents taken over are deducted from the expenditures for acquiring subsidiaries.

The cash flow from financing activities mirrors the cash dividends distributed, cash inflow from and outflow for securities, the financial liabilities redeemed or newly raised, as well as endowments provided for the pension plans.

Cash and cash equivalents are the same in both the cash flow statement and the balance sheet and include cash in bank (at segment level, also the receivables from MAN's intragroup finance transactions).

(5) Changed accounting methods, policies and rules
Newly applied rules
Fiscal 2007 saw the initial application of IFRS 7, *Financial Instruments: Disclosures*, and the amendments of IAS 1, *Presentation of Financial Statements*. The first-time application of the IFRS 7 and amended IAS 1 rules extended the scope of disclosures for financial instruments presented in the financial statements—see Notes (31) and (32)—and for capital management, cf. Note (24)(f).

Further newly applied rules refer to the Interpretations published by the IFRIC and adopted by the EU. However, the newly applied IFRIC 9, *Reassessment of Embedded Derivatives*, and IFRIC 10, *Interim Financial Reporting and Impairment*, have not impacted significantly on accounting.

IFRIC 7, *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*, and IFRIC 8, *Scope of IFRS 2*, do not affect the MAN Group.

Newly issued rules adopted by the EU but not applied early
On November 30, 2006, the IASB issued IFRS 8, *Operating Segments*, which supersedes the previous IAS 14, *Segment Reporting*. IFRS 8 requires companies to take the management approach to the reporting of financial information on segments. IFRS 8 must be applied to fiscal years commencing on or after January 1, 2009. MAN expects the application of IFRS 8 to potentially impact on the presentation of segment reports.

On November 2, 2006, the IFRIC issued IFRIC 11, *IFRS 2—Group and Treasury Share Transactions*, to be applied to fiscal years commencing on or after March 1, 2007. When applied, the Interpretation is not believed to have any significant effect on the consolidated financial statements.

(6) Acquisition and disposal of investments, call and put options

(a) Acquisitions

No major acquisitions of subsidiaries were transacted in 2007.

In 2006
On April 7, 2006, Oberhausen-based MAN Turbo AG concluded an asset deal to take over the steam turbine operations of B+V Industrietechnik GmbH (BVI)—a Hamburg subsidiary of Essen-based ThyssenKrupp Technologies AG (TKT)—with a workforce of 235 and sales of €60 million. The purchase price totaled €16 million and included assets and liabilities at a current fair value of €38 million and €24 million, respectively, the goodwill hence amounting to €2 million.

On April 30, 2006, MAN Nutzfahrzeuge AG and India's Force Motors Limited formed MAN FORCE TRUCKS Private Limited, Akurdi, Pune, India. MAN Nutzfahrzeuge AG holds a 30-percent stake, acquired at cost of €10 million. The purposes of the company, which is carried at equity as associated affiliate in the consolidated financial statements, include the production of heavy trucks branded FORCE and MAN, initially for the Indian and in the future also the remaining markets of Asia and for Africa.

When the MAN Roland Group was sold, MAN AG subscribed on July 18, 2006, for a 35-percent or €96 million share in the new Roland Holding GmbH. For details, see subnote (c) below.

On September 29, 2006, MAN Diesel SE took over from MTU Friedrichshafen GmbH the remaining 33.4-percent stake in the French diesel engine manufacturer S.E.M.T. Pielstick S.A., a subsidiary (meantime renamed *MAN Diesel S.A.*) located in Villepinte near Paris and under MAN Diesel SE's management. The purchase price amounted to €12 million.

(b) Stake in Scania AB, Södertälje, Sweden

In January 2007, we bought another 3,200,000 class B Scania shares at a price of €163 million. By swapping in December class B for class A shares, our voting interest rose to 15.57 percent, our stake in the capital stock being 13.23 percent.

(c) Disposals

The majority in the MAN Ferrostaal-managed Steel Trading unit was sold to CCC Steel GmbH & Co. KG, Hamburg, at a price of €117 million, including cash and cash equivalents of €8 million. The transaction gave Steel Trading's competitive position a lasting boost. January 1, 2008, saw the inception of business operations of the new limited partnership, now named Coutinho & Ferrostaal GmbH & Co. KG, in which MAN Ferrostaal holds a 33.33-percent interest. The other joint venturers hold a call option for the remaining MAN-held interest; moreover, MAN holds a put option for the residual interest. Neither option may be exercised before January 1, 2012.

As of December 1, 2007, MAN Nutzfahrzeuge AG contributed MAN Camions et Bus S.A., Evry Cedex, France, and MAN Truck & Bus S.A., Kobbegem, Brussels, Belgium, its two wholly owned sales subsidiaries, to a newly formed company, MAN Region West B.V., Vianen, Netherlands. PON contributed its Dutch sales company, PON Equipment & Power Systems B.V., Almere, Netherlands, to this new company in which MAN Nutzfahrzeuge AG and PON hold a 50-percent stake each. For lack of joint management and control, MAN carries its shares in MAN Region West B.V. as associated affiliate. On or after January 1, 2011, PON may exercise its put option for selling all shares to MAN Nutzfahrzeuge AG, the latter holding, in turn, a call option.

Disposals in 2006
By agreement dated July 18, 2006, MAN AG had sold and transferred its investment in MAN Roland Druckmaschinen AG to Roland Beteiligungs GmbH at a price of €624 million. In fiscal 2006, MAN earned a posttax profit of €160 million from this transaction, plus a cash flow of €255 million. The cash and cash equivalents transferred to the acquirer totaled €263 million. Indirectly via Roland Holding GmbH, Roland Beteiligungs GmbH is held at 65 and 35 percent by Allianz Capital Partners and MAN AG, respectively. For MAN Roland's disclosure as discontinued operation up to the divestment date, see Note (7).

MAN TAKRAF Fördertechnik (parented by MAN Ferrostaal) was sold in July 2006 to Munich-based VTC Industrieholding GmbH for €29 million. The posttax result from this divestment broke even. The outflow from the MAN Group of the MAN TAKRAF Group's cash and cash equivalents produced a negative cash flow of €22 million.

(d) Disposals in prior years subject to call and put options

On December 7, 2004, Essen-based MAN Ferrostaal AG sold and transferred a majority stake in DSD Steel Group GmbH, a subsidiary bundling its structural steel business, to Belgium's Pirson Group. The 51-percent stake was sold at a price of €10.2 million while for the remaining 49 percent, Pirson exercised its call option on December 7, 2007.

In fiscal 2003, the MAN Group sold and transferred its 51-percent stake in SMS AG to the Weiss family, which held the remaining 49 percent. The sale and transfer were effected in two lots of 25.5 percent each; the first lot was transferred in fiscal 2003 whereas for the remaining 25.5 percent in SMS GmbH, Siemag-Invest GmbH exercised its call option at the end of September 2007.

(7) Discontinued operations

As part of its portfolio-streamlining move, the MAN Group in fiscal 2006 and 2007 disposed, or initiated the divestment, of several units which qualify for disclosure as discontinued operations under the terms of IFRS 5. Therefore, the consolidated financial statements show the regular net income, the net gain/loss from disposal, the assets and liabilities as well as the cash flows, in separate lines.

In 2007 discontinued operations included only MAN Ferrostaal's Steel Trading. With effect as of December 28, 2007, MAN Ferrostaal sold the Steel Trading operations, which were carried as discontinued in 2006, to CCC Steel GmbH & Co. KG, a limited partnership based in Hamburg. The worldwide steel-trading operations have since 2008 been continued jointly under the name of Coutinho & Ferrostaal GmbH & Co. KG, in which MAN Ferrostaal now holds a 33.33-percent interest.

The prior-year comparatives additionally include the Printing Systems operations (sold July 18, 2006).

Revenue, income and expenses of the discontinued steel-trading (for the 12-month periods ended December 31, 2006 and 2007) and printing system (for the 6 months ended June 30, 2006) operations were as follows:

€ million	2007	2006
Net sales	1,068	2,136
Expenses, other income (net)	(1,063)	(2,055)
Operating profit	5	81
Net interest expense	(10)	(10)
Income taxes	2	(41)
Net income of discontinued operations	(3)	30
Posttax gain from disposal	7	145
Posttax profit of discontinued operations	**4**	**175**

The posttax profit of discontinued operations is the net of that earned by Steel Trading as well as the amount accrued for guaranties and warranties furnished in prior years for divestees.

The tax credit for the earnings from operations discontinued in 2007 amounted to €2 million.

The posttax gain of €7 million from the disposal of discontinued operations is net after tax expense of €4 million.

The balance sheets as of December 31, 2007 and 2006, show the shares in associated affiliate Intermesa Trading S.A., Brazil, as assets held for sale.

The balance sheet as of December 31, 2006, showed €244 million as disposal group (€16 million and €228 million of noncurrent and current assets, respectively); the disposal group's liabilities broke down into €4 million of noncurrent, and €91 million of current, liabilities and accruals.

The cash flows of discontinued operations are included in the consolidated cash flow statement at these amounts:

€ million	2007	2006
Cash flow from operating activities	63	(22)
Cash flow from investing activities	(2)	(13)
Cash flow from financing activities	33	(4)

Notes to the income statement

(8) Other operating income

€ million	2007	2006
Nonrecurring income	335	–
Gains from financial instruments	273	172
Income from the release of accruals	127	94
Income from Financial Services	124	128
Income from other trade business	44	59
Gains from the disposal of tangible/ intangible assets	19	20
Miscellaneous income	151	136
	1,073	**609**

The nonrecurring income reflects the ERF indemnity net after goodwill derecognition.

The gains from financial instruments substantially reflect the results from the valuation of forex positions, as well as from hedges against currency and interest rate risks. Such gains contrast with the (substantially same-amount) losses on financial instruments which are disclosed within other operating expenses.

The income from Financial Services represents that earned from the business of MAN Finance.

(9) Other operating expenses

€ million	2007	2006
Research and development	315	279
Losses on financial instruments	262	191
Nonrecurring expenses	150	–
Provisions in the year	131	152
Expenses from Financial Services	96	69
Allowances for receivables	43	51
Miscellaneous expenses	249	208
	1,246	**950**

The other operating expenses comprise the expenses not assigned to any of the functional expense categories (primarily to *cost of sales*); R&D expenses reflect only such portion as is neither contract-related production cost nor capitalized development costs.

The nonrecurring expenses were incurred to provide for the Buses restructuring program and also include the goodwill write-down. The miscellaneous other operating expenses have been incurred for legal, audit, counseling and consultancy fees, functionally unallocable personnel expenses, as well as a multitude of single items.

The losses on financial instruments and the expenses from Financial Services correspond with other operating income, see Note (8).

(10) Net interest expense

€ million	2007	2006
Interest and similar income	57	58
less interest reclassified into net sales	(24)	(15)
Interest and similar expenses	(107)	(126)
Interest portion of addition to pension accruals	(85)	(84)
Interest income from CTA plan assets	58	36
less interest reclassified into other operating expenses	40	49
	(61)	**(82)**

The €21 million plunge in net interest expense is an improvement primarily ascribable to lower bank interest charges.

The interest expense reclassified into *other operating expenses* at €40 million (down from €49 million) was incurred for refinancing the leased-asset portfolio of Financial Services. Moreover, interest income of €24 million (up from €15 million) from the temporary investment of sums prepaid by customers on account of long-term contracts was reclassified into *net sales*.

(11) Income taxes

Breakdown of income tax expense:

€ million	2007	2006
Current taxes		
Germany	389	264
abroad	159	119
Deferred taxes		
Germany	115	(116)
abroad	(32)	6
	631	**273**

The income tax expected for 2007 was calculated by applying a total 39.9 percent (unchanged) to EBT for the assessment period 2007, this percentage being the combined result of municipal trade income tax at 18.4 percent, corporate income tax at 25.0 percent, solidarity surtax of 5.5 percent of corporate income tax less 4.9 percentage points for municipal trade income tax deductibility from the corporate income tax assessment base. The Corporate Taxation Reform Act 2008 cuts down as from fiscal 2008 the current tax rate in Germany to 15 percent (plus 5.5 percent solidarity surtax thereon) while the average municipal trade tax burden will rise to 15.75 percent. Therefore, the deferred taxes of German companies were calculated as of December 31, 2007, at a compound tax rate of 31.58 percent (down from 39.9). As the year before, non-German income tax rate changes had in 2007 no significant effect on the overall tax burden.

For German companies, deferred tax assets of €36 million were capitalized for corporate income and municipal trade tax loss carryovers (down from €181 million), at foreign companies another €18 million for local-tax loss carryovers (up from €15 million). As of December 31, 2007, no deferred tax assets were capitalized for existing loss carryovers of €104 million plus €59 million for temporary differences due to vague realizability. Loss carryovers of €48 million, for which no deferred tax assets were capitalized, are due to expire in the period 2011–2023.

No taxes were deferred in 2007 for the €462 million of unappropriated earnings accumulated at subsidiaries and associated affiliates (up from €166 million).

Reconciliation of expected to actual income tax expense:

€ million	2007	%	2006	%
EBT	1,852	100.0	1,023	100.0
Expected income tax	739	39.9	408	39.9
Tax-free income	(56)	(3.0)	(126)	(12.3)
Foreign tax rate differentials	(118)	(6.4)	(65)	(6.4)
Statement at equity of investees	(32)	(1.7)	(17)	(1.7)
Utilization of loss carryovers and temporary differences not capitalized in prior years, as well as write-up of deferred tax assets	(20)	(1.1)	(14)	(1.4)
Taxes for prior years	48	2.6	102	10.0
Nondeductible business expenses	22	1.2	14	1.4
Change in German tax rates	4	0.2	–	–
Disposal and write-down of goodwill	47	2.6	–	–
Other	(3)	(0.2)	(29)	(2.8)
Actual tax expense	**631**	**34.1**	**273**	**26.7**

The deferred taxes are allocable to the following balance sheet lines:

	Deferred tax assets		Deferred tax liabilities	
€ million	**12/31/2007**	**12/31/2006**	**12/31/2007**	**12/31/2006**
Intangible assets	10	11	76	85
Tangible assets	31	39	114	95
Inventories	40	36	61	56
Receivables and other assets	27	20	126	148
Pension obligations	106	178	8	2
Other accruals	96	77	4	17
Other liabilities	158	140	28	8
Loss carryovers	54	196	–	–
Sundry	–	–	34	30
	522	**697**	**451**	**441**

(12) Earnings per share (EpS)

€ million	**2007**	**2006**
Net income after minority interests	1,216	918
thereof posttax profit of discontinued operations	4	175
Net income from continuing operations after minority interests	**1,212**	**743**
Number of shares outstanding (million)	147.0	147.0
EpS (€)	**8.24**	**5.05**

The number of shares outstanding on an annual average is divided into the Group's net income from continuing operations after minority interests (EAT) to obtain earnings per share. Unchanged, the number of shares includes both common and preferred stock as both classes equally share in the 2007 earnings.

No unexercised stock options existed to dilute earnings per share, whether at December 31, 2007 or 2006. If MAN AG's contingent (authorized but unissued) capital is issued, earnings will be diluted in the future.

EpS of discontinued operations came to €0.03 (down from €1.19).

