Engineering the Future –
since 1758.

MAN SE

2010 Annual Report

At a Glance

€ million			
	2010	**2009**	**Change in %**
Order intake	**15,072**	**9,860**	**53**
Germany	3,489	2,388	46
Other countries	11,583	7,472	55
Revenue	**14,675**	**12,026**	**22**
Germany	3,058	2,751	11
Other countries	11,617	9,275	25
Order backlog [1]	**7,025**	**7,422**	**– 5**
Headcount [1, 2]	**47,669**	**47,743**	**0**
of which: subcontracted employees	1,976	1,643	20
Germany	27,354	26,768	2
Other countries	20,315	20,975	– 3
			Change in € million
Operating profit	1,035	504	531
Earnings effects from purchase price allocations	– 109	– 62	– 47
Gains/losses from nonrecurring items	357	– 656	1,013
Earnings before tax (EBT)	1,125	– 331	1,456
Net income/loss	722	– 258	980
Earnings per share from continuing operations in €	5.30	– 2.69	7.99
Earnings per share from continuing operations excluding effects of purchase price allocations and nonrecurring items in €	3.38	1.47	1.91
Dividend per share in € [3]	2.00	0.25	1.75
ROS (%)	7.1	4.2	–
ROCE (%) [4]	17.4	8.8	–
Income/loss from discontinued operations, net of tax	– 65	126	– 191
Capital expenditures	396	2,303	– 1,907
Depreciation, amortization, and impairment of noncurrent assets	467	804	337
Reversals of impairment losses on equity-method investments	357	–	357
R&D expenditures	626	504	122
Cash earnings	815	396	419
Net cash provided by operating activities	1,427	1,462	– 35
Net cash used in investing activities	– 374	– 2,584	2,210
Free cash flow	1,053	– 1,122	2,175
of which: from acquisitions and divestments	– 7	– 2,249	2,242
Cash and cash equivalents [1]	1,057	502	555
Net financial debt [1]	– 1,778	– 2,634	856
Total equity [1]	5,990	5,129	861

[1] As of December 31, 2010 vs. December 31, 2009

[2] Including subcontracted employees

[3] 2010: proposed dividend

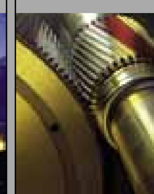
[4] CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made to previous year)

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

Company Profile ➡

The MAN Group

The MAN Group is one of Europe's leading industrial players in transport-related engineering, with revenue of approximately €14.7 billion in 2010. As a supplier of trucks, buses, diesel engines, turbomachinery, and special gear units, MAN employs approximately 47,700 people worldwide. Its divisions hold leading positions in their respective markets. MAN SE, Munich, is listed in the Dax equity index, which comprises Germany's thirty leading stock corporations.

	MAN SE			
Business areas	**Commercial Vehicles**		**Power Engineering**	
Divisions	**MAN Truck & Bus ***	**MAN Latin America**	**MAN Diesel & Turbo**	**Renk** (76.0%)
				
Equity-method investments	**Sinotruk** (25% + 1 share), **Scania** (17.4%**)			

* MAN Nutzfahrzeuge until December 28, 2010

** Voting rights

Commercial Vehicles

MAN Truck & Bus

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

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

€ million	2010	2009
Order intake	8,023	5,224
Revenue	7,446	6,395
Operating profit/loss	158	– 91
Headcount (as of Dec. 31) [1]	31,284	31,519
ROS (%)	2.1	– 1.4

[1] including subcontracted employees

MAN Latin America

is the largest truck manufacturer in Latin America. It leads the truck market in Brazil and is a leading supplier of commercial vehicles and bus chassis for growth markets, with one of the most advanced production facilities worldwide for trucks and buses.

- Trucks from 5 to 57 t for all uses
- Chassis for city and intercity buses for all uses

€ million	2010	2009
Order intake	3,140	1,412
Revenue	3,140	1,412
Operating profit	370	142
Headcount (as of Dec. 31) [1]	1,736	1,510
ROS (%)	11.8	10.1

[1] including subcontracted employees

Power Engineering

MAN Diesel & Turbo

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

- Large-bore engines (diesel, diesel/gas, gas) for use in ships and power plants
- On-board gensets, exhaust-gas turbochargers, and propulsion systems
- Turnkey diesel power plants and power plant components
- Comprehensive product range of compressors, turbines, and chemical reactors
- Complete turbomachinery trains for the oil and gas industry, the processing industry, and for power generation
- Testing centers for individual machines and complete machine units weighing up to 1,000 t
- Global end-to-end after-sales services for the company's entire product range under the MAN PrimeServ brand
- Operation and maintenance of diesel power plants under the MAN PowerManagement brand

€ million	2010	2009
Order intake	3,475	2,936
Revenue	3,766	3,796
Operating profit	439	500
Headcount (as of Dec. 31) [1]	12,455	12,511
ROS (%)	11.7	13.2

[1] including subcontracted employees

Renk

is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems.

- Vehicle transmissions for medium and heavy tracked vehicles
- Special gear units for specialist marine and stationary applications
- Standard gear units, primarily for merchant shipping, industrial applications, and wind power
- Global market leader for electric machine bearings, slide bearings, and industrial couplings
- Turnkey testing systems for the automotive, rail, and aviation industries as well as for wind power plants

€ million	2010	2009
Order intake	525	294
Revenue	403	474
Operating profit	52	66
Headcount (as of Dec. 31) [1]	1,882	1,903
ROS (%)	12.9	13.9

[1] including subcontracted employees

Introduction
Stronger after the Crisis

Performance

Revenue grew 22% to €14.7 billion, operating profit doubled to €1,035 million, and return on sales (ROS) increased to 7.1% on the back of the global economic recovery. Order intake up 53%, demonstrating our excellent performance in all divisions.

Growth regions

Further international growth focusing on the BRIC countries: record results in Brazil; gradual implementation of our strategic partnership in China.

Technology leadership

MAN proved it is an inventor company at the key trade fairs in its business areas, the 2010 International Commercial Vehicles Motor Show (IAA) and the SMM shipping trade fair: the Concept S Truck design study attracted international attention; new large-bore diesel engine technology already aims to meet 2016 emission requirements.

Outlook for 2011

10 to 15% revenue growth in the Commercial Vehicles business area; slight decline in revenue of up to 5% in the Power Engineering business area due to the slower recovery of the markets. Systematic continuation of international growth strategy and further increase in flexibility of cost structures. Growth in the MAN Group's revenue by between 7 and 10% as well as its return on sales by one percentage point.