(13) Additional notes to the income statement

Cost of materials

€ million	**2007**	**2006**
Cost of raw materials, supplies, and merchandise purchased	7,870	6,436
Cost of services purchased	682	651
	8,552	**7,087**

Payments under operating leases

€ million	**2007**	**2006**
	17	**10**

The payments under operating leases include sublease payments of €1 million (up from €0 million)

Personnel expenses

€ million	**2007**	**2006**
Wages and salaries	2,460	2,277
Social security, pension expense and related employee benefits	438	501
	2,898	**2,778**

Thanks to the outsourced funding of pension obligations, pension expense shrank to €133 million (down from €182 million), including €130 million (up from €117 million) for the Statutory Social Security Insurance, is part of the corresponding functional expenses and does not include the interest portion contained in the period's pension provision at €85 million (up from €84 million).

Annual average headcount of continuing operations

	2007	2006
Commercial Vehicles	34,685	33,977
Diesel Engines	6,685	6,378
Turbo Machinery	3,492	3,053
Industrial Services	4,145	4,483
Others	2,266	2,103
	51,273	**49,994**

The prior-year data has been restated to reflect the inclusion of MAN Finance in Commercial Vehicles.

Amortization/depreciation

€ million	2007	2006
of intangible assets	61	84
of tangible assets	253	246
of investment properties	2	3
	316	**333**

Write-down

€ million	2007	2006
Goodwill	85	–
Tangible assets	6	11
Financial investees	10	3
Investment properties	8	0
	109	**14**

The reasons for write-down are explained in Notes (15) et seq.

(14) Total fees of statutory auditor

KPMG's and its subsidiaries' fees recognized as expense for the work as group auditor totaled €9.3 million in the fiscal year (down from €9.4 million), including €4.6 million for the annual audit (up from €4.5 million), €0.4 million for the review of interim reports (down from €0.8 million), €2.5 million for other certification, verification or assessment services (down from €2.9 million), €0.2 million for tax accounting and advisory services (up from €0 million), €1.2 million for sundry services (up from €0.8 million), and €0.4 million for incidentals (virtually unchanged).

Notes to the balance sheet

(15) Intangible assets

€ million	Licenses, software, similar rights and assets	Capitalized development costs	Goodwill	Intangible assets
Gross book value at 1/1/2006	131	400	197	728
Accumulated amortization/write-down	(84)	(189)	–	(273)
Balance at 1/1/2006	**47**	**211**	**197**	**455**
Consolidation group changes	(4)	(17)	(9)	(30)
Additions	23	83	4	110
Disposals	(4)	0	(6)	(10)
Amortization/write-down	(18)	(66)	0	(84)
Currency translation differences	(1)	0	(1)	(2)
Balance at 12/31/2006	**43**	**211**	**185**	**439**
Gross book value at 12/31/2006	117	440	185	742
Accumulated amortization/write-down	(74)	(229)	0	(303)
Balance at 1/1/2007	**43**	**211**	**185**	**439**
Consolidation group changes	0	–	0	0
Additions	24	43	0	67
Book transfers	1	0	–	1
Disposals	(2)	0	(34)	(36)
Amortization	(18)	(43)	–	(61)
Write-down	–	–	(85)	(85)
Currency translation differences	0	–	(1)	(1)
Balance at 12/31/2007	**48**	**211**	**65**	**324**
Gross book value at 12/31/2007	125	483	173	781
Accumulated amortization/write-down	(77)	(272)	(108)	(457)

The amortization charged in the period to finite-lived intangibles (outsourced licenses, software, similar rights and assets, as well as development costs) totaled €61 million (down from €84 million) and is included in the appropriate functional expense categories, mainly cost of sales. The write-down of intangible assets covered the goodwill of Buses, which was written down by €85 million (up from nil).

Analysis of goodwill		
€ million	**12/31/2007**	**12/31/2006**
Trucks	1	35
Buses	–	85
Commercial Vehicles	**1**	**120**
Medium-speed engines—Diesel Engines	**14**	**14**
Turbo Machinery	**50**	**51**
	65	**185**

The goodwill has been assigned to the above business areas and originates exclusively from acquisitions and initial consolidation that took place prior to January 1, 2004.

We test goodwill at least once annually for impairment by contrasting the book value of the CGUs (to which the goodwill has been assigned) to their value in use. The latter is calculated by discounting the expected future cash flows (DCF method) as stated in the current 3-year plan for the segment concerned.

The key planning assumptions include primarily currently expected trends of the market in relation to MAN's, the trends of material production and other costs and of after-sales business, as well as the discount rate. When making these assumptions, general market forecasts, current trends and empirical data enter into consideration.

The cash flows are determined individually on the basis of the sales and cost plan for each segment to which goodwill has been assigned. The cash flows of the third plan year are carried forward without applying any rate of increase. The discount rate applied is MAN's pretax WACC of 12.0 percent (up from 11.0). Goodwill is impaired if the segment's value in use is smaller than its book value.

Given the below-budget performance of Buses and based on the value in use in 2007, an impairment loss of a total €85 million was determined.

Moreover, the recovery of damages in the ERF case required the purchase price to be subsequently adjusted, which resulted in the €34 million goodwill to be derecognized.

(16) Tangible assets

€ million	Land and buildings	Production plant and machinery	Other plant, factory and office equipment	Prepayments on tangibles, construction in progress	Tangible assets
Gross book value at 1/1/2006	2,117	1,904	1,293	53	5,367
Accumulated depreciation/write-down	(1,096)	(1,339)	(1,050)	–	(3,485)
Balance at 1/1/2006	**1,021**	**565**	**243**	**53**	**1,882**
Consolidation group changes	(123)	(44)	(33)	2	(198)
Additions	26	119	79	130	354
Book transfers	19	19	2	(61)	(21)
Reclassified into investment properties	(69)	–	–	–	(69)
Disposals	(26)	0	(11)	(1)	(38)
Depreciation	(49)	(130)	(67)	0	(246)
Write-down (impairment losses)	(4)	(2)	(5)	–	(11)
Currency translation differences	(1)	(2)	(1)	1	(3)
Reclassified into discontinued operations	(1)	0	0	0	(1)
Balance at 12/31/2006	**793**	**525**	**207**	**124**	**1,649**
Gross book value at 12/31/2006	1,619	1,841	1,023	126	4,609
Accumulated depreciation/write-down	(826)	(1,316)	(816)	(2)	(2,960)
Balance at 1/1/2007	**793**	**525**	**207**	**124**	**1,649**
Consolidation group changes	0	2	(2)	2	2
Additions	32	144	80	152	408
Book transfers	87	68	9	(165)	(1)
Reclassification from/to investment properties	0	–	–	–	0
Disposals	(16)	(8)	(10)	(1)	(35)
Depreciation	(46)	(137)	(70)	–	(253)
Write-down	(3)	(3)	–	–	(6)
Currency translation differences	3	3	0	2	8
Balance at 12/31/2007	**850**	**594**	**214**	**114**	**1,772**
Gross book value at 12/31/2007	1,611	1,867	994	114	4,586
Accumulated depreciation/write-down	(761)	(1,273)	(780)	0	(2,814)

The depreciation charged to tangible assets at €253 million (up/down from €246 million) is included in the appropriate functional expense categories, mainly cost of sales. Write-down, which is recognized in other operating expenses, refers to lack of utility and lower fair values.

(17) Investment properties

€ million	2007	2006
Gross book value at January 1	198	–
Accumulated depreciation/write-down	(121)	–
Balance at January 1	**77**	**–**
Reclassified from tangible assets	10	80
Additions	3	–
Reclassified into tangible assets	(10)	–
Disposals	(33)	–
Depreciation	(2)	(3)
Write-down	(8)	–
Currency translation differences	0	–
Balance at December 31	**37**	**77**
Gross book value at December 31	129	198
Accumulated depreciation/ write-down	(92)	(121)

The fair value of investment properties at December 31, 2007, totaled €102 million (down from €110 million). Rental income from investment properties was earned at €4 million (down from €5 million), the direct operating expenses amounting to €1 million (up from €0 million).

(18) Shares in investees carried at equity

The shares in associated affiliates of €327 million (up from €196 million) chiefly cover Roland Holding GmbH, Munich; CEL Consolidated Energy Ltd., Port of Spain, Trinidad & Tobago; and MAN FORCE TRUCKS Private Limited, Akurdi, Pune, India; and MAN Region West B.V., Vianen, Netherlands.

The results at equity of CEL Consolidated Energy Ltd. are based on the financial statements as of October 31, 2007.

The table below summarizes financial information of associated affiliates but states the full amount and not the share proratable to the MAN Group.

€ million	2007	2006
Assets	3,602	2,560
Liabilities	2,589	1,886
Net sales	2,920	2,104
Posttax profit	157	91
Posttax profit (MAN share)	76	42

The shares in joint ventures of €27 million (up from €0 million) represent substantially the interest in the joint venture Coutinho & Ferrostaal GmbH & Co. KG (formerly CCC Steel GmbH & Co. KG).

(19) Financial investees

€1,822 million (up from €1,254 million) of the financial investments of €1,912 million (up from €1,400 million) reflects the 13.23-percent stake in Scania AB (corresponding to a 15.57-percent voting interest), stated at fair value. The stake was purchased at cost of €1,293 million, the difference between cost and fair value being recognized in, and only in, equity.

€43 million of the posttax profit of financial investments represents dividend income, another €33 million being the gain from the Scania AB stock split and repurchase (contained in the nonrecurring result). Moreover, the posttax profit of financial investments includes a €5 million capital gain from the sale of the 2nd batch of the SMS holding.

€10 million (up from €3 million) was charged as write-down to, and recognized in the posttax result from, financial investments.

(20) Assets leased out

€ million	2007	2006
Gross book value at January 1	3,978	3,409
Accumulated depreciation	(1,583)	(1,001)
Balance at January 1	**2,395**	**2,408**
Consolidation group changes	(2)	–
Additions	750	964
Book transfers	–	(99)
Disposals	(890)	(445)
Depreciation	(452)	(435)
Currency translation differences	0	2
Balance at December 31	**1,801**	**2,395**
Gross book value at December 31	4,412	3,978
Accumulated depreciation	(2,611)	(1,583)

The assets leased out are commercial vehicles operating-leased, or sold with a buyback option, to customers.

Future rents from noncancelable operating leases		
€ million	**12/31/2007**	**12/31/2006**
Due within one year	260	376
Due after one but within five years	788	985
Due after five years	7	9
	1,055	**1,370**

For assets sold subject to potential buyback obligations, the future revenue disclosed is the total of customer payments yet to be collected up to the date of expected return of the vehicles.

The decline is largely attributable to the sale of leased vehicles (from MAN Finance's pool) to Hannover Mobilien Leasing GmbH .

(21) Inventories

€ million	12/31/2007	12/31/2006
Raw materials and supplies	506	487
Work in process and finished products	1,697	1,838
Merchandise	829	548
Prepayments made	247	159
	3,279	**3,032**

Inventories valued at €7,870 million (up from €6,436 million) were in 2007 recognized as cost of sales.

Inventories of €753 million were written down (up from €682 million), the write-down totaling €60 million (up from €50 million).

(22) Trade receivables

€ million	12/31/2007	12/31/2006
Receivables from customers	2,629	2,240
Receivable under capital leases	707	536
PoC receivables	183	125
Due from investees	186	86
	3,705	**2,987**

€435 million (up from €164 million) of the receivables has a remaining term above one year, including €51 million (up from €4 million) above five years. The remaining €3,270 million (up from €2,823 million) now falls due in less than one year.

We make credit insurance contracts to manage the default risk inherent in trade receivables from customers, mainly by obtaining Hermes cover for export receivables. Receivables of €5 million (down from €9 million) have been assigned as collateral security under customer financing contracts.
The allowances for receivables from customers and investees, as well as for other receivables showed the following movements:

€ million	2007	2006
Balance at January 1	**254**	**426**
Added	49	60
Utilized	(21)	(32)
Reversed	(35)	(154)
Exchange rate and other changes	(31)	(46)
Balance at December 31	**216**	**254**

The receivables under capital leases refer to leases for commercial vehicles. The gross investments reflect the sum total of lease payments up to lease expiration plus the vehicle's residual value at lease-end. The present value is obtained by discounting this total at the rate implicit in the lease.

Gross investments in capital leases		
€ million	**12/31/2007**	**12/31/2006**
Due within one year	257	189
Due after one but within five years	537	403
Due after five years	24	14
	818	**606**

Present value of the minimum lease payments due under capital leases: aged breakdown

€ million	12/31/2007	12/31/2006
Due within one year	193	127
Due after one but within five years	415	279
Due after five years	21	8
	629	**414**

Reconciliation of gross investments to the present value of minimum lease payments

€ million	12/31/2007	12/31/2006
Gross investment in capital leases	**818**	**606**
Discount	(96)	(43)
Allowances	(15)	(27)
Net investment in capital leases	**707**	**536**
less unguaranteed residual value	(78)	(122)
PV of future minimum lease payments	**629**	**414**

The allowances for receivables under capital leases showed the following movements:

€ million	2007	2006
Balance at January 1	**27**	**22**
Added	11	20
Utilized	(9)	(8)
Reversed	(14)	(7)
Balance at December 31	**15**	**27**

The receivables under customized manufacturing contracts recognized according to the PoC method were determined as follows:

€ million	12/31/2007	12/31/2006
Production cost incl. prorated P/L from PoC contracts	1,866	1,502
less amounts billed to customers	(475)	(364)
PoC receivables, gross	**1,391**	**1,138**
less prepayments received	(1,208)	(1,013)
	183	**125**

Further prepayments received at €587 million (up from €283 million) for which no contract costs have been incurred are shown as liabilities.

Sales from PoC manufacturing contracts totaled €897 million (up from €791 million). Orders and parts thereof billed to customers are shown under *receivables from customers*.

(23) Other assets

€ million	12/31/2007	12/31/2006
Financial derivatives	231	88
VAT (input tax) assets	150	113
Due from investees from intragroup finance	78	59
Loans and other receivables from third parties	76	217
Prepaid expenses and deferred charges	62	63
Reserve from employer's pension liability insurance	48	48
Other non-income tax assets	12	11
Sundry current assets	218	344
	875	**943**

The other assets are disclosed in these balance sheet lines:

€ million	12/31/2007	12/31/2006
Other noncurrent assets	169	145
Other current assets	706	798

Financial derivatives are stated at fair value and mostly hedge against currency risks from customer contracts, as well as other forex positions.

€244 million (up from €145 million) of the other assets has a remaining term above one year, including €55 million (up from €54 million) above five years. The remaining €631 million (down from €798 million) is due in less than one year.

(24) Equity

€ million	Capital stock	Additional paid-in capital	Retained earnings	Accumulated OCI	Stockholders' equity	Minority interests	Total
Balance at December 31, 2005	**376**	**795**	**2,043**	**(245)**	**2,969**	**56**	**3,025**
Dividend payout	–	–	(199)	–	(199)	(4)	(203)
Net income	–	–	918	–	918	7	925
OCI: currency transl. differences	–	–	–	(30)	(30)	–	(30)
OCI: change in unreal. gains/losses	–	–	(22)	125	103	–	103
All other changes	–	–	(9)	6	(3)	(38)	(41)
Balance at December 31, 2006	**376**	**795**	**2,731**	**(144)**	**3,758**	**21**	**3,779**
Dividend payout	–	–	(294)	–	(294)	(3)	(297)
Net income	–	–	1,212	4	1,216	9	1,225
OCI: currency transl. differences	–	–	–	(38)	(38)	–	(38)
OCI: change in unreal. gains/losses	–	–	–	512	512	–	512
All other changes	–		(6)	–	(6)	2	(4)
Balance at December 31, 2007	**376**	**795**	**3,643**	**334**	**5,148**	**29**	**5,177**

(a) Capital stock, authorized capital moves
MAN AG's capital stock amounts to an unchanged €376,422,400, divided into 147,040,000 fully paid-up no-par bearer shares, these subdivided according to Art. 4(1) of the Memorandum & Articles of Incorporation (the "Bylaws") into 140,974,350 shares of common, and 6,065,650 shares of nonvoting preferred, stock. Each no-par share represents a notional €2.56 interest in the capital stock. According to Art. 4(2) clause 2 of the Bylaws, no stockholder may insist on the issuance of a physical share certificate.

Both stock classes rank for dividend, however, a cumulative preferred dividend of €0.11 per share of preferred stock being payable in advance from net earnings and another €0.11 per share of common stock subsequently. If net earnings do not suffice to pay the preferred dividend, the balance short is payable in arrears (without carrying interest) from the succeeding year's net earnings prior to the distribution of any dividend to common stockholders.

Common stock is voting, preferred stock nonvoting. Pursuant to Art. 140(2) German Stock Corporation Act ("AktG"), this does not apply in cases where (i) the preferred dividend has not or not fully been paid for any one fiscal year and (ii) the arrears plus the full preferred dividend have not been paid in the succeeding fiscal year. In any such case, (i) preferred stockholders have a voting right until such arrears have been duly paid and (ii) the preferred stock is included when calculating any capital majority required by the law or Bylaws. Moreover, preferred stockholders are entitled to vote pursuant to Art. 141(1), (2) clause 1 in conjunction with Art. 141(3) AktG. According to these provisions, a resolution of approval is required of the preferred stockholders when adopting a resolution at a general meeting which would cancel, revoke or limit the preferred dividend, or result in the issuance of preferred shares that rank prior to, or pari passu with, the existing nonvoting preferred stock in terms of distribution of profits or corporate assets.

In all other respects, the same rights and obligations attach to all the shares.

Authorized capital
The annual general meeting of June 3, 2005, created authorized capital: MAN AG's Executive Board is authorized, after first obtaining the Supervisory Board's approval, to increase the Company's capital stock on or before June 2, 2010, by an aggregate maximum of €188,211,200 (50 percent of the capital stock) through one or several issues of bearer shares of common stock in return for cash and/or contributions in kind ("Authorized Capital 2005").

According to the statement of May 24, 2005, the Executive Board will exercise this authority when increasing the capital against noncash contributions for the purpose of acquiring other enterprises or equity interests therein or other material assets, only up to an aggregate €75,284,480 (20 percent of the current capital stock).

Authority to issue bonds; contingent capital
At their annual meeting on June 3, 2005, the stockholders further authorized the Executive Board (endorsing this resolution on May 10, 2007), subject to the Supervisory Board's prior consent, to raise an aggregate maximum of €1.5 billion on or before June 2, 2010, by issuing once or several times in return for cash convertible and/or warrant bonds with a maximum term of 20 years as from issuance date. The bondholders will in this case be granted warrants or conversion privileges for subscribing for new bearer shares of MAN AG common stock at a maximum of €76,800,000 (around 20 percent) of the capital stock, all subject to the detailed convertible or warrant bond terms.

This authority also covers the option of guaranteeing bonds issued by other MAN companies and granting MAN AG shares in settlement of the conversion or option rights conferred by such bonds.

Concurrently, by resolution of the annual general meeting of June 3, 2005, the capital stock was conditionally increased by up to €76,800,000 (authorized but unissued capital), divided into a maximum of 30,000,000 bearer shares of common stock. The contingent capital increase will only be implemented to the extent that (i) holders of convertible or warrant bonds which had been issued by MAN AG or MAN companies by dint of the resolution of authorization of June 3, 2005 (endorsed by resolution of the annual general meeting of May 10, 2007) in return for cash, exercise their bond rights and (ii) such rights are not settled or satisfied other than by stock issue. The new stock will for the first time rank for dividend for the year of issuance ("Contingent Capital 2005").

Stock repurchase
The authority conferred by resolution of the annual general meeting of May 19, 2006, to repurchase treasury stock was superseded at the effective date of the resolution of the annual general meeting of May 10, 2007.

The resolution adopted by the stockholders at their annual meeting on May 10, 2007, authorized the Executive Board, after obtaining approval from the Supervisory Board, to repurchase on or before November 9, 2008, once or several times MAN AG common and/or nonvoting preferred stock. The authority is capped throughout at an aggregate 10 percent of the capital stock, any other treasury shares held by, or assigned under the terms of Arts. 71d and 71e AktG to, the Company always being counted toward this cap. Such treasury stock may also be reacquired by other MAN companies and/or third parties for the account of MAN AG or other MAN companies.

Such treasury shares may be acquired via stock exchange or by public offering to the holders of the respective stock class. If acquired via a stock exchange, the purchase price excluding incidentals may not be more than 10 percent above or below the price quoted for the respective stock class at the opening auction of that market day's Xetra trading (or any comparable successor system). In a public offering, the bid price or bid price range per share (excluding purchase incidentals) may not be more than 20 percent above or below the closing price quoted for the respective stock class in Xetra trading (or any comparable successor system) on the third market day prior to the bid's public announcement. If the total stock offered for repurchase exceeds MAN's bid volume, the share offers shall be accepted pro rata. The preferential acceptance of small share numbers may be stipulated to the legally permitted extent, however, not in excess of 100 shares offered by any one stockholder for repurchase by MAN.

The Executive Board is further authorized, subject to the Supervisory Board's prior approval, to use repurchased treasury shares of common stock also in a way other than by (i) sale on stock markets or (ii) public offering to all stockholders, such as for any other lawful purposes while excluding stockholders from subscription. This option shall, in particular, also apply in cases where the repurchased common stock (i) is sold at a price that is not significantly below market, and/or (ii) is used as consideration in a business combination or for the acquisition of other enterprises or any equity interest therein, and/or (iii) is used to settle or satisfy conversion or option rights granted to holders of convertible or warrant bonds which had been issued by MAN AG or MAN companies. The shares transferred by dint of this authority may not exceed an aggregate 10 percent of the capital stock if used to settle or satisfy conversion or option rights granted while excluding the stockholders' statutory subscription right pursuant to Art. 186(3) clause 4 AktG. Such shares shall be counted toward this cap as (i) by direct or indirect application of this provision were issued or sold up to the date of their use while this authority was in force and effect, and (ii) were issued or are issuable at the date of their use in conformity with the terms of convertible or warrant bonds floated in accordance with this provision.

As resolved by the annual general meeting of May 10, 2007, the Executive Board is further authorized, subject to Supervisory Board approval but without any further vote by a stockholders' meeting, to redeem and withdraw any treasury shares of common and/or nonvoting preferred stock.

(b) Reportable stakes in MAN AG

Pursuant to Sec. 21(1) clause 1 German Securities Trading Act ("WpHG"), Wolfsburg-based Volkswagenwerk AG notified MAN AG in February 2007 that its voting interest in MAN AG had crossed above the 25-percent mark, then coming to 29.9 percent. No further direct or indirect shareholdings in MAN AG which equal or exceed 10 percent of the voting rights have been reported or are known to us.

(c) Reserves

MAN AG's additional paid-in capital comprises stock premiums from MAN AG's capital increases and the conversion of preferred into common stock. The Group's retained earnings cover MAN AG's reserves retained from earnings of €581 million (up from €547 million), as well as MAN AG's net earnings of €463 million (up from €294 million). In addition, the earnings retained by the Group include (i) the (positive/negative) earnings retained or left unappropriated by subsidiaries and (ii) the differences from the statement at fair value between the separate and the consolidated financial statements.

MAN AG's Executive and Supervisory Boards will propose to the annual general meeting that per share a total cash dividend of €3.15 (up from €2.00) be distributed, corresponding to a total dividend payout of €463 million (up from €294 million).

(d) Accumulated other comprehensive income

€ million	12/31/2007	12/31/2006
Currency translation differences	(63)	(29)
Securities and financial investments	534	80
Financial derivatives	17	2
Actuarial gains/losses from pensions	(176)	(288)
Actuarial gains/losses from accruals for accumulated termination indemnities	(17)	(25)
Defined benefit asset (IAS 19:58)	(7)	0
Proratable deferred taxes	46	116
	334	**(144)**

€37 million of the changes in OCI refers to OCI changes of associated affiliates (up from €16 million).

Out of the hedges disclosed in 2006 in this equity line at a total €2 million, €5 million was realized upon recognition in net income through sale or reclassification, another €20 million refers to the remeasurement to fair value after marking financial instruments to the market.

(e) Minority interests

Most of the minority interests originate from RENK AG, Augsburg, in whose capital stock MAN holds a 76-percent stake.

(f) Capital management

MAN AG controls its capital for maximum ROCE and this includes optimizing the debt-equity ratio.

For management and controlling purposes, the Group's capital employed (CE) comprises its equity, pension obligations and financial liabilities. Equity breaks down into capital stock, additional paid-in capital, and retained earnings.

€ million	12/31/2007	12/31/2006
Equity	5,177	3,779
Pension obligations	132	946
Financial liabilities	1,967	2,108
Total capital employed	**7,276**	**6,833**

In fiscal 2007, equity climbed 37 percent, mainly thanks to the higher retained earnings. Pension obligations sank 86 percent as their full external funding progressed, financial liabilities by another 7 percent. On a net basis, CE rose in 2007 by 6 percent or €443 million.

MAN AG's articles of association or bylaws do not require any capital moves.

(25) Financial liabilities

€ million	12/31/2007	12/31/2006
Syndicated loan for Scania stock purchase	1,000	1,170
Bonds	239	302
Commercial paper	266	87
Due to banks	462	549
	1,967	**2,108**

Financial liabilities are disclosed in the following balance sheet lines:

€ million	12/31/2007	12/31/2006
Noncurrent financial liabilities (due after one year)	405	1,678
thereof remaining term >5 years	34	8
Current financial liabilities (due within one year)	1,562	430

On September 17, 2006, MAN AG signed a €11 billion credit facility agreement with a banking syndicate (led by Citygroup, Global Markets Limited, The Royal Bank of Scotland plc, Bayern LB, WestLB AG, and Handelsbanken Capital Markets) to fund the planned Scania acquisition. By December 31, 2006, a facility portion of €1,170 million had been utilized to purchase Scania stock. After the January 23, 2007 withdrawal of the public offering, the unutilized balance of this facility expired. As of December 31, 2007, a €1,000 million floating-rate portion of the syndicated facility was utilized and carried interest at the annual rate of 4.948 percent (up from 4.078).

In December 2003, MAN Financial Services plc, Swindon, UK, floated a €300 million 5.375-percent bond issue and, as of November 27, 2007, repurchased €60 million thereof at par, reducing the total par value of bonds outstanding to €240 million. As of December 31, 2007, the book value (including the remeasurement to fair value from hedge accounting for interest rate hedges) amounted to €239 million (down from €302 million), the fair value to €243 million (down from €308 million). The bond will mature on December 8, 2010. For this bond issue, MAN AG has furnished an irrevocable guaranty for the payment obligations in accordance with the bond terms.

The commercial paper (CP) was issued through London-based TARS Ltd. and serves to refinance assets leased out in Great Britain.

Out of the liabilities to banks, a total €91 million (up from €25 million) carries interest at fixed rates, ranging between 3.25 and 5.09 percent. The remaining accounts due to banks bear interest at variable rates. The 2007 interest rates in Euroland ranged between 3.73 and 4.95 percent, those for non-euro currencies depending on local rate levels.

(26) Pension obligations

Pension accruals break down as follows:

€ million	12/31/2007	12/31/2006
Pension obligations in Germany	120	929
Pension obligations abroad	12	17
	132	**946**

(a) Pension plans and funding

Employees of German MAN subsidiaries mostly benefit from a defined contribution plan (DCP) which centers around the accumulation of capital to be paid out on retirement in one sum; capital redemption in the form of annuities is optional in certain cases. The amount of pension capital is the accumulated total of annual pension modules assigned to employees according to their pensionable pay and their age.

Fiscal 2007 saw MAN's added steps toward funding the capital for German pension obligations by transferring a net €699 million as endowment to MAN Pension Trust e.V., a membership corporation under German law.

On November 30, 2007, a pension obligation volume of €850 million for around 26,000 pensioners was assigned to MAN Pensionsfonds AG (a company newly incorporated by MAN AG) and fully funded externally. However, since the group companies remain liable under a guaranty of collection upon assignee default, the pension obligations assigned and the related trust assets transferred to MAN Pensionsfonds AG continue to be recognized netted in the consolidated balance sheet.

Under irrevocable agreements, these trust assets are exempt from recourse or attachment by any MAN company (trustor) and earmarked solely to fund current pension payments or settle employee claims in the case of employer insolvency. For the purpose of overseeing due and proper management and appropriation of the special pension trust assets, security trustees independent of MAN have been appointed. MAN Pensionsfonds AG is subject to the supervision by BaFin, the German Federal Financial Supervisory Authority.

The assets held under the CTA are invested by several asset managers in various funds on the capital market in accordance with specified investment policies. The acquisition of securities issued or floated by MAN AG or an MAN company is prohibited, as is (in Germany) any investment in real estate for internal use.

Some non-German subsidiaries in the UK and Switzerland have incurred defined benefit obligations (DBO), all of which are exclusively plan-funded. The pension plans in Great Britain are no longer available to new participants. Further subsidiaries in France, Austria, Poland, and the Philippines maintain accrual-funded defined benefit plans that involve minor obligations only.

Obligatory contributions to defined benefit plans are expected to amount in 2008 to €7 million and €8 million at the German and foreign pension plans, respectively.

Plan asset portfolio structure				
	Germany		Abroad	
€ million	**2007**	**2006**	**2007**	**2006**
Bonds	1,161	506	201	186
Equities	216	164	173	191
Real estate	–	–	27	24
Other	4	–	8	8
Total plan assets	**1,381**	**670**	**409**	**409**

In fiscal 2007, plan assets returned 1.69 percent in Germany, 6.95 in Great Britain, and 8.40 in Switzerland.