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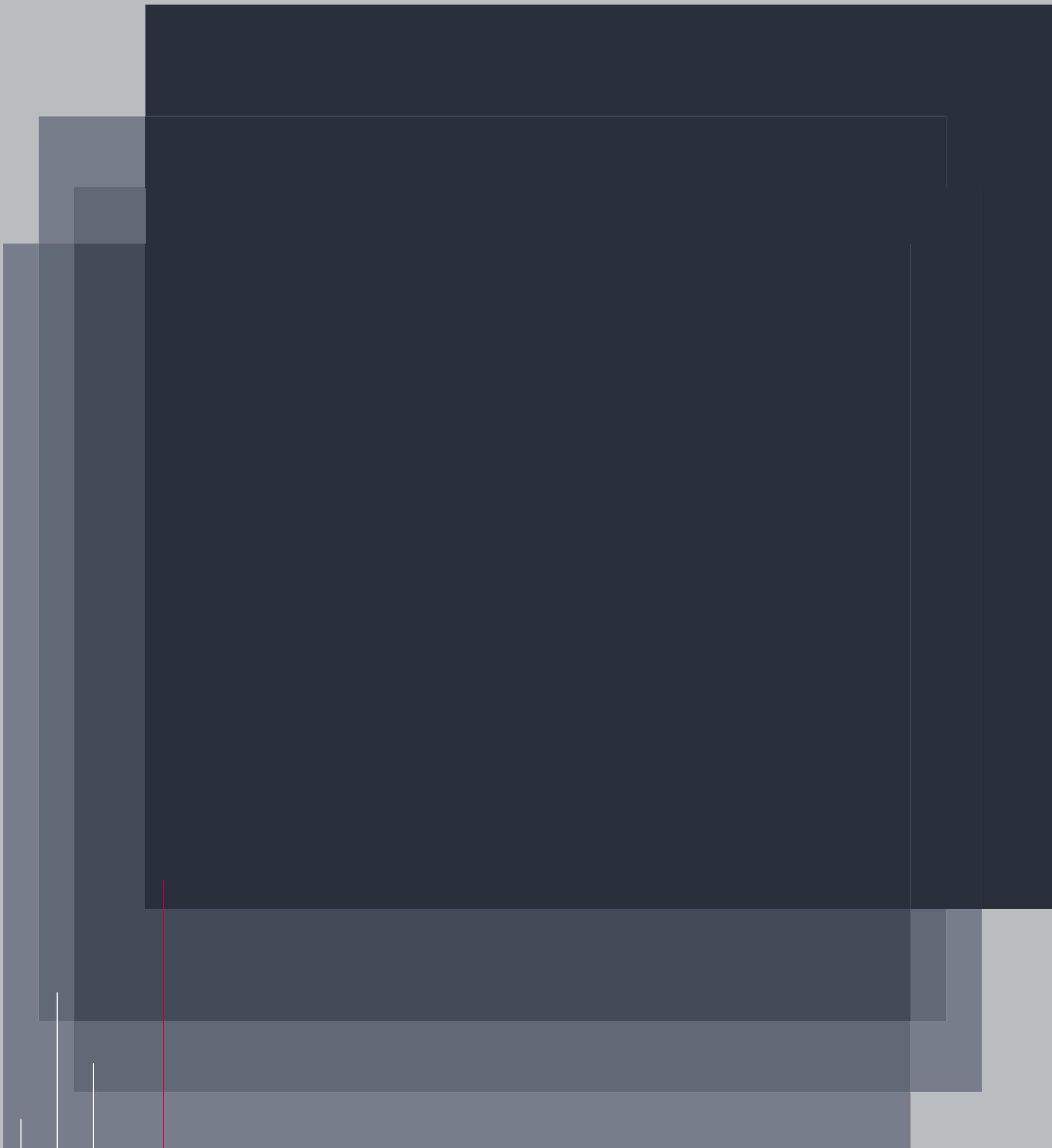


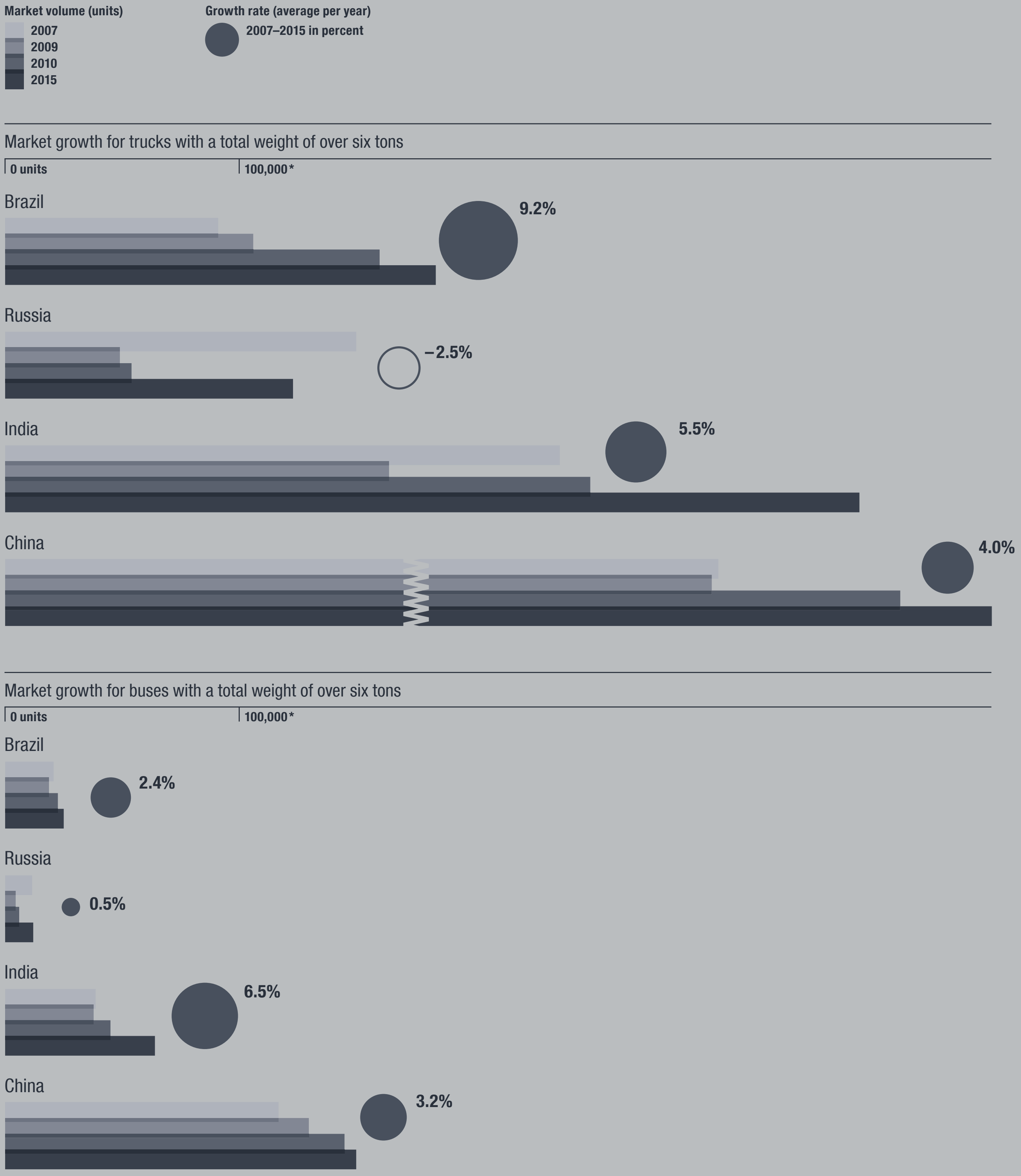
THE BRIC COMMERCIAL VEHICLES MARKET

Brazil will be the growth driver

The upturn in unit sales of trucks and buses in the coming years will be increasingly driven by the BRIC countries (Brazil, Russia, India, China).

Source: MAN BRIC Handbook, as of 11/2010

*** Non-linear presentation**



To Our Shareholders
Letter to Our Shareholders

Dear Shareholders,

2010 was a very good year for the MAN Group. We used the tailwind provided by the global economic recovery to expand our business and systematically drive forward our internationalization strategy. After reporting on a difficult year on this page in our 2009 Annual Report, I am delighted to bring you extremely positive news about your Company in fiscal 2010: MAN has emerged stronger from the crisis. We are pleased to present successful results for 2010 and thus demonstrate our expertise and competitive strength.

As our key indicators clearly show, the Group has performed superbly in all areas: At €15.1 billion, the MAN Group's order intake is up 53% year-on-year. Operating profit increased to €1,035 million—double the 2009 figure. This turnaround is also clearly reflected in revenue, which rose by 22% to €14.7 billion. Return on sales climbed from 4.2% to 7.1%.

At €11.2 billion, order intake in the Commercial Vehicles business area was 68% above the previous year due to growing demand in the European commercial vehicles business and the ongoing boom in Brazil. We sold more than 120,000 trucks and buses in fiscal 2010. The Commercial Vehicles business area lifted its annual revenue by 36% to €10.6 billion and generated an operating profit of €528 million. Its return on sales was up from 0.7% to 5.0%.

The Power Engineering business area also recorded a sharp increase in order intake in 2010 (+24%) to €4.0 billion. At €4.2 billion, revenue was slightly below the previous year (€4.3 billion). The Power Engineering business area generated an operating profit of €491 million, while its return on sales remained in double digits at 11.8%.

These figures show that the MAN Group has achieved an excellent position in recent years, has focused on innovation and growth, and has proved that it is a strong and future-proof company. I would like to take this opportunity to inform you of the key progress we have made.

We significantly strengthened our presence in the most important growth regions and extended our market positions. MAN is represented on all five continents and is focusing on further international growth, especially in the BRIC countries. Today, MAN sells one in two of its heavy trucks, and an even greater proportion of buses, in one of the BRIC countries. Our strategy continued to deliver success in 2010, with MAN Latin America posting record revenue and earnings figures.

Europe remains MAN's most important market. Premium products and high service quality ensure that we have substantial market share in the commercial vehicles business in particular. The development and production expertise at MAN's European sites is instrumental in safeguarding our technology leadership in our business areas for the long term.

In 2010, we also demonstrated that we are well prepared to meet the technological challenges of the future at the key trade fairs for our business areas, the International Commercial Vehicles Motor Show (IAA) in Hanover, and the SMM shipping trade fair in Hamburg. MAN is an inventor company. However, we also know how to develop and tap new markets. This continued ability to innovate and adapt has made us a pioneer in the transportation and energy industry.

The expertise and extraordinary flexibility and solidarity of our employees in 2010 contributed to MAN's success. Together, we were therefore able to leave behind a difficult period in the past year and to discontinue short-time working in virtually all areas. I would like to take this opportunity to thank the MAN team for this special achievement.

We also further expanded our compliance organization in the past year. MAN stands for impeccable business practices—without any compromises—because we can only be successful by ensuring compelling quality and service. Our new corporate responsibility strategy, which we presented in September 2010, is another milestone. It underlines our strategic endeavor to reconcile economic, ecological, and social aspects. Our high-profile "We are your MAN" brand campaign illustrated that we not only have a long tradition, but that we are also a modern and progressive company.

"The MAN Group has achieved an excellent position in recent years."

“We see further opportunities for all areas to achieve profitable and sustained growth.”

Dr.-Ing. Georg Pachta-Reyhofen
Chief Executive Officer of MAN SE and MAN Truck & Bus AG

Going forward, we must continue to meet the challenges posed by globalization and technological change. MAN is a company whose innovations shape and influence market trends. We are driving forward this approach with our internationalization and focusing strategy.

It makes sense to master these tasks not alone, but with a strong partner in order to leverage synergies and be more powerful together. That’s why, as you have heard in the past year, we are in talks with Scania about cooperating. MAN and Scania are strong and highly innovative companies with a long tradition. We believe that both parties complement each other very well—in terms of our product ranges and development opportunities as well as the markets in which we are active. We are bringing together two of the strongest brands in the commercial vehicles market and can both profit from our skills and experience.

In recent years, MAN has successfully specialized in commercial vehicles and power engineering. These two business areas are leveraging the ongoing strong growth in emerging economies that is accompanied by increasing demand for transportation and energy. Overall, we expect the economic recovery to continue in 2011 and we see further opportunities for all areas to achieve profitable and sustained growth in the medium to long term. For the MAN Group, we are forecasting a high single-digit percentage increase in revenue and a return on sales of around 8% in 2011.

I would like to thank you, our shareholders, for the confidence you have placed in us over the past year and hope that you will continue to support us going forward.

Dr.-Ing. Georg Pachta-Reyhofen
Chief Executive Officer of the MAN Group

To Our Shareholders
Report of the Supervisory Board

Dear Shareholders,

In the course of the past fiscal year, the Supervisory Board continued to discharge its duties under the law, the Articles of Association, and its Rules of Procedure. We regularly advised the Executive Board in its management of the Company and monitored its activities. Among other things, we also assured ourselves that the Executive Board has established and further enhanced an effective and efficient compliance system and risk management system for the MAN Group.

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

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

The Supervisory Board held five regular meetings and one constituent meeting in fiscal 2010. Average attendance at Supervisory Board meetings was 97%. All members were present at more than half of the meetings.
In one case, resolutions were adopted in writing.

Key areas of committee work in the year under review
The Supervisory Board established two committees—the Presiding Committee and the Audit Committee—featuring equal representation of shareholders and employees, with three representatives in each case, as well as the Nomination Committee, which only comprises shareholder representatives.
The main role of the Committees is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers or tasks have been transferred to committees.
The Nomination Committee is tasked with identifying candidates for Supervisory Board positions and recommending suitable candidates to the Supervisory Board as the latter's proposals for election at the Annual General Meeting. In this capacity, the shareholder representatives on the Presiding Committee act as the Nomination Committee.
Rupert Stadler is Chairman of the Audit Committee, and the Presiding Committee is always chaired by the Chairman of the Supervisory Board. At the Supervisory Board meetings, Mr. Stadler and I provided regular reports on the work of the committees.
A list of the members of the committees as of the end of 2010 is provided on page 190.

The Presiding Committee met a total of five times in 2010.
It dealt in particular with all the key issues to be discussed at the following Supervisory Board meetings and prepared Supervisory Board resolutions.

The Audit Committee held a total of seven meetings in the year under review.
On the basis of an invitation to tender, the Audit Committee prepared the Supervisory Board's proposal to the Annual General Meeting to elect PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, ("PwC") as the auditors for fiscal 2010.
The Committee also considered the engagement of PwC for the audit of the annual financial statements for 2010, the areas of emphasis of the 2010 audit, and the statement regarding the auditors' independence in accordance with section 7.2.1 of the German Corporate Governance Code.
In addition, the Audit Committee dealt in detail with financial reporting issues, the annual financial statements of MAN SE and the MAN Group, and the audit reports submitted by the auditors.

At the request of the Audit Committee, PwC reviewed the MAN Group's interim financial statements as of June 30, 2010. This did not lead to any objections. The Committee discussed the findings of the review with the auditors in detail.
In 2010, the Audit Committee again addressed the audit plans for MAN's Corporate Audit function, risk management, and the MAN Group's risk position, as well as the continued optimization of the Group's internal control system.
The Committee regularly discussed the quarterly financial reports with the Executive Board prior to their issue.
The Audit Committee also regularly discussed current business developments in the MAN Group, the status of corporate planning, financing issues, and commercial matters relating to upcoming Supervisory Board resolutions on major transactions.
Compliance was again a key focus of the Audit Committee's work in the past year. Among other things, the Committee supported the measures to further improve the compliance system within the MAN Group.

The Presiding Committee members responsible for nominating Supervisory Board candidates met once as the Nomination Committee in the year under review. The resignation of Stefan W. Ropers required the supplementary election of a shareholder representative to the Supervisory Board (see below).