(b) Funding status

Present value of the DBO	Germany		Abroad	
€ million	**2007**	**2006**	**2007**	**2006**
Present value of the DBO at January 1	1,599	1,913	425	388
Consolidation group changes	(13)	(317)	–	(110)
Plan reclassification	–	–	–	147
Current service cost	31	29	10	10
Interest cost	67	65	18	19
Past service cost	–	7	5	–
Actuarial losses/(gains)	(105)	(25)	(22)	(12)
Pension payments	(78)	(75)	(17)	(21)
Contributions by beneficiaries	2	–	4	4
Exchange rate changes, other	(2)	2	(27)	0
Present value of the DBO at December 31	**1,501**	**1,599**	**396**	**425**

Fair value of plan assets	Germany		Abroad	
€ million	**2007**	**2006**	**2007**	**2006**
Fair value of plan assets at January 1	670	501	409	301
Consolidation group changes	–	(150)	–	(111)
Plan reclassification	–	–	–	143
Expected return on plan assets (ROPA)	35	15	23	21
Difference between expected and actual ROPA	(23)	(6)	8	3
Current contributions by employers	5	0	9	10
Special endowment by employers	702	310	–	53
Contributions by beneficiaries	2	–	4	4
Pension payments	(10)	–	(16)	(20)
Exchange rate changes, other	–	–	(28)	5
Fair value of plan assets at December 31	**1,381**	**670**	**409**	**409**

Funding level and pension accruals:	Germany		Abroad	
€ million	**2007**	**2006**	**2007**	**2006**
Unfunded DBO	61	315	8	4
Plan-funded DBO	1,440	1,284	388	421
Total DBO	**1,501**	**1,599**	**396**	**425**
Plan assets at fair value	(1,381)	(670)	(409)	(409)
Funding level at December 31	**120**	**929**	**(13)**	**16**
Defined benefit asset	–	–	18	–
Unrecognized plan assets	–	–	7	1
Pension accruals at December 31	**120**	**929**	**12**	**17**

The present value of the DBO as well as the plan assets are based on the following parameters:

	Germany		Abroad	
	12/31/2007	**12/31/2006**	**12/31/2007**	**12/31/2006**
Interest rate	5.25 %	4.25 %	3.5 % - 6.1 %	3.0 % - 5.7 %
Pension rise	2.0 %	1.5 %	0.5 % - 3.5 %	0.5 % - 3.0 %
Pay rise	2.5 %	2.5 %	2.0 % - 4.5 %	1.4 % - 4.5 %
Expected ROPA	4.25 %	4.25 %	3.0 % - 7.2 %	3.0 % - 6.8 %

Prof. Dr. Klaus Heubeck's mortality tables 2005 G (unchanged) underlie the biometrical parameters for pensions in Germany as of December 31, 2007.

In Germany, the expected return on plan assets is based on the interest rate for matching-maturity Bunds plus standard risk premiums according to asset classes. Abroad, ROPA is determined by the local actuary.

(c) Pension expense

Pension expense breaks down as follows:

€ million	**2007**	**2006**
Current service cost	41	39
Past service cost	5	7
Interest cost	85	84
Expected return on plan assets	(58)	(36)
	73	**94**

(d) Gains/losses recognized as OCI

€ million	**2007**	**2006**
Actuarial (gains)/losses at Jan. 1	**288**	**380**
Changes in the fiscal year	(112)	(35)
Consolidation group changes	–	(57)
Actuarial (gains)/losses at Dec. 31	**176**	**288**

(27) Other accruals

€ million	12/31/2006	Consol. group change, currency transl.	Utilization	Provision in 2007	Release	Reversed discount	12/31/2007
Warranties	485	5	(211)	337	(88)	6	534
Unbilled costs from contracts invoiced	212	(12)	(149)	169	(11)	0	209
Other business obligations	382	(34)	(46)	185	(117)	0	370
Obligations to personnel	260	1	(55)	31	(15)	6	228
Remaining accruals	176	(2)	(59)	205	(73)	0	247
	1,515	**(42)**	**(520)**	**927**	**(304)**	**12**	**1,588**

The *other accruals* are disclosed in these balance sheet lines:

	12/31/2007		12/31/2006	
€ million	**noncurrent**	**current**	**noncurrent**	**current**
Warranties	221	313	178	307
Unbilled costs from contracts invoiced	40	169	97	115
Other business obligations	20	350	24	358
Obligations to personnel	183	45	206	54
Remaining accruals	3	244	4	172
	467	**1,121**	**509**	**1,006**

The warranty accruals provide for implied and express warranties, as well as accommodation/goodwill warranties voluntarily extended to customers. Warranty accruals are utilized when the warranty claim takes effect, which may be anytime during the warranty period. The accruals for unbilled costs refer to products or services yet to be provided under contracts already invoiced (or parts thereof) and to obligations under maintenance and service contracts. The other business obligations refer substantially to accrued losses on onerous contracts and to buyback guaranties.

The obligations to personnel exist for accrued employment anniversary allowances, termination indemnities, and preretirement part-time work, as well as statutory termination benefits.

€52 million of the r*emaining accruals* provides for the restructuring within Buses.

(28) Other liabilities

€ million	12/31/2007	12/31/2006
Deferred income from assets leased out	1,212	1,780
Liabilities to personnel	428	357
Liabilities for non-income taxes	235	138
Financial derivatives	126	82
Due to investees from intragroup finance	71	235
Accrued charges	36	53
Remaining liabilities	253	149
	2,361	**2,794**

The *deferred income from assets leased out* originates from the sale of commercial vehicles which, due to the associated buyback obligation, are accounted for as operating leases. At €1,163 million, this deferred income includes the full purchase price paid by customers (down from €1,310 million) and at €49 million (down from €470 million), the refinancing of the leases through nongroup financing companies. The slump is basically attributable to the sale of leased vehicles from the MAN Finance pool to Hannover Mobilien Leasing GmbH.

The *liabilities to personnel* refer to wages, salaries and social security taxes not yet paid at balance sheet date, as well as to the accrued vacation pay, Christmas bonuses, and special year-end payments.

The *other liabilities* also include the negative market values of financial derivatives. Since the latter substantially hedge against currency risks in customer contracts, the negative market values contrast with opposite effects in the balance sheet lines of the underlyings.

The accounts due to investees plunged mainly as the SMS stake was sold.

Non-income tax liabilities soared primarily when the sale of leased vehicles from the MAN Finance pool generated VAT payables.

The other liabilities are disclosed in the following balance sheet lines:

€ million	12/31/2007	12/31/2006
Other noncurrent liabilities	1,019	1,354
Other current liabilities	1,342	1,440

The other noncurrent liabilities have a remaining term above 1 but under 5 years.

Other information

(29) Contingent liabilities

€ million	12/31/2007	12/31/2006
Guaranties and suretyships	255	472
Buyback guaranties	214	192
Warranty/indemnity contracts	0	2

The contingent liabilities from guaranties and suretyships refer almost exclusively to guaranty bonds furnished by MAN AG and MAN Ferrostaal AG for trade obligations of current and former investees and other entities. The year-on-year decrease is largely attributable to the scheduled downscaling of our liability for third-party debts and former investees.

The contingent liabilities under guaranties/suretyships and warranty/indemnity contracts include €8 million (down from €46 million) which MAN AG had assumed prior to the disposal of MAN Roland Druckmaschinen in favor of the latter's customers and/or banks.

Buyback guaranties exist on terms customary in the industry for debts owed by customers to financing companies that finance MAN product purchases through third parties; these contingent liabilities refer to commercial vehicles at €214 million (up from €192 million).

Contingent liabilities are as a rule disclosed at the ceiling of the financial liability enforceable against MAN, no recourse claims are offset.

In addition, certain obligations for contracts of MAN Roland Druckmaschinen which refer to warranties for orders with an original volume of €389 million are owed in kind in the event that MAN Roland fails to perform certain contractual obligations.

MAN Nutzfahrzeuge AG and MAN Finance have incurred obligations to guarantee minimum yields or, respectively, provide additional funds pro rata when certain associated affiliates incur losses.

At present, there are no indications that any of the aforesaid obligations must actually be met.

The obligations under tangible-asset purchasing contracts totaled €123 million at December 31, 2007.

(30) Other financial obligations

These exist under various leases, the future lease payments within the minimum operating lease terms falling due as follows:

€ million	12/31/2007	12/31/2006
Investment leases, due within one year	15	15
after one but within five years	50	53
after five years	31	42
	96	**110**
Rental obligations under property leases, due within one year	220	64
after one but within five years	425	182
after five years	178	179
	823	**425**

The increase in rental obligations is largely due to the sale of leased vehicles from MAN Finance's fleet to Hannover Mobilien Leasing GmbH. These obligations contrast with future cash inflows from subleases at €267 million (up from €0 million).

(31) Additional disclosures of straight financial instruments

This Note additionally highlights the significance of straight financial instruments and discloses further details of FI-related balance sheet and income statement lines.

The table below contrasts the book and fair values of financial instruments.

	12/31/2007		12/31/2006	
€ million	**Book value**	**Fair value**	**Book value**	**Fair value**
Assets				
Trade receivables	2,998	2,998	2,451	2,451
Receivables under capital leases	707	698	536	525
Cash and cash equivalents	1,266	1,266	1,162	1,162
Other financial assets	2,683	2,683	1,952	1,952
available for sale	2,182	2,182	1,400	1,400
at fair value recognized in net income	142	142	77	77
derivatives in hedges	89	89	11	11
Other receivables and assets	270	270	464	464
Liabilities				
Trade payables	1,805	1,805	1,602	1,602
Financial liabilities	1,967	1,971	2,108	2,113
Other financial debts	302	302	451	451
at fair value recognized in net income	100	100	74	74
derivatives in hedges	26	26	8	8
other liabilities	176	176	369	369

Fair values are determined on the basis of current market data, using the valuation techniques described below.

Cash and cash equivalents, trade receivables, other financial assets, trade payables and other financial debts mostly have a short remaining term. Therefore, their current book value substantially equals fair value.

The fair value of receivables under capital leases corresponds to the present value of cash flows for such assets, with due regard to current interest rates and in line with current changes in market and counterparty conditions and predictions.

The fair value of nonlisted bonds, liabilities to banks and other financial debts corresponds to the present value of the cash outflows required for settlement, discounted at fair market rates for matching maturities.

The financial assets available for sale include OCI of €90 million (up from €73 million), recognized at cost. They represent shares in nonlisted enterprises for whose valuation the DCF method could not be applied for lack of predictable cash flows.

The book values of financial instruments, broken down according to IAS 39 measurement criteria, are shown in the table below.

€ million	12/31/2007	12/31/2006
Financial assets		
Loans and receivables	3,268	2,915
Trade receivables	2,998	2,451
Other assets	270	464
Available for sale	2,182	1,400
Financial investments and securities	2,169	1,400
Other assets	13	–
At fair value recognized in net income	231	88
Cash and cash equivalents	1,266	1,162
Financial liabilities		
Financial liabilities stated at cost	3,948	4,079
Trade payables	1,805	1,602
Financial liabilities	1,967	2,108
Other liabilities	176	369
At fair value recognized in net income	126	82

Breakdown of net gains/losses from financial instruments:

€ million	2007	2006
Loans and receivables	(60)	(63)
Financial assets available for sale	109	6
Financial liabilities stated at cost	(9)	11
Financial assets/liabilities at fair value recognized in net income	19	(1)

The net gains or losses from loans and receivables largely reflect changes in allowances/write-down, currency translation, as well as income from bad-debt collections and from write-up.

The net gains or losses from financial assets available for sale mainly include the net result of financial investees.

The net gains or losses from financial liabilities stated at cost chiefly originate from currency translation, as well as from income from liability derecognition.

The net gains or losses from financial assets/liabilities at fair value recognized in net income reflect changes in fair value of financial derivatives outside hedge accounting.

The interest income/expense earned or incurred in connection with financial assets and liabilities break down as follows:

€ million	2007	2006
Interest income	231	224
Interest expense	(187)	(178)

Interest income from impaired financial assets is insignificant given the short periods to expected receipt of payment.

(32) Derivative financial instruments and hedging strategies

The MAN Group is exposed to not insignificant an extent to currency and interest rate risks for whose identification, measurement and containment a groupwide risk management system has been set up.

(a) Risk management

MAN Group companies generally hedge their transactions against currency and interest rate risks through MAN AG's Group Treasury, on terms as if at arm's length and using straight and derivative financial instruments.

Group Treasury's risk positions are hedged externally with banks within predetermined risk limits. Hedges are contracted according to groupwide uniform directives in compliance with the German Act on Corporate Control & Transparency ("KonTraG"), as well as with the German Minimum Requirements for Bank Trading Business ("MaH"). Moreover, such contracting is subject to stringent monitoring, which is particularly ensured through the strict segregation of contracting, settlement and controlling duties.

The MAN Group's currency and interest rate risk positions are regularly reported to the Executive and Supervisory Boards. Compliance with guidelines and directives is checked by Internal Auditing.

(b) Currency risks

The MAN Group's international business involves a plethora of cash flows in many different currencies, exposing the Group to forex risks if sales are invoiced in a currency other than cost of sales. With a view to mitigating and reducing such risks, MAN AG assesses currency risks through ongoing (re)measurement, and contracts hedges against all major risks through financial derivatives.

Within the MAN Group, principally all firm customer contracts and all of the Group's own purchase orders in foreign currency are hedged. Moreover, hedging transactions provide for planned foreign-currency revenues from standard-production business within defined limits and for customer projects whose materialization is highly probable (firm commitments).

Currencies with a very close proximity to the euro rate (such as the Danish krone or Polish złoty) are hedged in isolated cases only. Equity interests or equity-type loans in foreign currency are not subject to any hedging obligation.

Even though we endeavor to fully hedge all forex positions, open currency positions as of the balance sheet date are virtually unavoidable, such as in pound sterling. If the value of all foreign currencies suffered a 10-percent decline versus the euro, the following risks (negative values) and rewards (positive values) would ensue:

€ million	2007	2006
Firm contracts/commitments	(2)	14
Forecasted transactions	(10)	86

Our hedge accounting breaks down into cash flow hedges (CFHs) and fair value hedges (FVHs).

In the year under review, unrealized gains of €19 million (before taxes) from the remeasurement of derivatives in CFHs were recognized in, and only in, other comprehensive income (OCI), another €5 million of gains was recycled from OCI to net sales.

The losses on hedging instruments used in FVHs came to €54 million (down from a €14 million gain), the gains from the related underlyings to €55 million (up from a €15 million loss).

(c) Interest rate risks

For liquidity generation and investment purposes, the MAN Group holds assets and liabilities exposed to interest rate risks. Prominent among such assets are customer finance transactions, particularly leases mostly entered into at fixed rates. Among the liabilities exposed to interest rate risks are a fixed-income euro bond issue, a variable-rate portion of the loan facility for the Scania stock acquisition, as well as other fixed- and floating-rate financial liabilities.

Rate-sensitive financial instruments may be exposed to either a fair value or a cash flow risk. Fair value risks where a financial instrument's value varies according to market rate swings mainly affect investments in securities (investment funds or unit trusts). Income from this type of investment is exposed to non-quantifiable money-market interest rate risks. In contrast, cash flow risks originate from the variation of future interest payments in response to rate trends. They are centrally analyzed and managed through what-if scenarios based on the following assumptions:

Since market rate changes impact on variable-rate straight financial instruments, as well as on interest rate derivatives which are not part of a hedge according to IAS 39, they also affect future interest payments and are therefore included in the calculation of cash flows at risk.

Fixed-income straight financial instruments carried at amortized cost, as well as fixed-rate financial instruments in a fair value hedge, are not exposed to interest rate risks since interest-related changes in the value of both the underlying and the hedge are substantially offset in the income statement of the same period.