Issues addressed by the full Supervisory Board
The main topics discussed regularly by the full Supervisory Board were the development of orders, revenue, earnings, and employment in the MAN Group, as well as key strategic projects such as investments and divestments.

We also continuously addressed compliance issues in detail. At our meetings, MAN's Chief Compliance Officer regularly reports on compliance topics, including the continued expansion of the compliance organization and the further optimization of the compliance system within the MAN Group, as well as the results of compliance investigations.

The following information relates to the Supervisory Board meetings held in 2010:
On February 12, 2010, the Supervisory Board primarily addressed the 2009 annual financial statements as well as the agenda and the proposed resolutions for the 2010 Annual General Meeting.
We also discussed and adopted resolutions on changes in the structure of Executive Board remuneration as a result of the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG—German Act on the Appropriateness of Executive Board Remuneration) and on determining the individual basic remuneration of the Executive Board.
In June 2010, we adopted resolutions in writing on the system to be used for calculating Executive Board members' bonuses from fiscal 2010 onwards.
Details of the remuneration system for Executive Board members and of the specific amount of remuneration paid to the Executive Board can be found in the remuneration report for 2010 (see pages 21 et seq.).
Furthermore, on February 12 the Executive Board reported on the status of various strategic projects, such as the Company's cooperation with Chinese commercial vehicle manufacturer Sinotruk, in which MAN SE holds an equity interest of "25% plus one share."

On April 1, 2010, our discussions focused on business developments in the MAN Group and topics relating to the 2010 Annual General Meeting, among other things.

Following the Annual General Meeting, at the end of which Stefan W. Ropers left the Supervisory Board and the Audit Committee, we elected Dr.-Ing. Ekkehard D. Schulz to the Audit Committee at a constituent meeting on April 1, 2010.

On July 2, 2010, we resolved to again appoint Dr. Pachta-Reyhofen as a member of the Executive Board and Chief Executive Officer for the period from July 1, 2011, to June 30, 2016.
We also addressed topics relating to corporate strategy, among other things. For example, we approved the sale of MAN Turbo S.r.L. De Pretto/Italy, an investee of MAN Diesel & Turbo SE, to Selink S.p.A.
In addition, we resolved the specific engagement of PwC to audit MAN SE's 2010 annual financial statements and risk early recognition system.

On September 10, 2010, we addressed in detail the status of the sale of MAN's remaining 30% interest in Ferrostaal to International Petroleum Investment Company (IPIC), Abu Dhabi. In 2009, IPIC acquired 70% of the shares of Ferrostaal from MAN and granted MAN a put option to sell its remaining 30% interest. MAN exercised this put option at the beginning of 2010. However, IPIC has so far refused to complete the transaction, referring to the investigations by the German public prosecution authorities at Ferrostaal into suspected instances of corruption, and has filed an arbitration action against MAN SE.

On November 12, 2010, we dealt with strategic topics and the development of key MAN Group investments, among other things. For example, we discussed the status of the Ferrostaal divestment and the MAN/Scania cooperation.
In addition, the Executive Board presented the MAN Group's corporate planning for 2011 to 2013.
On November 12, we also addressed the issue of securing any claims for damages against former members of the Executive Board in connection with the allegations of corruption made against MAN employees or MAN governing bodies.

Corporate governance and Declaration of Conformity
In December 2010, the Executive and Supervisory Boards issued the annual Declaration of Conformity in accordance with section 161 of the *Aktiengesetz* (AktG—German Stock Corporation Act). This states that MAN SE complied with the recommendations of the German Corporate Governance Code during the reporting period in accordance with the Declarations of Conformity of December 2009 and February 2010 and will comply with the recommendations of the current version of the Code dated May 26, 2010—with only one exception. MAN SE departed temporarily from the Code in respect of the number of Supervisory Board positions held by Dr.-Ing. Ekkehard D. Schulz. Further details can be found in the Declaration of Conformity published on the MAN Group's website at www.man.eu.

No conflicts of interest involving members of the Supervisory Board in accordance with section 5.5 of the German Corporate Governance Code were notified to me in the year under review. There were no decisions to be made on the issue of the MAN/Scania cooperation; the Supervisory Board simply acknowledged the issue when it was presented by the Executive Board.

Further information on corporate governance at MAN is available in our Corporate Governance Report.

Audit of the 2010 annual and consolidated financial statements
In accordance with our proposal, the Annual General Meeting elected PwC as the auditors for fiscal 2010 on April 1, 2010.
The Supervisory Board followed the recommendations of the Audit Committee by issuing its audit engagement letter to PwC and specifying the areas of emphasis of the audit for 2010.
The auditors issued an unqualified auditors' report on the annual financial statements of MAN SE prepared for fiscal 2010 in accordance with the provisions of the *Handelsgesetzbuch* (HGB—German Commercial Code) and on the management report.

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

In accordance with section 315a of the HGB, MAN SE's consolidated financial statements for 2010 were prepared on the basis of the International Financial Reporting Standards (IFRSs). The auditors also issued an unqualified auditors' report on the consolidated financial statements and the Group management report.

Among other things, PwC examined the specified areas of emphasis of the audit for the reporting period, such as the implementation of the requirements of the *Bilanzrechtsmodernisierungsgesetz* (BilMoG—German Accounting Law Modernization Act) in the MAN Group.

The audit reports by PwC and the financial statement documents were received by the members of the Supervisory Board in good time and discussed at both the Supervisory Board's financial statements meeting on March 18, 2011, and the Audit Committee's preceding financial statements meeting. The auditors participated in the discussions on the annual and consolidated financial statements that were held in both bodies. They reported on the material findings of their audits and were available to answer any further questions and provide additional information to the Audit Committee and the Supervisory Board.

On completion of our own examination of the annual financial statements, the consolidated financial statements, and the management reports for MAN SE and the Group, we approved the results of the audit by the auditors and, in accordance with the Audit Committee's recommendation, the annual and consolidated financial statements. No objections were raised. The annual financial statements are thus adopted.

Following detailed discussion of matters such as the MAN Group's financial and investment planning, we endorsed the Executive Board's proposal on the appropriation of the net retained profits.

Changes in the composition of the Supervisory Board and personnel matters relating to the Executive Board

Effective from the end of the Annual General Meeting on April 1, 2010, Stefan W. Ropers resigned from his position on the Supervisory Board and Dr. Thomas Kremer, who is elected as an alternate member for all shareholder representatives on the Supervisory Board, stood down as alternate member for Mr. Ropers. We would like to thank Mr. Ropers for his work on the Supervisory Board and the Audit Committee.

The Annual General Meeting elected Ulf Berkenhagen, member of the Board of Management of AUDI AG, to the Supervisory Board for the remaining term of office.

Dr. Kremer was also elected as an alternate member for Mr. Berkenhagen.

The term of office of the current first Supervisory Board of MAN SE expires at the end of the Annual General Meeting on June 27/28, 2011.

On November 12, 2010, the Supervisory Board appointed Frank H. Lutz and Klaus Stahlmann as ordinary members of the Executive Board effective January 1, 2011, in each case; they had originally been elected as deputy members of MAN SE's Executive Board in December 2009.

Mr. Stahlmann resigned from his position effective February 21, 2011. The Supervisory Board agreed to this.

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

Munich, March 18, 2011

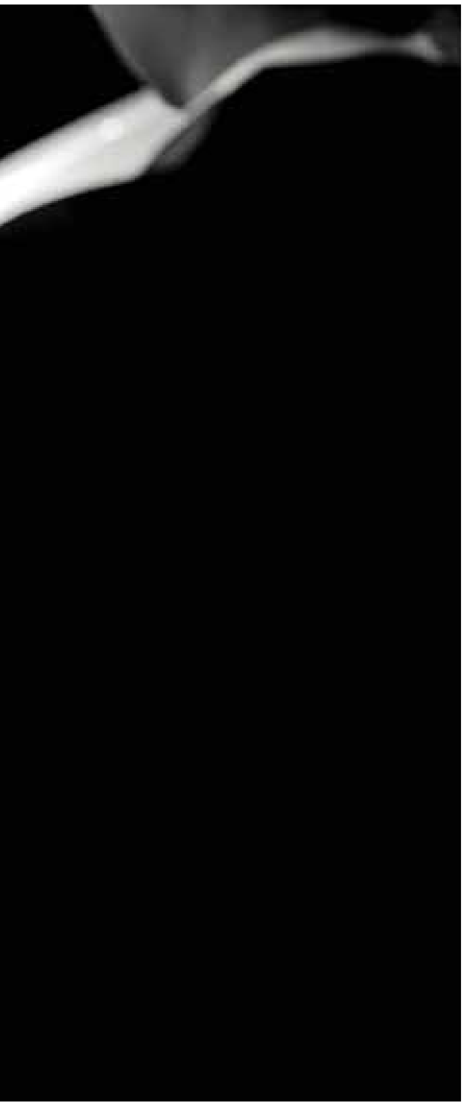
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch
Chairman of the Supervisory Board

To Our Shareholders
Management Board

Antonio Roberto Cortes
President
MAN Latin America, age 55

Dr.-Ing. Georg Pachta-Reyhofen
Chief Executive Officer
MAN SE and MAN Truck & Bus, age 55

Jörg Schwitalla
Chief Human Resources Officer
MAN SE, age 50



Frank H. Lutz
Chief Financial Officer
MAN SE, age 42

MAN shares

MAN shares recorded an above-average performance in 2010. MAN was the fourth-best stock in the Dax, generating a total return of around 64% in the course of the past year.

Key performance indicators for MAN common shares
€

	2010	2009
Earnings per share in € [1]	5.30	– 2.69
Cash dividend per share in € [2]	2.00	0.25
Market capitalization (as of Dec. 31) [3] in € million	12,898	7,923
Closing price in €	88.99	54.44
High in €	96.44	61.23
Low in €	47.99	30.31
Dividend yield [4] in %	2.2	0.5
Total return [5] in %	64.0	46.6
Number in thousands [6]	140,974	140,974
Dax yield in %	16.1	23.9
DJ Euro Stoxx yield in %	2.7	27.6

1 Earnings per share excluding nonrecurring items and the effects from purchase price allocations: €3.38
2 2010: proposed dividend
3 Basis: 140,974,350 common shares and 6,065,650 preferred shares
4 Cash dividend based on the closing price on December 31
5 Assumes reinvestment of the cash dividend on the last trading day of the month in which the Annual General Meeting was held
6 Only common shares
Source: Bloomberg

Very strong year on the stock markets

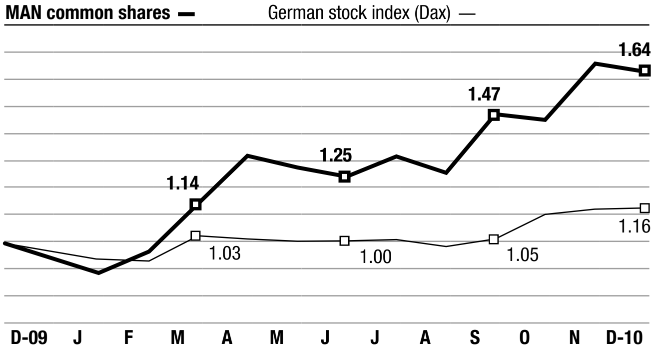
Equity indices worldwide posted significant gains in 2010, due mainly to the fact that the past year saw a sharp economic upturn.

The German stock index, the Dax, performed well over the entire year in this strong economic environment. It closed the year at 6,914 points—an increase of around 16% in 2010.

Excellent performance by MAN shares

MAN common shares outperformed their benchmark index, the Dax, in an environment where cyclical stocks in particular profited from the sharp economic recovery.

MAN common shares vs. Dax December 2009 to December 2010
Indexed values, December 31, 2009 = 1.00
MAN common shares — German stock index (Dax) —



From December 2009 to December 2010
Source: Bloomberg

During the period from January to December 2010, the price of MAN common shares rose by €34.55 or around 64% from a closing price of €54.44 on December 31, 2009 to €88.99 on December 31, 2010. The Dax, Germany's benchmark index, increased by around 16% to 6,914 points from the beginning of the year to December 31, 2010.

MAN's market capitalization

Market capitalization followed the shares' good performance in fiscal 2010, rising from around €8 billion to almost €13 billion. According to Deutsche Börse's indexing system, in which only the free float of a company's most liquid share class is considered when calculating market capitalization (in the case of MAN common shares, this corresponds to a free float of 70.1%), MAN finished 19th on December 31, 2010, after ranking 25th the previous year.

At around €16 billion, the trading volume of MAN common shares was higher in the past fiscal year than in 2009 (€13 billion). As in the previous year, MAN finished 19th in the Dax ranking.

Dividend

Once again, the MAN Group would like to enable its shareholders to participate in the Company's success by distributing an appropriate share of its profits for 2010, bearing in mind the economic environment. The dividend for this year will therefore be higher than that for 2009. The amount distributed is not fixed; the Group generally aims for 30% to 60% of net income.

The Executive Board and Supervisory Board are proposing to pay a dividend of €2.00 for fiscal 2010 to this year's Annual General Meeting. Based on the closing price of MAN common shares as of December 31, 2010, (€88.99) this corresponds to a dividend yield of 2.2%.

In-depth, trust-based dialog with investors and analysts

In 2010, MAN continued to deepen its contacts with investors and analysts during meetings at roadshows, conferences, and at the Corporate Center in Munich.

We increased our efforts to broaden our international shareholder base during the past year. For example, the MAN Group further extended capital market communication in Japan via conferences and roadshows. A Capital Market Day was also held in Brazil for the first time in MAN's long history. On September 16 and 17, 2010, over 60 analysts and investors were briefed about MAN's strategies, activities, and products at its Resende location (MAN Latin America) as well as in Rio de Janeiro. MAN's entire Management Board was present in Brazil and answered questions from our investors and analysts. This event, which was also attended by Brazilian funds for the first time, aroused the interest and attention of South American investors in the MAN Group and laid the foundations for long-term communication with this interest group. The consistently positive feedback from those who attended the Capital Market Day vindicates our goal of continuously deepening and expanding dialog with capital market players.

Another highlight in the past fiscal year was the investor and analyst event at this year's International Commercial Vehicles Motor Show (IAA) in Hanover. In addition to an in-depth guided tour of the Company's stand, we held presentations and a Q&A session to extensively inform visitors about the latest developments in the commercial vehicles industry and the MAN Group.

Broadening MAN's international investor base

Regular shareholder analyses enable us to communicate effectively with our investors. In the most recent survey, in summer 2010, MAN was able to identify more than 85% of the holders of common and preferred shares. According to this survey, foreign investors hold about 42% of the share capital. The fact that we increased our Japanese investor base by over 50% year-on-year following greater conference and roadshow activities was a particular success in 2010. As in previous years, our international investors are predominantly based in the United Kingdom and the United States. The largest single shareholder is Volkswagen AG, Wolfsburg, which holds 29.9% of MAN SE's voting rights.