For rate sensitivity calculation, a parallel shift by 100 basis points of the yield curve is assumed. This scenario would produce the following risks (negative values) or rewards (positive values):

€ million	12/31/2007	12/31/2006
Floating-rate straight financial instruments	(10)	(15)
Financial derivatives	21	–

Among the tools used to contain the interest rate risks emanating from straight financial instruments are derivatives, such as interest rate swaps, forward swaps, caps, and floors; their volumes and maturities are determined to match the customer portfolio's in accordance with the envisaged hedging level.

Where the derivatives are not intended for hedging the risks from specific financial instruments but entire portfolios, the hedge accounting criteria of IAS 39 are not met but the interest rate risks are nonetheless economically contained.

(d) Stock price risks

Material among the *other investments* in equities is the 13.23-percent stake in Scania AB. The market value of this long-term investment as of December 31, 2007, was €1,822 million (up from €1,254 million). A 20-percent share price slump would slash the investment's value by €364 million (up from €251 million).

(e) Default risks

From the MAN Group's vantage point, default risks are defined as the risk that a counterparty fails to perform its contractual obligations, thus causing a financial loss. The term default risk covers not only the direct nonpayment risk but also the credit risk from a deteriorated credit standing, which may be compounded by an accumulation or aggregation of individual risks.

Given its business operations and financing/leasing activities, MAN is exposed to default risks, which are capped by the aggregate total book value of capitalized financial assets, see Note (31). The following steps are taken to mitigate such risks.

When centrally investing any available liquidity, the centralized cash management system carefully selects investment types, banks and financial institutions, focusing on a safe-investment strategy.

In business operations, country and counterparty risks are constantly assessed locally; on this basis, risks are mapped and profiled. A/R balances are throughout monitored and watched locally. Nonpayment risks are adequately allowed for.

In project business, nonpayment risks are reduced to a minimum by insisting on downpayments and the provision of collateral security.

In our financing and leasing activities, default risk management targets exposed portfolios. Customer credit standing is regularly rated by assigning risk classes to each customer, based on information furnished by local Financial Services companies and standard external sources. In addition, by nonrecourse factoring of parts of the A/R portfolios, the maximum loss on default is downscaled even further. Collateral is as a rule furnished by assigning the financed vehicle as security.

With a view to reducing the associated nonpayment risks, financial derivatives are throughout contracted with banks of prime standing.

The table below provides details of receivables not specifically allowed for or written down though past due:

€ million	12/31/2007 Due from customers and investees	12/31/2007 Receivables under capital leases	12/31/2006 Due from customers and investees	12/31/2006 Receivables under capital leases
30 days or less	451	7	296	4
31–90 days	181	2	138	2
91–180 days	45	1	73	2
181 days to 1 year	39	2	39	–
>1 year	43	–	64	–

A portfolio allowance accounts for the default risks in these receivables.

As of the balance sheet date, there was no indication that any of the receivables either not specifically allowed for, written down or then past due, will go bad.

(f) Liquidity risk
This type refers to the risk that financial obligations can no longer be properly met.

The MAN Group's finance management system with ongoing monitoring and control of cash inflows and outflows is an effective tool for liquidity risk management.

The primary sources of funds are business operations and external finance. The primary uses of funds include the financing of working capital, capital expenditures and investments as well as the provision of sufficient funds for the leasing and financing activities.

As required by IFRS 7, the details in the table below are confined to cash outflows for contractual payments of principal and interest for straight financial instruments, as well as for financial derivatives. Where no fixed due date exists, the liability is related to the earliest possible maturity. Floating-rate interest payments are based on the terms current at December 31.

€ million	2008	2009	2010	2011	2012	>2012
Financial liabilities	1,585	58	262	78	25	37
Trade payables	1,792	10	–	–	–	3
Other financial debts	171	5	–	–	–	–
Financial derivatives	96	13	7	5	3	2
Total	**3,644**	**86**	**269**	**83**	**28**	**42**

(g) Hedge breakdown by type of hedging relationship

€ million	12/31/2007	12/31/2006
Fair value hedges	40	4
Cash flow hedges	23	(1)
No hedge	42	3
	105	**6**

Cash flow hedges mostly expire within one year.

(33) Stock-based payments
Executive and management board members of MAN companies receive stock-based payments. Up to fiscal 2004, such payments had been based on MAN's Stock Appreciation Rights (SAR) program, which offered cash payments depending on MAN stock performance (phantom stock options). In fiscal 2006, the MAN Stock Program superseded the SAR, offering to eligible staff cash payments which are tied to the purchase of MAN common stock.

(a) MAN Stock Program (MSP)
Under the MSP, which has been implemented since 2005, the executive and certain management board members of MAN companies are granted taxable cash compensation on condition that they appropriate 50 percent to purchase MAN common stock. Such shares are acquired and held in custody centrally by MAN AG in the name and for the account of the beneficiaries, who may freely dispose of the stock after a 3-year qualifying period. During this waiting period, the shares may not be sold, assigned, pledged or hedged. When an MSP participant goes into retirement or separates from the MAN Group, the period is shortened to 1 year as from the date of retirement or separation.

Moreover, the MSP terms obligate the participants to invest 16.67 percent of the annual variable bonus in MAN common stock (stock bonus); the waiting period for these purchased shares has been fixed at 2 years.

Under the MSP 2007 and from the 2006 stock bonus, the participants received in 2007 a total 33,532 MAN common shares (down from 33,799) at an average price of €105.03 (up from €54.17). A total of €7.045 million was disbursed for this purpose (up from €3.650 million), including €3.709 million for the stock bonus (up from nil).

A total €4.691 million has been accrued for stock purchases in 2008 from the 2007 stock bonus (up from €3.709 million).

In the year under review, MAN AG's Executive Board members subscribed for 17,260 shares (up from 12,781), the associated cash outflow for shares purchased totaling €3.618 million (up from €1.380 million), including €2.238 million for the stock bonus 2006. A total €2.453 million has been accrued for stock purchases in 2008 from the 2007 stock bonus (up from €2.238 million).

(b) MAN's SAR plan
Effective July 1, 2000, 2001, 2003 and 2004, the MAN Group had implemented SAR plans. Members of the MAN companies' executive and management boards were granted stock appreciation rights (SARs) which, after a 2-year qualifying period within the succeeding five years, were exercisable and convertible into taxable income (phantom stock options), subject to the MAN common stock price trend in absolute and relative terms.

The strike price of an SAR plan was in each case the closing stock price as quoted by the Xetra system for MAN shares, averaged over the ten trading days preceding July 1 (plan issuance date). If and when the MAN stock price rises at least 20 percent above the strike price and, after expiration of the qualifying period, and assuming that MAN stock has outperformed the Dow Jones Euro Stoxx 50 index at least once during five consecutive trading days, plan participants can exercise their SARs.

Under the 2000 and 2001 SAR plans (both granted on a DM basis), participants receive cash of DM 4.00 or €2.045 per SAR for an MAN stock price rise of 20 percent above the strike price. For every further full percentage point above this 20-percent threshold, the cash payable increases by DM 0.15 or €0.0767, up to an aggregate maximum payment per SAR of DM 24.00 or €12.27. Under the 2006 and 2007 SAR plans (€-based), participants will receive cash of €4 per SAR if the market price of an MAN share is 20 percent in the money, and €0.15 for each additional full percentage point of increase, up to an aggregate maximum of €24 per SAR. During the previous years, the SAR plan 2003 has been fully utilized.

The number of the remaining SARs developed in 2007 as follows:

€	SARP 2000	SARP 2004
Total SARs at January 1, 2007	40,470	54,100
exercised in the period	40,470	54,100
Total SARs at December 31, 2007	–	–

€1.795 million (down from €6.794 million) was paid out in the fiscal year as SARs were exercised, including €0.497 million (down from €0.998 million) under the SARP 2000 and €1.298 million (down from €4.890 million) under the SARP 2004 (in 2006, plus €0.906 million under the SARP 2001).

The 3,450 stock appreciation rights remaining at RENK AG as of December 31, 2006, were likewise fully exercised in 2007.

(34) Related party transactions

According to its notification of February 2007 under the terms of Sec. 21(1) clause 1 German Securities Trading Act ("WpHG"), Wolfsburg-based Volkswagen AG holds a 29.9-percent stake in MAN AG. In fiscal 2007, services for €10 million were sourced from Volkswagen AG. Liabilities of €1 million existed at December 31, 2007.

Related parties of significant importance to the MAN Group are its associated affiliates, with which business is transacted (exchange of products and services), the extent of such business being summarized in the table below.

€ million	2007
Sales	236
Services purchased	2
Receivables (at Dec. 31)	151
Payables (at Dec. 31)	**2**

No material trade relationships with corporate related parties existed in 2006. For the transactions with physical related parties (reportable according to IAS 24), see Notes (35) and (36) below.

(35) Remuneration of the Executive Board

Breakdown of Executive Board remuneration:

€ '000	2007	2006
Fixed compensation	2,978	2,949
Variable bonus (cash)	4,906	5,122
Variable bonus (stock) and MSP	3,834	3,620
Pension expense	1,306	2,033
Total	**13,024**	**13,724**

The postretirement benefit disclosed corresponds to the service cost according to pension accruals.

As of December 31, 2007, the present value of DBO to active Executive Board members totaled €6.819 million (up from €5.917 million). The related pension expense from the addition to accruals amounted to €1.557 million (down from €2.212 million), including service cost of €1.306 million (up from €0.751 million) and interest cost of €0.251 million (up from €0.179 million); in 2006, another €1.282 million had been incurred as expense when the pension plan was changed.

Pension payments (including for the first year after contract termination and for the postretirement period) to former Executive Board members and their surviving dependants amounted to €3.948 million (down from €5.747 million), while the accrual for pension obligations to such former members and their surviving dependants totaled €41.739 million (down from €43.945 million).

The Executive Board members including their memberships in statutory supervisory and other comparable boards are listed on pages 188 et seq., further details of their remuneration and pay components being disclosed on pages 15 et seq., of this annual report. The remuneration of each active Executive Board member is specified in the table below.

Executive Board remuneration 2007 / [2006]

€ '000	Fixed salary	Variable cash bonus	Variable stock bonus and MSP	Pension expense	Total	No. of shares acquired in fiscal year
Håkan Samuelsson (CEO)	816 [812]	1,387 [1,387]	1,083 [1,083]	365 [347]	**3,651** **[3,629]**	5,172 [3,612]
Prof. Dr. h.c. Karlheinz Hornung	540 [527]	862 [862]	674 [674]	238 [409]	**2,314** **[2,472]**	3,215 [2,246]
Dr. jur. Matthias Mitscherlich	519 [518]	862 [862]	674 [674]	241 [311]	**2,296** **[2,365]**	3,215 [2,246]
Dr.-Ing. Georg Pachta-Reyhofen (in 2006 as from July 1)	515 [257]	862 [431]	674 [459]	222 [334]	**2,273** **[1,481]**	2,177 [2,246]
Anton Weinmann	588 [584]	933 [933]	729 [730]	240 [324]	**2,490** **[2,571]**	3,481 [2,431]
Prof. Gerd Finkbeiner (2006 up to June 30)	[251]	[647]	–	[308]	**[1,206]**	
Total	**2,978** **[2,949]**	**4,906** **[5,122]**	**3,834** **[3,620]**	**1,306** **[2,033]**	**13,024** **[13,724]**	**17,260** **[12,781]**

The cost of shares acquired in the fiscal year is included in the amounts shown in column *Variable stock bonus and MSP*.

(36) Remuneration of the Supervisory Board

The Supervisory Board's remuneration breaks down as follows:

€ '000	2007	2006
Fixed fee	769	749
Variable fee	1,536	1,496
Committee membership fee	303	271
Total	**2,608**	**2,516**

One Supervisory Board member has been granted a 25-year housing loan carrying interest at 5.0 percent annually and secured by a land charge. The loan balance as of December 31, 2007, amounted to €0.023 million (down from €0.026 million).

The Supervisory Board members including their memberships in other statutory supervisory and comparable boards are listed on pages 198 et seq., further details of their fees and fee components being disclosed on pages 15 et seq., of this annual report. The remuneration of each active Supervisory Board member is specified in the table below.

Supervisory Board fees in (€ '000)

Name	Membership in 2007	Fixed fee	Variable fee	Committee membership fee	Total 2007	Total 2006
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman as from May 10, 2007	since 5/10/07	45	89	45	179	–
Lothar Pohlmann, Vice-Chairman	all year	53	105	53	211	183
Dr.-Ing. Ekkehard D. Schulz, Chairman up to, and Vice-Chairman as from, May 10, 2007	all year	59	118	54	231	298
Prof. Dr.-Ing. Joachim Milberg, Vice-Chairman up to May 10, 2007	up to 5/10/07	19	38	19	76	210
Michael Behrendt	all year	35	70	34	139	105
Dr. Dipl.-Ing. Herbert H. Demel	up to 5/10/07	13	25	–	38	105
Detlef Dirks	all year	35	70	–	105	105
Jürgen Dorn	all year	35	70	11	116	105
Klaus Eberhardt	up to 5/10/07	13	25	–	38	105
Dr.-Ing. Robert Glauber	up to 5/10/07	13	25	–	38	31
Dr. rer. nat. Hubertus von Grünberg	up to 3/6/07	6	13	–	19	105
Jürgen Hahn	all year	35	70	–	105	105
Dr.-Ing. Uwe Hansult	since 5/10/07	22	45	–	67	–
Dr. jur. Heiner Hasford	since 5/10/07	22	45	–	67	–
Dr. phil. Klaus Heimann	all year	35	70	–	105	105
Jürgen Kerner	all year	35	70	–	105	69
Dr. jur. Karl-Ludwig Kley	up to 8/31/07	23	47	19	89	157
Prof. Dr. rer. pol. Renate Köcher	all year	35	70	–	105	105
Dr. jur. Thomas Kremer	since 9/1/07	12	23	–	35	–
Wilfrid Loos	all year	35	70	–	105	31
Nicola Lopopolo	all year	35	70	–	105	105
Thomas Otto	all year	35	70	35	140	127
Dipl.-Kfm. Stefan W. Ropers	since 5/10/07	22	45	11	78	–
Dr.-Ing. E.h. Rudolf Rupprecht	all year	35	70	–	105	105
Stephan Schaller	since 5/10/07	22	45	–	67	–
Rupert Stadler	since 3/26/07	27	53	22	102	–
Dr. rer. nat. Hanns-Helge Stechl	up to 5/10/07	13	25	–	38	105
Members resigned in 2006						150
Total 2007		**769**	**1,536**	**303**	**2,608**	**–**
Total 2006		**749**	**1,496**	**271**	**–**	**2,516**

For their membership in supervisory boards of other MAN companies, Mr. Dorn received another k€10 (down from k€12), Mr. Hahn k€20 (down from k€23), Mr. Kerner k€5 (virtually unchanged), Mr. Otto k€13 (down from k€15), and Mr. Loos k€3 (virtually unchanged).

Expenses refunded for attending Supervisory Board and committee meetings totaled k€113 in 2007 (up from k€60).