Shareholder structure by country of domicile*
%

42 Foreign institutional shareholders

29 Volkswagen AG

14 Shareholders not subject to disclosure regulations

15 German institutional shareholders

*Basis: 140,974,350 common shares and 6,065,650 preferred shares; as of July 2010
Source: IPREO

Basic information about MAN shares

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

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

MAN is a member of the German benchmark index, the Dax, which measures the performance of the top 30 companies and thus tracks the German blue-chip market segment.

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

More information about MAN's shares and its investor relations activities is available at www.man.eu/investors, or via e-mail by contacting investor.relations@man.eu. You can of course also contact us by telephone on +49 89 360 98 334.

	ISIN code	German securities code number (WKN)	Reuters code	Bloomberg code
Common shares	DE0005937007	593700	Xetra trading MANG.DE	Xetra trading MAN GY
			Frankfurt Exchange MANG.F	Frankfurt Exch. MAN GR
Preferred shares	DE0005937031	593703	Xetra trading MANG_p.DE	Xetra trading MAN3 GY
			Frankfurt Exchange MANG_p.F	Frankfurt Exch. MAN3 GR
MAN SE 2013 bond	XS0429607640	A0ZQPG	0#DE042960764=	Xetra trading MANGR Corp
MAN SE 2016 bond	XS0429612566	A0ZQPH	0#DE042961256=	Xetra trading MANGR Corp

To Our Shareholders
Corporate Governance

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

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

These rules are supplemented by MAN's "Industrial Governance" management principle, which defines the responsibilities for Group management by MAN SE and the responsibilities of the divisions. They can be found on our website at www.man.eu/MAN/en/Investor_Relations/Strategie/. The compliance and ethical guidelines that apply to the MAN Group are described in our Code of Conduct that we revised this year (available at www.man.eu/MAN/en/Unternehmen/Management/Code_of_Conduct). The Group's management principles are formalized in Group policies.

Corporate Governance at MAN[1]

Both MAN's Executive Board and Supervisory Board have examined the Group's corporate governance system in detail. They are aware that good and transparent corporate governance that complies with both national and international standards is of central importance to ensure responsible, long-term management. The governing bodies focused in detail on compliance with the German Corporate Governance Code, and especially the new requirements of the Code as amended on May 26, 2010.

Declaration of Conformity

In December 2010, the Executive and Supervisory Boards issued the following Declaration of Conformity:

"MAN SE complied with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with its Declarations of Conformity of February 2010 and December 2009 respectively and will comply with the recommendations of the German Corporate Governance Code (the Code) as amended on May 26, 2010, with the restriction that follows.

The recommendation under section 5.4.5 of the Code as amended on May 26, 2010 will not be followed without restriction for the period from when it takes effect on July 2, 2010, until the end of ThyssenKrupp AG's Annual General Meeting on January 21, 2011.

The temporary departure from the recommendation under section 5.4.5 is due to Dr.-Ing. Ekkehard D. Schulz, Chairman of the Executive Board of ThyssenKrupp AG, serving on the supervisory board of three other listed companies (MAN SE, Bayer AG, and RWE AG) as well as one non-listed company with comparable requirements (AXA Konzern AG).

However, Dr. Schulz will be leaving the Executive Board of ThyssenKrupp AG at the end of ThyssenKrupp AG's Annual General Meeting on January 21, 2011.

In view of the many years that Dr. Schulz has spent as a member of MAN SE's Supervisory Board as well as the end of his service on ThyssenKrupp AG's Executive Board in the very near future, a temporary departure from the Code recommendation under section 5.4.5 seems appropriate."

[1] Also the corporate governance report of the Executive and Supervisory Boards in accordance with section 3.10 of the German Corporate Governance Code as amended on May 26, 2010.

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

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

Promoting transparency and shareholders' rights
The information we provide through our website (www.man.eu/MAN/en/Investor_Relations), financial publications, and capital market conferences enables our German and international shareholders as well as other interested parties to build an accurate and up-to-date picture of our Company and gain an insight into our corporate governance practices. We also publish without delay annual reports, interim reports, and a financial calendar showing all upcoming events on our website (see section 6.3 of the Code), as well as the annual document we are required to prepare under section 10 of the *Wertpapierprospektgesetz* (WpPG—German Securities Prospectus Act), summarizing all the relevant information disclosed by the Company during the past calendar year.

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

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

In organizing and conducting its Annual General Meeting, MAN SE aims to provide all shareholders with prompt, comprehensive, and effective information both before and during the event. The invitation to the Annual General Meeting is published in the *elektronischer Bundesanzeiger* (the electronic Federal Gazette) and is accessible to our shareholders and all other interested parties via the MAN website, together with all reports and documents relating to the Annual General Meeting. In addition, we e-mail the documents to interested shareholders and other parties if we have their consent to do so, as well as posting them on our website for download.

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

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

Executive Board and Supervisory Board
MAN SE has a two-tier structure comprising an Executive Board and a Supervisory Board. Both governing bodies work closely together to the benefit of the Company and seek to achieve a sustained increase in enterprise value for its shareholders.

The Executive Board, which currently comprises four members, is responsible for performing managerial and operational tasks. Its responsibilities extend in particular to the Group's strategic focus, which it agrees with the Supervisory Board. The Executive Board is also responsible for target-driven, active management and the central financing of the Group, the development and deployment of managers, and the preparation of quarterly and annual financial statements. In addition, it ensures compliance with legislation, official regulations, and internal policies.

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

The Supervisory Board has an oversight and advisory role. Important transactions require the Supervisory Board's approval. MAN SE's Supervisory Board features equal representation, comprising eight Supervisory Board representatives elected by the Annual General Meeting and eight employee representatives appointed during negotiations with the Special Negotiating Body. Please refer to the Report of the Supervisory Board and the Notes to the Annual Financial Statements for further information on the composition of the Supervisory Board of MAN SE, its committees and duties, and its cooperation with the Executive Board.

No member of the Supervisory Board exercised or exercises a directorship or similar function or performs advisory tasks for important competitors of MAN. More specifically, as explained in the Declaration of Conformity of December 2009, no member exercises a directorship or similar function at MAN's important competitor Scania. Rather, this is only the case at its majority shareholder, Volkswagen AG (where Prof. Dr. Piëch is Chairman of the Supervisory Board, and Rupert Stadler is a member of the Board of Management), and at Volkswagen AG's subsidiary Audi AG (where Rupert Stadler is Chief Executive Officer and Ulf Berkenhagen has been a member of the Board of Management since April 1, 2010), which MAN does not consider to be important competitors.

The Government Commission on the German Corporate Governance Code resolved various amendments to the Code on May 26, 2010. Its recommendations aim in particular to increase the proportion of women in managerial positions and on committees at listed companies and to reflect the criterion of diversity.

The Executive Board defined the goals required to achieve this at its meeting on October 26, 2010, and resolved an extensive package of measures.

MAN's Supervisory Board will also take diversity into account in the composition of the Executive Board and in particular aim for appropriate consideration of women.

The Supervisory Board resolved the following with regard to the composition of the Supervisory Board at its meeting on November 12, 2010:

In view of the purpose and size of the Company and the proportion of its international business activities, MAN SE's Supervisory Board aims to take into account the following factors in respect of its composition:

- awarding at least two Supervisory Board positions—one of which on the shareholder side—to persons who especially embody the criterion of internationality;

- awarding at least two Supervisory Board positions on the shareholder side to persons who neither exercise an advisory, directorship, or similar function at customers, suppliers, lenders, or other business partners of the MAN Group, nor have a business or personal relationship with MAN SE or its Executive Board that gives rise to a conflict of interest;

- awarding at least two Supervisory Board positions to women, at least one of which is on the shareholder side.

Proposals for election made by the Supervisory Board to the responsible electoral bodies should take the above-mentioned goals into account. Under these goals, persons who have reached the age of 70 at the time of an election should not, as a rule, be considered in proposals for election.

The composition of MAN's Supervisory Board was, at least temporarily, not compliant with the Code from July 2, 2010 (effective date of the Code as amended on May 26, 2010).

Dr.-Ing Ekkehard D. Schulz, Chairman of the Executive Board of ThyssenKrupp AG, serves on the supervisory board of three other listed companies (MAN SE, Bayer AG, and RWE AG) as well as one non-listed company with comparable requirements (AXA Konzern AG).

However, Dr. Schulz left the Executive Board of ThyssenKrupp AG at the end of ThyssenKrupp's Annual General Meeting on January 21, 2011.

In view of the many years that Dr. Schulz has spent as a member of MAN's Supervisory Board (and on the supervisory bodies of the other above-mentioned companies) as well as the end of his service on ThyssenKrupp AG's Executive Board in the very near future, a temporary departure from the Code recommendation under section 5.4.5 seemed appropriate.

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

No elections to the Supervisory Board have been held since the the latest version of the Code as amended on May 26, 2010 came into effect.

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

There were no advisory or other contracts for services or work between the Company and its board members during the reporting period. The Supervisory Board approved the secondary activities of Executive Board members only to the extent that these involved serving on other companies' supervisory boards and management activities at Group companies. The Company has taken out D&O (directors' and officers' liability insurance) coverage. This insurance was adjusted to reflect the requirements of the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG—German Act on the Appropriateness of Executive Board Remuneration) dated July 31, 2009, and of the German Corporate Governance Code.

Compliance/risk management

Effective January 1, 2010, MAN SE's Executive Board established a new Compliance function as part of its responsibility for compliance defined by the German Corporate Governance Code. This function, which reports to the Chief Compliance Officer (CCO), is responsible for developing and implementing a uniform Group integrity and compliance program, focusing on fighting corruption, infringements of antitrust law, and on data protection. The Compliance function consists of MAN SE's central Corporate Compliance Office and the compliance organization at the subgroups. The central compliance measures developed by the CCO are implemented locally and in a uniform manner by the compliance staff at the subgroups worldwide. All compliance organization staff are subordinate to the CCO, who regularly reports to MAN SE's Executive Board and to the Audit Committee of the Supervisory Board.

The key compliance measures developed and implemented by the Compliance function in the reporting period include the following:

- A Group-wide compliance risk assessment was conducted in the reporting period. The aim of this was to identify potential compliance risks affecting objective business models in the Group. The results of the compliance risk assessment led to the establishment of the compliance organization, the compliance program tailored to MAN's requirements, and other measures to prevent compliance risks, among other things.

- The existing Code of Conduct was fundamentally revised and new policies to prevent corruption-related risks were issued (policy on handling gifts, hospitality, and invitations to events; policy on engaging business partners; policy on handling donations and sponsoring measures).

• To better assess and as far as possible to eliminate corruption-related risks in dealings with business partners who perform sales support activities (in particular consultants and agents), the Compliance function together with sales staff developed a web-based application, the Business Partner Approval Tool, that allows MAN to systematically verify the integrity of such business partners.

• In February 2010, the Company established its Compliance Helpdesk, which all employees can contact with compliance-relevant questions. In addition, the Compliance function holds compliance awareness training in the form of classroom sessions for all employees who may be exposed to compliance risks in their day-to-day work. The training sessions focus on providing basic knowledge on anticorruption and infringements of antitrust law.

• Compliance violations are not tolerated at MAN. Reports of possible violations are investigated in detail and punished according to the penalties permitted under labor law. The Compliance function uses the findings from the clarification of compliance violations to analyze any deficiencies in the compliance program, to adapt the program accordingly, and to continuously improve it.

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

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

Directors' dealings (reportable securities transactions)
Section 15a of the *Wertpapierhandelsgesetz* (WpHG—German Securities Trading Act) requires individuals with management tasks and certain related parties to report dealings in MAN shares and related financial instruments to the issuer and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin—German Federal Financial Supervisory Authority). No transactions were reported in fiscal 2010. Any disclosures are published on the Company's website at www.man.eu/MAN/en/Investor_Relations/Corporate_Governance/Meldepflichtige_Wertpapiergeschaefte/.

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

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

Audit of the financial statements

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

Remuneration report for fiscal year 2010[2]

Executive Board remuneration in 2010

The full Supervisory Board assumed responsibility for determining the total remuneration of the individual Executive Board members when the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG—German Act on the Appropriateness of Executive Board Remuneration) came into force on July 31, 2009. Supervisory Board resolutions to determine the total remuneration of individual Executive Board members are prepared and proposed by the Presiding Committee of MAN SE's Supervisory Board. The full Supervisory Board also regularly discusses the structure of the Executive Board remuneration system based on the Presiding Committee's proposals. In addition, it resolves and regularly reviews a remuneration system in accordance with the recommendation in the German Corporate Governance Code (section 4.2.2). The Supervisory Board adopted resolutions on the current remuneration system at its meeting on February 12, 2010, and in writing on the measurement of the bonus in June 2010.

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

Remuneration structure and components

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

• The fixed remuneration is paid as a monthly salary. In addition, Executive Board members receive non-cash benefits that primarily comprise the provision of a company car and driver for business trips, and the payment of insurance premiums. The fixed remuneration is reviewed on a regular basis and adjusted where necessary, taking into account general salary trends and the area of responsibility of the individual Executive Board member.

• The performance-related variable remuneration (bonus) is based on two factors that each have a 50% weighting.

One half of the bonus is calculated using the MAN Group's return on capital employed (ROCE) less the weighted average cost of capital (WACC). This factor is based on an average of the relevant and the following fiscal year. The degree to which the target has been achieved is determined by comparing this average figure with the agreed target.

The other half of the bonus is determined using return on equity (before tax). The actual figure for the relevant fiscal year is compared with the agreed target to establish the degree to which the target has been achieved. 50% of the resulting bonus portion is paid out in shares with a four-year vesting period in accordance with the MAN Stock Program (see below).

The amount of the bonus is restricted and is only paid out if the Company achieves a return on sales (ROS) of more than 2%.

• Since 2005, the component linked to long-term business performance has been awarded through the MAN Stock Program. Under this program, Executive Board members receive cash payments of 50% of their fixed remuneration, which are taxable annually. Half of the payment must be invested in MAN SE common shares. These are purchased and held in safekeeping centrally by MAN SE on behalf of and for the account of Executive Board members. Purchased shares may be freely disposed of after a

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

vesting period of four years. During the vesting period, the shares may not be sold, pledged, or hedged. If an Executive Board member retires or departs from the MAN Group, the vesting period ends no later than one year after the date of departure.

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

Executive Board members' remuneration in 2010
The remuneration awarded to active members of the Executive Board for their services in fiscal 2010 totaled €10,549 thousand plus €656 thousand for pensions (previous year: €4,270 thousand plus €1,437 thousand for pensions). Please see note 34 in the "Notes to the Consolidated Financial Statements" for details of the Executive Board members' individual remuneration, broken down into fixed, performance-related, and long-term incentive components.