(37) Corporate governance code

In December 2007, MAN AG's Executive and Supervisory Boards issued, and disclosed to the stockholders on the Internet, their annual declaration of conformity pursuant to Art. 161 AktG, stating that MAN AG has adopted the recommendations of the German Corporate Governance Code Government Commission in accordance with its prior-year declaration of conformity and will carry out the recommendations of the Code as amended up to June 14, 2007.

Furthermore, the Executive and Supervisory Boards of our listed subsidiary RENK AG, Augsburg, issued, and disclosed to their stockholders on the Internet, the declaration of conformity under the terms of Art. 161 AktG.

(38) Subsequent events

The January 2008 swap of further class B for class A Scania shares raised our voting interest to 17.01 percent while our shareholding remained at an unchanged 13.23 percent.

During the past weeks, the MAN Group has gone through a corporate rating process: The two agencies, Standard & Poor's and Moody's, have rated MAN at A– and A3, respectively. These grades place MAN among the 10 top-rated DAX industrial corporations. The rating grades assigned further improve the MAN Group's access to the capital market and will add to MAN's financial flexibility and a more diversified finance structure.

No other subsequent events occurred that are of material significance for the MAN Group and might result in a different assessment of MAN. Business in early 2008 has endorsed the statements made in the Prospects chapter.

(39) Segment reporting
In accordance with the lineup of products and services, the MAN Group's operations break down into the Commercial Vehicles, Diesel Engines, Turbo Machinery and Industrial Services segments. These segments are identical with the MAN Nutzfahrzeuge, MAN Diesel, MAN Turbo and MAN Ferrostaal business areas. Under the umbrella of Others, the industrial subsidiary RENK and the parent MAN AG as holding company and the Corporate Center are subsumed, the latter also comprising companies with no operating business. In 2006, MAN Finance had been shown under Others whereas since 2007, the MAN Finance figures have been aggregated with MAN Nutzfahrzeuge's, the prior-year data having been restated accordingly.

Segment financial information conforms with the disclosure and valuation methods applied in formulating the consolidated financial statements. Order intake data has been derived from the Group's reporting system and not been externally audited. Intersegment transfers are based on fair market prices as if at arm's length. Amortization, depreciation and write-down refer to the intangible and tangible assets, investments and assets leased out allocable to each business area. Total segment assets correspond to the consolidated total assets of the companies in the regions concerned. For details of ROS and ROCE, see pages 103 et seq. of the group management report.

Segment reports

Condensed financial information of the segments

	Commercial Vehicles		Diesel Engines		Turbo Machinery		Industrial Services	
€ million	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Noncurrent assets (excl. taxes)	3,430	4,060	201	185	169	152	465	365
thereof shares in investees carried at equity	26	10	–	–	–	–	277	156
Inventories	1,675	1,592	645	556	249	155	576	594
Receivables and other assets	2,990	2,629	497	383	304	209	394	425
Income (incl. deferred) tax assets	291	284	36	47	14	18	60	79
Assets of disposal groups	–	–	–	–	–	–	13	254
Cash & cash equivalents and securities	148	70	362	241	204	184	629	448
Total assets	**8,534**	**8,635**	**1,741**	**1,412**	**940**	**718**	**2,137**	**2,165**
Equity	1,894	1,306	531	394	232	156	334	255
Pension obligations	38	599	8	85	20	64	41	74
Financial liabilities	2,395	2,359	133	139	0	4	27	33
All other liabilities and accruals	3,958	4,155	1,033	755	614	436	1,671	1,593
Liabilities of disposal groups	–	–	–	–	–	–	–	116
Income (incl. deferred) tax liabilities	249	216	36	39	74	58	64	94
Net liquid assets/(Net financial debt)	**(2,247)**	**(2,289)**	**229**	**102**	**204**	**180**	**602**	**415**
Net sales	**10,410**	**8,685**	**2,179**	**1,802**	**1,108**	**908**	**1,445**	**1,379**
Cost of sales	(8,171)	(6,851)	(1,526)	(1,288)	(830)	(696)	(1,179)	(1,126)
Gross margin	**2,239**	**1,834**	**653**	**514**	**278**	**212**	**266**	**253**
Selling expenses	(538)	(480)	(148)	(124)	(75)	(67)	(129)	(121)
General administrative expenses	(449)	(389)	(83)	(75)	(46)	(44)	(83)	(88)
P/L from investees carried at equity	(9)	–	–	–	–	–	61	31
All other income/expenses, net	(54)	(267)	(109)	(86)	(53)	(30)	64	44
EBIT	**1,189**	**698**	**313**	**229**	**104**	**71**	**179**	**119**
Net interest result	(44)	(111)	6	(1)	7	(2)	(6)	(38)
EBT of continuing operations	**1,145**	**587**	**319**	**228**	**111**	**69**	**173**	**81**
EAT of discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**	**15**	**15**
EBITDA	**1,496**	**928**	**344**	**261**	**123**	**88**	**207**	**145**
thereof amortization/depreciation	(217)	(226)	(31)	(30)	(19)	(17)	(16)	(21)
thereof write-down	(90)	(4)	–	(2)	–	–	(12)	(5)
Cash flow from operating activities	**1,204**	**145**	**333**	**223**	**94**	**185**	**260**	**(94)**
thereof cash earnings	1,107	549	270	186	114	87	102	40
Cash flow from investing activities	**(305)**	**(282)**	**(39)**	**(30)**	**(38)**	**(45)**	**(3)**	**4**
thereof capital expenditures/investments	(357)	(350)	(48)	(49)	(39)	(53)	(46)	(22)
Free cash flow	**899**	**(137)**	**294**	**193**	**56**	**140**	**257**	**(90)**
Cash flow from financing activities	**(923)**	**182**	**(174)**	**(66)**	**(46)**	**(38)**	**(33)**	**238**

* Corporate Center: MAN AG plus shared services and holding companies

Others/Consolidation									
RENK		Corporate Center *		Consolidation		Subtotal		Group	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
69	61	2,040	1,494	(5)	(16)	2,104	1,539	6,369	6,301
–	–	54	30	(3)	–	51	30	354	196
150	139	1	1	(17)	(5)	134	135	3,279	3,032
102	92	456	335	(332)	(288)	226	139	4,411	3,785
10	14	154	268	4	12	168	294	569	722
–	–	–	–	–	(10)	–	(10)	13	244
10	42	3,398	3,071	(3,231)	(2,894)	177	219	1,520	1,162
341	**348**	**6,049**	**5,169**	**(3,581)**	**(3,201)**	**2,809**	**2,316**	**16,161**	**15,246**
118	89	2,112	1,670	(44)	(91)	2,186	1,668	5,177	3,779
5	72	21	53	(1)	(1)	25	124	132	946
1	1	2,644	2,444	(3,233)	(2,872)	(588)	(427)	1,967	2,108
186	168	639	653	(316)	(292)	509	529	7,785	7,468
–	–	–	–	–	(21)	–	(21)	–	95
31	18	633	349	13	76	677	443	1,100	850
9	**41**	**754**	**627**	**2**	**(22)**	**765**	**646**	**(447)**	**(946)**
430	**356**	**153**	**121**	**(217)**	**(202)**	**366**	**275**	**15,508**	**13,049**
(325)	(286)	(140)	(123)	235	209	(230)	(200)	(11,936)	(10,161)
105	**70**	**13**	**(2)**	**18**	**7**	**136**	**75**	**3,572**	**2,888**
(22)	(20)	(1)	–	2	(1)	(21)	(21)	(911)	(813)
(12)	(11)	(78)	(72)	2	–	(88)	(83)	(749)	(679)
–	–	24	12	–	(1)	24	11	76	42
(3)	(1)	101	6	(21)	1	77	6	(75)	(333)
68	**38**	**59**	**(56)**	**1**	**6**	**128**	**(12)**	**1,913**	**1,105**
(2)	(3)	(22)	20	–	53	(24)	70	(61)	(82)
66	**35**	**37**	**(36)**	**1**	**59**	**104**	**58**	**1,852**	**1,023**
–	**–**	**(11)**	**(58)**	**–**	**218**	**(11)**	**160**	**4**	**175**
76	**46**	**91**	**(31)**	**1**	**(4)**	**168**	**11**	**2,338**	**1,433**
(8)	(8)	(25)	(23)	–	11	(33)	(20)	(316)	(314)
–	–	(7)	(2)	–	(1)	(7)	(3)	(109)	(14)
61	**24**	**521**	**(22)**	**(364)**	**316**	**218**	**318**	**2,109**	**777**
51	30	(317)	(308)	334	379	68	101	1,661	963
(16)	**(12)**	**(10)**	**(658)**	**(15)**	**(306)**	**(41)**	**(976)**	**(426)**	**(1,329)**
(16)	(17)	(262)	(1,250)	4	81	(274)	(1,186)	(764)	(1,660)
45	**12**	**511**	**(680)**	**(379)**	**10**	**177**	**(658)**	**1,683**	**(552)**
(78)	**(12)**	**(359)**	**1,114**	**66**	**(704)**	**(371)**	**398**	**(1,547)**	**714**

Condensed financial information of the segments

	Commercial Vehicles		Diesel Engines		Turbo Machinery		Industrial Services	
€ million	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Order intake by the segments	**12,684**	**10,103**	**3,371**	**2,619**	**1,454**	**1,498**	**1,556**	**1,982**
thereof Germany	3,770	3,186	405	185	252	320	380	283
thereof abroad	8,914	6,917	2,966	2,434	1,202	1,178	1,176	1,699
Intersegment order intake	(24)	(13)	(6)	(6)	(81)	(5)	(11)	(6)
Order intake by the Group	12,660	10,090	3,365	2,613	1,373	1,493	1,545	1,976
Sales by the segments	**10,410**	**8,685**	**2,179**	**1,802**	**1,108**	**908**	**1,445**	**1,379**
thereof Germany	3,470	2,668	257	248	210	138	269	247
thereof abroad	6,940	6,017	1,922	1,554	898	770	1,176	1,132
Intersegment transfers	(27)	(35)	(14)	(10)	(7)	(22)	(5)	(9)
Group sales	10,383	8,650	2,165	1,792	1,101	886	1,440	1,370
Order backlog at Dec. 31	**6,266**	**4,213**	**3,866**	**2,800**	**1,655**	**1,341**	**2,415**	**2,342**
Headcount incl. temporary employees at Dec. 31	**36,591**	**36,206**	**7,383**	**6,862**	**4,011**	**3,545**	**4,687**	**4,879**
thereof Germany	20,541	20,966	3,280	3,036	2,815	2,520	2,648	2,715
thereof abroad	16,050	15,240	4,103	3,826	1,196	1,025	2,039	2,164
Headcount at Dec. 31	**34,148**	**34,194**	**6,837**	**6,408**	**3,610**	**3,257**	**4,175**	**4,290**
Annual average headcount	**34,685**	**33,977**	**6,685**	**6,378**	**3,492**	**3,053**	**4,145**	**4,483**
Indicators								
Operating profit	1,039	698	313	229	104	71	179	119
ROS (%)	10.0	8.0	14.4	12.7	9.4	7.8	12.4	8.6
MAN VA	762	404	264	175	81	45	126	77

* Corporate Center: MAN AG plus shared services and holding companies

Segment information by regions

€ million	**Germany**	**Other Europe**	**Other world**	**Total**
2007				
Segment assets at Dec. 31	11,296	4,392	473	16,161
Capital expenditures	619	134	11	764
Sales	4,343	7,041	4,124	15,508
Headcount at Dec. 31	29,450	18,906	2,699	51,055
Headcount incl. temporary employees at Dec. 31	31,611	20,396	3,079	55,086
2006				
Segment assets at Dec. 31	10,854	3,897	495	15,246
Capital expenditures	1,507	144	9	1,660
Sales	3,394	6,065	3,590	13,049
Headcount at Dec. 31	29,399	18,354	2,537	50,290
Headcount incl. temporary employees at Dec. 31	31,368	19,500	2,847	53,715

Others/Consolidation									
RENK		Corporate Center *		Consolidation		Subtotal		Group	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
439	**417**	**413**	**121**	**(543)**	**(173)**	**309**	**365**	**19,374**	**16,567**
199	180	410	121	(487)	(124)	122	177	4,929	4,151
240	237	3	–	(56)	(49)	187	188	14,445	12,416
(33)	(37)	(388)	(106)	543	173	122	30	–	–
406	380	25	15	–	–	431	395	19,374	16,567
430	**356**	**153**	**121**	**(217)**	**(202)**	**366**	**275**	**15,508**	**13,049**
165	130	151	121	(179)	(158)	137	93	4,343	3,394
265	226	2	0	(38)	(44)	229	182	11,165	9,655
(25)	(20)	(139)	(106)	217	202	53	76	–	–
405	336	14	15	–	–	419	351	15,508	13,049
684	**672**	**260**	**–**	**(396)**	**(70)**	**548**	**602**	**14,750**	**11,298**
1,854	**1,654**	**560**	**569**	**–**	**–**	**2,414**	**2,223**	**55,086**	**53,715**
1,771	1,566	556	565	–	–	2,327	2,131	31,611	31,368
83	88	4	4	–	–	87	92	23,475	22,347
1,728	**1,575**	**557**	**566**	**–**	**–**	**2,285**	**2,141**	**51,055**	**50,290**
1,695	**1,549**	**571**	**554**	**–**	**–**	**2,266**	**2,103**	**51,273**	**49,994**
68	38	26	(56)	1	6	95	(12)	1,730	1,105
15.7	10.5	–	–	–	–	–	–	11.2	8.5
52	23	–	–	–	–	–	–	1,148	717

See the *Business trend* chapter of the management report for a further breakdown and explanation of sales by geographical markets.

Munich, February 12, 2008

MAN AG
The Executive Board

MANAGEMENT REPRESENTATION

We represent that, to the best of our knowledge and in accordance with applicable accounting principles, the consolidated financial statements present a true and fair view of the MAN Group's asset and capital structure, financial position and results of operations, as well as that the group management report describes fairly, in all material respects, the Group's business trend and performance, the Group's position, and the significant risks and rewards of the Group's future development.

With a view to ensuring the reliability of data for the preparation of the consolidated financial statements and group management report as well as for internal reporting purposes, an effective internal control system has been installed that includes not only groupwide uniform accounting and risk management guidelines in accordance with KonTraG (German Act on Corporate Control & Transparency) but also an integrated controlling concept as part of a shareholder value approach, besides involving examinations and reviews by Internal Auditing. The Executive Board is thus enabled to identify and counteract significant risks early on.

As resolved by the annual meeting of MAN AG's stockholders, the Supervisory Board has appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Berlin and Frankfurt/Main, as group auditor for fiscal 2007. This group auditor has audited the IFRS-based consolidated financial statements and issued its opinion thereon as reproduced below.

The consolidated financial statements, the group management report, the audit report, and the risk management system have all been discussed in depth together with group auditor staff at the Supervisory Board's Audit Committee meeting as well as at the annual accounts meeting of the plenary Supervisory Board.

The Executive Board

INDEPENDENT AUDITOR'S REPORT AND OPINION

We have audited the consolidated financial statements (consisting of income statement, balance sheet, cash flow statement, statement of changes in comprehensive income, and notes) and the group management report, all as prepared by MAN AG, Munich, for the fiscal year ended December 31, 2007. The preparation of the consolidated financial statements and group management report in accordance with the IFRS whose application is mandatory in the European Union and the additional financial-accounting provisions of Art. 315a(1) HGB, is the responsibility of the Company's legal representatives. Our responsibility is, based on our audit, to express an opinion on the consolidated financial statements and group management report.

We have conducted our annual group audit in accordance with Art. 317 HGB and with due regard to generally accepted standards on the audit of financial statements as established by IDW, the Institute of Sworn Public Accountants & Auditors in Germany. Said standards require that we plan and perform the audit to obtain reasonable assurance that any misstatement or fraud which has a material impact on the view of the asset and capital structure, financial position and results of operations as presented by the consolidated financial statements in accordance with applicable accounting principles and by the group management report is identified. When planning the audit procedures, knowledge and understanding of the Group's business, its economic and legal environment as well as sources of potential errors are given due consideration. An audit includes examining, largely on a test basis, the accounting-related internal control system's effectiveness and the evidence supporting the amounts and disclosures in the consolidated financial statements and group management report. An audit also includes assessing the financial statements of companies included in the consolidated financial statements, the definition of the consolidation group, the accounting and consolidation principles used, and significant estimates made, by the Company's legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any objections or exceptions.

It is our opinion that, based on our audit conclusions, the consolidated financial statements are in conformity with the IFRS whose application is mandatory in the EU, and with the additional financial-accounting provisions of Art. 315a(1) HGB, and with due regard to these standards, regulations and provisions, present a true and fair view of the Group's asset and capital structure, financial position and results of operations. The group management report is in conformity with the consolidated financial statements and presents fairly, in all material respects, both the Group's position and the risks and rewards inherent in its future development.

Munich, February 12, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Hoyos
Wirtschaftsprüfer

Dr. Dauner
Wirtschaftsprüfer

SUPERVISORY BOARD: MEMBERSHIPS IN OTHER STATUTORY BOARDS OR EQUIVALENT

Hon. Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch
Salzburg, Austria,
Supervisory Board Chairman
(as from May 10, 2007)

[1] Volkswagen AG (chairman)
Dr.-Ing. h.c. Porsche AG
Porsche Automobil Holding SE
[3] Porsche Ges.m.b.H.
Porsche Holding GmbH

Lothar Pohlmann*
Oberhausen,
Chairman of the Group Works Council of MAN AG and the Works Council of MAN Turbo AG,
Sterkrade plant
Vice-Chairman

Dr.-Ing. Ekkehard D. Schulz
Düsseldorf,
CEO of ThyssenKrupp AG
Vice-Chairman

[1] AXA Konzern AG
Bayer AG
RWE AG
[2] ThyssenKrupp Services AG (chairman)
ThyssenKrupp Steel AG (chairman)
ThyssenKrupp Technologies AG (chairman)

Prof. Dr.-Ing. Joachim Milberg
Baldham,
Supervisory board chairman of BMW AG
Vice-Chairman
(up to May 10, 2007)

[1] BMW AG (chairman)
Bertelsmann AG
Festo AG
TÜV Süddeutschland Holding AG
[3] Deere & Company

Michael Behrendt
Hamburg,
CEO of Hapag-Lloyd AG
Executive board member of TUI AG

[1] Barmenia Allgemeine Versicherungs-AG
Barmenia Krankenversicherung a. G. (vice-chairm.)
Barmenia Lebensversicherung a. G.
Esso Deutschland GmbH
ExxonMobil C. E. Holding GmbH
Hamburgische Staatsoper GmbH
[4] CP Ships Ltd. (chairman)

Dr. Dipl.-Ing. Herbert H. Demel
Oberwaltersdorf, Austria,
COO Vehicle and Powertrain MAGNA International
(up to May 10, 2007)

Detlef Dirks*
Augsburg,
Works Council Chairman of MAN Diesel SE,
Augsburg plant

Jürgen Dorn*
Munich,
General Works Council Chairman of
MAN Nutzfahrzeuge AG

[1] MAN Nutzfahrzeuge AG

Klaus Eberhardt
Gerlingen,
CEO of Rheinmetall AG
(up to May 10, 2007)

[2] Kolbenschmidt Pierburg AG (chairman)
Rheinmetall Defence Electronics GmbH (chairman)
Rheinmetall Landsysteme GmbH (chairman)
Rheinmetall Waffe Munition GmbH (chairman)
[3] Eckart Wälzholz-Junius Familienstiftung
Dietrich Wälzholz Familienstiftung
[4] Nitrochemie AG (president)
Nitrochemie Wimmis AG (president)
Oerlikon Contraves AG (president)

Dr.-Ing. Robert Glauber*
Augsburg,
Senior Vice President of MAN Diesel SE
(up to May 10, 2007)

Dr. rer. nat. Hubertus von Grünberg
Hanover,
Supervisory board chairman of Continental AG
(up to March 6, 2007)

[1] Continental AG (chairman)
Allianz Versicherungs-AG
Deutsche Post AG
Deutsche Telekom AG
[3] Schindler Holding AG

Jürgen Hahn*
Essen,
Works Council Chairman of MAN Ferrostaal AG

[1] MAN Ferrostaal AG

Dr.-Ing. Uwe Hansult*
Augsburg,
Senior Vice-President BU Production of MAN Diesel SE
(as from May 10, 2007)

Dr. jur. Heiner Hasford
Munich,
Former executive board member of Münchener Rückversicherungs-Gesellschaft
(as from May 10, 2007)

[1] Commerzbank AG
D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-AG
ERGO Versicherungsgruppe AG
Europäische Reiseversicherung AG (chairman)
Nürnberger Beteiligungs-AG
VICTORIA Lebensversicherung AG
VICTORIA Versicherung AG

Dr. phil. Klaus Heimann*
Francfort/Main,
Trade union secretary of IG Metall

[1] Krones AG

Jürgen Kerner*
Augsburg,
1st delegate of IG Metall Augsburg

[1] Eurocopter Deutschland GmbH
KUKA AG
MAN Diesel SE
MAN Roland Druckmaschinen AG
SGL Carbon AG

Dr. jur. Karl-Ludwig Kley
Darmstadt,
Vice-chairman of the management board of Merck KGaA
(up to August 31, 2007)

[1] Bertelsmann AG
Vattenfall Europe AG
WestLB AG

Prof. Dr. rer. pol. Renate Köcher
Constance,
General manager of Institut für Demoskopie Allensbach

[1] Allianz SE
Infineon Technologies AG

Dr. jur. Thomas Kremer
Düsseldorf,
Chief legal counsel of ThyssenKrupp AG
(as from September 1, 2007)

[2] Howaltswerke-Deutsche Werft GmbH
[4] ThyssenKrupp Italia S.p.A.

Wilfrid Loos*
Dortmund,
General Works Council Chairman of MAN Truck & Bus Deutschland GmbH

[1] MAN Truck & Bus Deutschland GmbH (Vice-Chairman)

Nicola Lopopolo*
Hanover,
Works Council Chairman of RENK AG,
Hanover plant

Thomas Otto*
Ottweiler,
Trade union secretary of IG Metall

[1] MAN Nutzfahrzeuge AG
MAN Truck & Bus Deutschland GmbH

Dipl.-Kfm. Stefan W. Ropers
Munich,
Executive board member of Bayerische Landesbank
(as from May 10, 2007)

[1] Deutsche Factoring Bank Deutsche Factoring GmbH & Co. KG
KG Allgemeine Leasing GmbH & Co. KG (vice-chairman)
[2] BayernInvest Kapitalanlagegesellschaft mbH
BayernLB Corporate Advisers (vice-chairman)
BayernLB Private Equity GmbH (vice-chairman)
Baytech Venture Capital GmbH & Co. KG (vice-chairman)
BLB Equity Management GmbH
[4] Banque LB Lux S.A.

Dr.-Ing. E.h. Rudolf Rupprecht
Augsburg,
Former CEO of MAN AG

[1] Bayerische Staatsforsten AöR
KME AG
Salzgitter AG
SMS GmbH (chairman)

Stephan Schaller
Hanover,
Spokesman of the board of management of Volkswagen AG Nutzfahrzeuge
(as from May 10, 2007)

[1] SCHOTT AG
[4] Volkswagen Poznan Sp. z o.o. (chairman)

Rupert Stadler
Ingolstadt,
CEO of AUDI AG
(as from March 26, 2007)

[2] Volkswagen Bank GmbH
Volkswagen Financial Services AG
Volkswagen-Versicherungsdienst GmbH
[4] Automobili Lamborghini Holding S.p.A. (chairman)
VOLKSWAGEN GROUP ITALIA S.P.A. (chairman)

Dr. rer. nat. Hanns-Helge Stechl
Mannheim,
Former executive board vice-chairman of BASF AG
(up to May 10, 2007)

[*] employee representative

As of February 1, 2008, or resignation date

[1] Member in supervisory boards of German companies
[2] Member in supervisory boards of German group companies
[3] Member in comparable German or foreign boards
[4] Member in comparable German or foreign boards (intragroup)

SUPERVISORY BOARD COMMITTEES

Standing Committee
Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Michael Behrendt
Thomas Otto
Lothar Pohlmann
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
Michael Behrendt
Jürgen Dorn
Lothar Pohlmann
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
Thomas Otto
Lothar Pohlmann
Dipl.-Kfm. Stefan W. Ropers

Slate Submittal Committee pursuant to Art. 27(3) German Codetermination Act ("MitbestG")
Hon.-Prof. Dr. techn. h. c.
Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Thomas Otto
Lothar Pohlmann
Dr.-Ing. Ekkehard D. Schulz

EXECUTIVE BOARD: MEMBERSHIPS IN OTHER STATUTORY BOARDS OR EQUIVALENT

Dipl.-Ing. Håkan Samuelsson
Munich,
Chairman

[1] MAN Roland Druckmaschinen AG
Siemens AG
[2] MAN Nutzfahrzeuge AG (Chairman)
MAN Diesel SE (Chairman)
MAN Turbo AG (Chairman)
MAN Ferrostaal AG (Chairman)
RENK AG (Chairman)
NEOMAN Bus GmbH (Chairman)

Prof. Dr. h. c. Karlheinz Hornung
Munich

[1] Arcandor AG
Demag Cranes AG
MAN Roland Druckmaschinen AG
[2] MAN Nutzfahrzeuge AG
MAN Diesel SE
MAN Turbo AG
MAN Ferrostaal AG
RENK AG (Vice-Chairman)
[3] MAN Capital Corporation, USA (Chairman)

Dr. jur. Matthias Mitscherlich
Mülheim/Ruhr

[1] Coface Holding AG
Coface Kreditversicherung AG
National Bank AG
[2] MAN Diesel SE
MAN Turbo AG (Vice-Chairman)

Dr.-Ing. Georg Pachta-Reyhofen
Niederpöcking,

[2] MAN Nutzfahrzeuge AG

Dipl.-Ökonom Anton Weinmann
Landensberg,

[2] MAN Truck & Bus Deutschland GmbH (Chairman)
RENK AG
NEOMAN Bus GmbH
NEOPLAN Bus GmbH
[3] MAN Nutzfahrzeuge Österreich AG (Vice-Chairman)

As of February 1, 2008

[1] Member in supervisory boards of German companies
[2] Board member, MAN Group Germany
[3] Board member, MAN Group international

EXECUTIVE AND MANAGEMENT BOARDS OF GROUP COMPANIES

MAN Nutzfahrzeuge AG
Munich
Dipl.-Ökonom Anton Weinmann,
Chairman
Dipl.-Kffr. Sabine Drzisga
Peter Erichreineke
Prof. Dr. -Ing. Karl Viktor Schaller
Dipl.-Ing. Lars Wrebo

MAN Diesel SE
Augsburg
Dr.-Ing. Georg Pachta-Reyhofen,
Chairman
Tage Reinert
Dr.-Ing. Stefan Spindler
Dr.-Ing. Peter Sunn Pedersen
Dr.-Ing. Stephan Timmermann

MAN Turbo AG
Oberhausen
Dipl.-Wirtsch.-Ing. Klaus Stahlmann (as from 5/1/2007)
Chairman (as from 8/1/2007)
Jürgen Maus (up to 9/12/2007)
Chairman (up to 7/31/2007)
Dr. rer. pol. Stephan Funke (as from 5/1/2007)
Dr. -Ing. Hans-O. Jeske
Prof. Dr. rer. oec. Gerhard Willi Reiff

MAN Ferrostaal AG
Essen
Dr. jur. Matthias Mitscherlich
Chairman
Dipl.-Kfm. Michael Beck
Dipl.-Ing. Jens Gesinn (up to 2/28/2007)
Dr.-Ing. Wolfgang Knothe
Dr. rer.nat. Klaus Lesker
Dr.-Ing. Stephan Reimelt (as from 10/15/2007)

As of February 1, 2008

SELECTED CONSOLIDATED COMPANIES

As of December 31, 2007	Shareholding %	Sales € mill.	Headcount at 12/31/2007
MAN Nutzfahrzeuge AG, Munich, Germany	**100**	**7,456**	**12,156**
MAN Truck & Bus Deutschland GmbH, Munich, Germany	100	3,096	5,040
MAN Nutzfahrzeuge Österreich AG, Steyr, Austria	100	1,750	3,186
NEOMAN Bus GmbH, Salzgitter, Germany	100	993	1,476
MAN Nutzfahrzeuge Vertrieb Süd AG, Vienna, Austria	100	889	956
MAN ERF UK Ltd., Swindon, Wiltshire, UK	100	793	970
MAN Vehículos Industriales (España) S.A., Coslada (Madrid), Spain	100	673	570
MAN Truck&Bus Sp. z o.o., Nadarzyn, Poland	100	354	290
MAN-STAR Trucks & Busses Sp. z o.o., Tarnowo Podgórne, Poland	100	334	3,503
MAN Türkiye A.S., Akyurt Ankara, Turkey	100	330	2,063
MAN Avtomobili Rossiya, Moscow, Russian Federation	100	331	325
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg, South Africa	100	314	769
NEOPLAN Bus GmbH, Stuttgart, Germany	100	207	547
MAN Kamyon ve Otobüs Ticaret A.S. Ankara, Turkey	100	188	155
MAN Last og Bus A/S, Glostrup, Denmark	100	169	207
MAN Trucks Sp. z o.o., Niepolomice Poland	100	125	401
MAN uzitková vozidla Ceská republika spol.s.r.o., Cestlice/	100	150	86
MAN Last og Buss A/S, Lorenskog, Norway	100	136	215
MAN Nutzfahrzeuge (Schweiz) AG, Otelfingen, Switzerland	100	123	115
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100	85	113
MAN Veiculos Industriais (Portugal) S.U. Lda., Algés (Lisboa), Portugal	100	90	96
Neoplan Omnibus GmbH, Plauen, Germany	84	77	343
MAN Engines & Components Inc., Pompano Beach, USA	100 [4]	53	48
MAN Úzitkové Vozidlá Slovakia sr.o., Bratislava, Slovakia	100	57	52
MAN Gospodarska vozila Slovenija d.o.o., Ljubljana, Slovenia	100	44	35
MAN Diesel SE, Augsburg, Germany	**100**	**939**	**2,769**
MAN Diesel A/S, Copenhagen, Denmark	100	1,005	2,484
MAN Diesel SAS, Villepinte, France	100	195	569
MAN Diesel Ltd., Stockport, UK	100	101	260
MAN Diesel North America Inc., New York, USA	100 [4]	36	117
MAN Diesel Canada Ltd., Oakville, Canada	100	42	47
MAN Diesel Singapore Pte. Ltd., Singapore	100	44	150
PBS Turbo s.r.o., Velká Bíteš, Czech Republic	100	16	151
MAN Diesel Australia Pty. Ltd., North Ryde, Australia	100	13	39
Rostock Diesel Service GmbH, Rostock, Germany	100	13	31
MAN Diesel India Ltd., Aurangabad, India	73	4	169

As of December 31, 2007

	Shareholding %	Sales € mill.	Headcount at 12/31/2007
MAN Turbo AG, Oberhausen, Germany	**100**	**674**	**2,131**
MAN Turbo AG Schweiz, Zurich, Switzerland	100	346	703
MAN DWE GmbH, Deggendorf, Germany	100 [5]	120	417
MAN Turbo S.r.l. De Pretto, Schio, Italy	100	41	223
MAN Turbo Inc. USA, Houston, USA	100 [4]	38	24
MAN Turbo South Africa (Pty) Ltd., Elandsfontein, South Africa	100	12	56
MAN Limited, London, UK [1]	100	11	56
MAN Ferrostaal AG, Essen, Germany	**100**	**768**	**723**
MAN Ferrostaal Piping Supply GmbH, Essen, Germany [2]	100	149	97
MAN Ferrostaal Automotive GmbH, Essen, Germany [2]	100	147	1,514
MAN Ferrostaal Industrieanlagen GmbH, Geisenheim, Germany	100	82	152
DSD Construcciones y Montajes S.A., Santiago, Chile	100	54	120
MAN Ferrostaal México S.A. de C.V., Mexico, D.F., Mexico	100	38	88
MAN Ferrostaal Australia Pty. Ltd., Alexandria, Australia	100	28	62
DSD de Venezuela C.A., Caracas, Venezuela	100	31	27
MAN Ferrostaal Power Industry GmbH, Essen, Germany	100	18	84
MAN Ferrostaal Air Technology GmbH, Saarlouis, Germany	100	23	60
MAN Ferrostaal do Brasil Comércio e Indústria Ltda., São Paulo, Brazil	100	10	79
RENK AG, Augsburg, Germany [2]	**76**	**446**	**1,728**
MAN Finance International GmbH, Munich, Germany [3]	**100**	**-**	**28**
MAN Financial Services GmbH, Munich, Germany	100	-	94
MAN Financial Services España S.L., Coslada, Spain	100	-	12
MAN Financial Services Tüketici Finansmani A.S., Ankara, Turkey	100	-	10
MAN Financial Services OOO, Moscow, Russian Federation	100	-	16
MAN Financial Services plc, Swindon,Wiltshire, UK	100	-	32

[1] Full sales shown; the first 9 months are proratable to MAN Ferrostaal AG.
[2] Sales and headcount including companies under operational management.
[3] Selected according to financing volume; Financial Services revenue is shown as other operating income (cf. p. 160), hence no sales disclosed.
[4] Shares held by MAN Capital Corporation, New York.
[5] Shares held by MAN AG.

GLOSSARY

A Accumulated other comprehensive income (OCI)
Other comprehensive income is an equity component that accumulates gains and losses which are recognized in the balance sheet but not yet in the income statement, mainly from the statement at fair value (marking to market) of securities and hedges, and also reflects the changes in actuarial gains/losses from pensions (net after deferred taxes)..

C Capital employed (CE)
The MAN Group's CE is determined from how capital employed is funded and breaks down into equity, pension accruals and financial liabilities, less the debt-funded volume of Financial Services. The operating profit also accounts for that of discontinued operations up to the date of their disposal. A business area's CE is derived from the asset side and comprises its entire assets other than financial and tax assets, less all accruals and liabilities other than financial liabilities, pension accruals and tax liabilities. Since fiscal 2006, prepayments received have only been deducted to the extent that they have already been appropriated to work in process.

Cash earnings
Cash earnings reflect the net cash provided by operating activities; they are the net of operating profit, net interest result, income taxes (excl. deferred), amortization/depreciation/write-down and other noncash income and expenses. .

Commercial paper
Commercial paper (CP) covers short-term bearer obligations of corporations or banks and is issued by top-rated, prime debtors as money-market instrument.

Contractual Trust Arrangement (CTA)
Trust agreement under which a company assigns and transfers certain assets to a legally independent nongroup trustee as security for funding its pension obligations.

E Equity ratio
Equals the percentage of equity in total capital.

F Fair (market) value
Fair value and market value are synonymous: the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial derivatives
Financial instruments whose value is basically derived from the price and price volatility/expectations of an underlying (e.g. stock, foreign exchange, interest-bearing securities, etc.).

Fixed-asset-to-equity cover ratio
Indicates the extent to which fixed assets (intangible and tangible assets, investments) are covered by equity.

Free cash flow
Aggregate cash flows from operating and investing activities. The free cash flow shows the financial funds generated by a company within a fiscal year.

Functional expenses
These include cost of sales, selling expenses, and general administrative expenses.

I International Financial Reporting Standards (IFRS)
Accounting principles as harmonized and applied on an international scale by the International Accounting Standards Board (IASB). The IASB is a civil-law organization comprising auditors and other accounting experts from over 100 countries.

M MAN value added (MAN VA)
Indicates whether the MAN Group and its business areas have earned their cost of capital and added value beyond:

MAN VA = (ROCE – WACC) x CE

N Net liquid assets/Net financial debt
Net liquid assets equal cash and cash equivalents plus securities less financial liabilities. A negative balance is called net financial debt.

O Operating profit
Indicator to assess and control the profitability of the MAN Group's business areas, as a rule the same as EBIT. One-time factors or nonrecurring effects are eliminated in specific cases, hence:

Operating profit = EBIT ± one-time effects

P Percentage-of-completion (PoC) method
Net-revenue recognition method based on IAS 11 and to be applied to customized (or dedicated) manufacturing or construction contracts whose total revenue, costs and percentage of completions are reliably determinable. The profit contributed by the contract must be recognized pro rata of contract work progress (i.e., its PoC) even if the contract has not yet been fully completed and invoiced to the customer.

Projected unit credit (PUC) method
IAS 19 method for measuring pension obligations, according to which expected future pay and pension rises are accounted for in addition to the vested pension rights and entitlements existing at year-end.

R ROCE (return on capital employed)
Ratio of operating profit to average capital employed:

ROCE = operating profit ÷ CE

ROE (return on equity)
For Financial Services, the ratio of operating profit to equity (excl. OCI).

ROS (return on sales)
The operating profit returned by net sales:

ROS = operating profit ÷ net sales

S Statement at equity
Method to include investees which are not fully consolidated with all assets and liabilities for group accounting purposes and whose financial and business policies are significantly influenced. The change in the investee's prorated equity is updated annually and reflected in an adjusted investment book value, the change usually being recognized in the owner's income statement.

Syndicated facility
Credit line committed by a syndicate of banks with binding effect.

W WACC (weighted average cost of capital)
For the MAN Group, set on a long-range basis at 11 percent (pretax); the equity portion is stated at fair value, the debt portion comprising pension accruals and financial liabilities.

FINANCIAL DIARY

Financial diary of MAN AG	
Report on Q1/2008	April 30, 2008
Annual stockholders' meeting for 2007	April 25, 2008
Report on H1/2008	July 30, 2008
Report on 3Q/2008	October 30, 2008
Annual press conference	February 19, 2009
Analyst conference	February 19, 2009
Publication of annual report on the Internet	March 6, 2009
Annual stockholders' meeting for 2008	April 3, 2009
Report on Q1/2009	April 30, 2009
Report on H1/2009	July 30, 2009

MAN Group: 6-year overview

€ million	2007	2006	2005	2004	2003	2002
Order intake	**19,374**	**16,567**	**14,338**	**15,645**	**13,744**	**15,720**
thereof from Germany	4,929	4,151	3,373	3,850	3,943	3,862
thereof from abroad	14,445	12,416	10,965	11,795	9,801	11,858
Order intake by business area						
Commercial Vehicles	12,684	10,103	9,434	7,589	6,772	6,525
Diesel Engines	3,371	2,619	2,203	1,872	1,460	1,363
Turbo Machinery	1,454	1,498	850	675	658	539
Industrial Services	1,556	1,982	1,745	3,508	2,738	3,178
Others/Consolidation	309	365	106	2,001	2,116	4,115
Sales [1]	**15,508**	**13,049**	**11,379**	**14,038**	**13,546**	**16,040**
thereof in Germany	4,343	3,394	3,103	3,540	3,792	4,212
thereof abroad	11,165	9,655	8,276	10,498	9,754	11,828
Sales by business area						
Commercial Vehicles [1]	10,410	8,685	7,377	6,799	6,707	6,564
Diesel Engines	2,179	1,802	1,666	1,421	1,312	1,408
Turbo Machinery	1,108	908	694	659	567	530
Industrial Services	1,445	1,379	1,414	3,185	2,880	2,916
Others/Consolidation	366	275	228	1,974	2,080	4,622
Order backlog [2]	**14,750**	**11,298**	**8,496**	**7,954**	**7,363**	**9,597**
thereof Germany	2,664	1,820	1,422	1,815	1,891	2,035
thereof abroad	12,086	9,478	7,074	6,139	5,472	7,562
Headcount incl. temporary employees [2]	**55,086**	**53,715**	**51,412**	**61,325**	**67,907**	**77,307**
thereof in Germany	31,611	31,368	30,275	38,844	42,531	50,253
thereof abroad	23,475	22,347	21,137	22,481	25,376	27,054
Temporary employees [2]	**4,031**	**3,425**	**2,251**	**2,317**	**3,749**	**2,253**
Employees [2]	**51,055**	**50,290**	**49,161**	**59,008**	**64,158**	**75,054**
Annual average headcount	**51,273**	**49,994**	**49,770**	**60,371**	**65,521**	**76,346**
MAN share data						
Common stock price (€) [2]	113.80	68.46	45.08	28.34	24.05	13.15
Common stock, annual high (€)	123.73	74.00	45.24	32.23	24.15	30.25
Common stock, annual low (€)	68.46	44.36	29.00	24.33	12.09	10.65
Common stock, PER [2]	13.8	13.6	16.4	13.6	15.6	14.3
Preferred stock price (€) [2]	108.65	63.35	41.00	24.75	19.80	9.90
Preferred stock, annual high (€)	117.39	69.78	41.00	29.59	20.49	26.10
Preferred stock, annual low (€)	62.69	40.35	25.44	20.00	10.30	8.20
Preferred stock, PER [2]	13.2	12.5	14.9	11.9	12.9	10.8
Dividend per share (€) [3]	3.15	2.00	1.35	1.05	0.75	0.60
Earnings per share (EpS) acc. to IAS 33 (€)	8.24	5.05	2.75	2.08	1.54	0.92
Cash earnings per share (€)	11.20	6.40	5.90	5.00	5.50	5.50
Equity per share (€)	30.30	22.90	19.50	18.80	18.50	17.90

Notes to comparability:
The Others data includes for 2002 the SMS Group, up to 2004 Printing Systems and Financial Services (as from 2005, sales disclosed as other operating income) and the Industrial Services data up to 2004 the Steel Trade operations.
[1] As from 2004 changed accounting for the sales of commercial vehicles if subject to buyback obligation: disclosed as operating leases
[2] At December 31

€ million	2007	2006	2005	2004	2003	2002
Noncurrent assets	6,891	6,998	5,689	5,400	3,932	4,318
Inventories	3,279	3,032	3,453	3,393	3,107	3,774
Other current assets	4,471	4,054	3,819	3,825	3,568	4,002
Securities and cash & cash equivalents	1,520	1,162	1,191	761	548	1,277
Equity [1]	5,177	3,779	3,025	2,965	2,784	2,891
Pension obligations [1]	132	946	1,499	1,716	1,681	2,053
Financial liabilities (current/noncurrent)	1,967	2,108	1,018	753	987	1,538
Prepayments received	2,031	1,557	1,740	1,399	1,201	1,679
All other liabilities and accruals	6,854	6,856	6,870	6,546	4,502	5,210
Total assets/Total capital	**16,161**	**15,246**	**14,152**	**13,379**	**11,155**	**13,371**
Net sales	**15,508**	**13,049**	**11,379**	**14,038**	**13,546**	**16,040**
Cost of sales [2]	(11,901)	(10,161)	(8,943)	(11,276)	(11,067)	(13,365)
Gross margin	**3,607**	**2,888**	**2,436**	**2,762**	**2,479**	**2,675**
All other income and expenses, net [3]	(1,877)	(1,783)	(1,762)	(2,205)	(2,096)	(2,351)
Operating profit [4]	**1,730**	**1,105**	**674**	**557**	**383**	**324**
Net nonrecurring result	183	–	(37)	–	–	–
Net interest expense	(61)	(82)	(62)	(115)	(122)	(105)
EBT	**1,852**	**1,023**	**575**	**442**	**261**	**219**
Income taxes	(631)	(273)	(160)	(122)	(69)	(72)
Net result of discontinued operations	4	175	57	(2)	43	0
Net income	**1,225**	**925**	**472**	**318**	**235**	**147**
Minority interests	(9)	(7)	(10)	(15)	(8)	(12)
Transfer to reserves	(753)	(624)	(263)	(149)	(117)	(47)
Total dividend of MAN AG	**463**	**294**	**199**	**154**	**153**	**88**
EBITDA	**2,338**	**1,433**	**972**	**1,011**	**816**	**892**
Depreciation/amortization of fixed assets	(425)	(328)	(335)	(402)	(373)	(500)
EBIT	**1,913**	**1,105**	**637**	**609**	**443**	**391**
Capital outlays and funding						
for tangible and intangible assets	478	446	376	357	402	463
for investments	286	1,214	28	32	18	62
R&D expenditures	433	396	385	476	520	580
Cash earnings	1,661	963	876	762	768	885
Cash flow from operating activities	2,109	777	1,267	946	906	697
Cash flow from investing activities	(426)	(1,329)	(378)	(341)	(317)	(590)
Free cash flow	1,683	(552)	889	605	589	107
Key indicators/ratios						
ROS (%)	11.2	8.5	5.9	4.0	2.8	2.0
ROCE (%)	31.9	28.0	19.1	13.0	8.4	7.1
MAN value added (MAN VA)	1,148	717	321	82	(121)	–

Notes to comparability:
The data includes for 2002 the SMS Group, up to 2004 Printing Systems and Financial Services (as from 2005, sales disclosed as other operating income) and up to 2004 the Steel Trade operations.
[1] As from 2005 changed accounting for pensions
[2] 2007 after reclassifying cost of sales of €35 million into the nonrecurring result
[3] Incl. net interest result of Financial Services
[4] As from 2005 Printing Systems and Steel Trade disclosed as discontinued operations

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2007

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