Additionally, a total of €7,142 thousand in severance payments was made in fiscal 2010 to members who left the Executive Board in fiscal 2009. Appropriate provisions were recognized for these in fiscal 2009. These payments are also described in detail in the above-mentioned note in the "Notes to the Consolidated Financial Statements."

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

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

Supervisory Board remuneration

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

The annual remuneration comprises the following components:

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

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

Additional remuneration is paid to the chairman and deputy chairman of the Supervisory Board as well as to the chairmen and members of the Supervisory Board committees. The Supervisory Board chairman receives double and his deputy one and a half times the fixed and variable remuneration. Members of the Audit Committee, or of the Presiding Committee of the Supervisory Board, each receive an additional 50% and the chairman of the respective committee an additional 100% of the basic remuneration.

Since the amendment to the Articles of Association resolved at the Annual General Meeting on April 1, 2010, the members of the Supervisory Board have additionally received an attendance fee of €500 in each case for meetings of the Supervisory Board or of Supervisory Board committees at which they are present.

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

Remuneration and expenses reimbursed that are subject to value added tax are paid gross of value added tax if this is invoiced separately.

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

In line with the view taken in some of the legal literature, the remuneration for the first Supervisory Board (of an SE) is subject to the approval of the Annual General Meeting, which will be sought as a precautionary measure at the 2011 Annual General Meeting when the Supervisory Board's first term of office ends as defined by the Articles of Association.

Supervisory Board members' remuneration in 2010

The remuneration payable to the members of the Supervisory Board in 2010 totaled €2,183 thousand (previous year: €941 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €68 thousand (previous year: €39 thousand) for serving on supervisory boards at Group companies in fiscal 2010. Please see note 35 in the "Notes to the Consolidated Financial Statements" for a breakdown of the individual remuneration of the Supervisory Board members in 2010.

Additional information

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

Former Supervisory Board members who left the Board prior to January 1, 2010, do not receive any remuneration.

The future of transportation

In 2010, MAN prepared a global report on the future of transportation in cooperation with The Economist. MAN wanted to find out where the international transportation and logistics industry sees the greatest need for action. 220 senior managers of companies from ten countries were surveyed with the assistance of the Economist Intelligence Unit. The report, entitled "Keeping traffic flowing. Transport efficiency to 2030," is available to download from MAN's website at www.man.eu.

TRANSPORTATION ON THE ROAD NETWORK

Infrastructure quality

Germany has the most efficient transportation infrastructure according to a global benchmarking study of the traffic situation in ten countries.

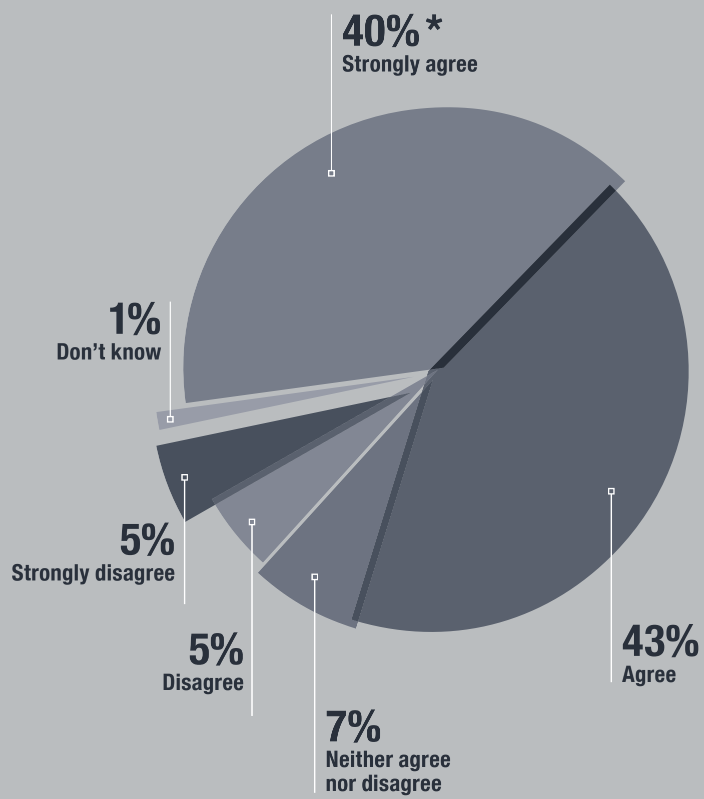
10.0: very good, 0: very poor

LOGISTICAL CHALLENGE

Investment and growth

To what extent do you agree or disagree with the following statement as it relates to your organization: "The availability and quality of transport infrastructure affects where we locate and expand our business."

*** The percentages may not sum to 100 percent, owing to rounding.**



The World of MAN
MAN Production Sites

Commercial Vehicles

MAN Truck & Bus

01 GERMANY
Munich (heavy trucks, cabs, driven axles)
Nuremberg (engines)
Plauen (premium coaches, double-decker scheduled-service buses and coaches)
Salzgitter (heavy trucks, bus chassis, and components)

02 INDIA
Pithampur (heavy trucks)

03 AUSTRIA
Steyr (light and medium trucks, cabs)
Vienna (special-purpose vehicles)

04 POLAND
Cracow (heavy trucks)
Poznan (city buses, intercity buses, floor assemblies)
Starachowice (city bus body shells, intercity buses, and floor assemblies,)

05 SOUTH AFRICA
Olifantsfontein (intercity and municipal buses)
Pinetown (heavy, medium, and light trucks, bus chassis)

06 TURKEY
Ankara (coaches, intercity and municipal buses)

MAN Latin America

07 BRAZIL
Resende (heavy, medium, and light trucks, bus chassis)

08 MEXICO
Querétaro (bus and truck assembly)

Power Engineering

MAN Diesel & Turbo

01 GERMANY
- **Augsburg** (large-bore diesel engines, turbochargers)
- **Berlin** (compressors)
- **Deggendorf** (chemical reactors, special apparatus)
- **Hamburg** (steam turbines)
- **Oberhausen** (compressors, gas, and steam turbines)

02 INDIA
- **Aurangabad** (large-bore diesel engines)

09 CHINA
- **Changzhou** (compressors)
- **Shanghai** (turbochargers for large-bore diesel engines)

10 DENMARK
- **Frederikshavn** (propulsion systems)
- **Copenhagen** (turbochargers for large-bore diesel engines)

11 FRANCE
- **Saint-Nazaire** (large-bore diesel engines)

12 SWITZERLAND
- **Zurich** (compressors, vacuum blowers)

13 CZECH REPUBLIC
- **Velká Bíteš** (turbochargers for large-bore diesel engines)

Renk

01 GERMANY
- **Augsburg** (transmissions/gears, testing systems)
- **Hanover** (slide bearings, couplings)
- **Rheine** (gears, couplings)

The World of MAN
Strategy & Strengths

Focus on transportation and energy

MAN's core products—commercial vehicles, turbomachinery, diesel engines, and gear units—allow it to focus on market segments with sustainable and global growth opportunities in its Commercial Vehicles and Power Engineering business areas.

Technology leadership

Continuous investment in research and development secure MAN's technology leadership—a strategic success factor: The Group identifies future requirements at an early stage and transforms them into trailblazing new solutions.

Profitable international growth

MAN has a presence on all five continents and focuses on continued and international growth, especially in the BRIC countries. Cooperations within the Group leverage economies of scope in purchasing and development.

Adding long-term value

MAN is aware of its responsibility for the environment, its employees, and society. This is reflected in all elements of MAN's corporate strategy and enables the Group to add long-term value.

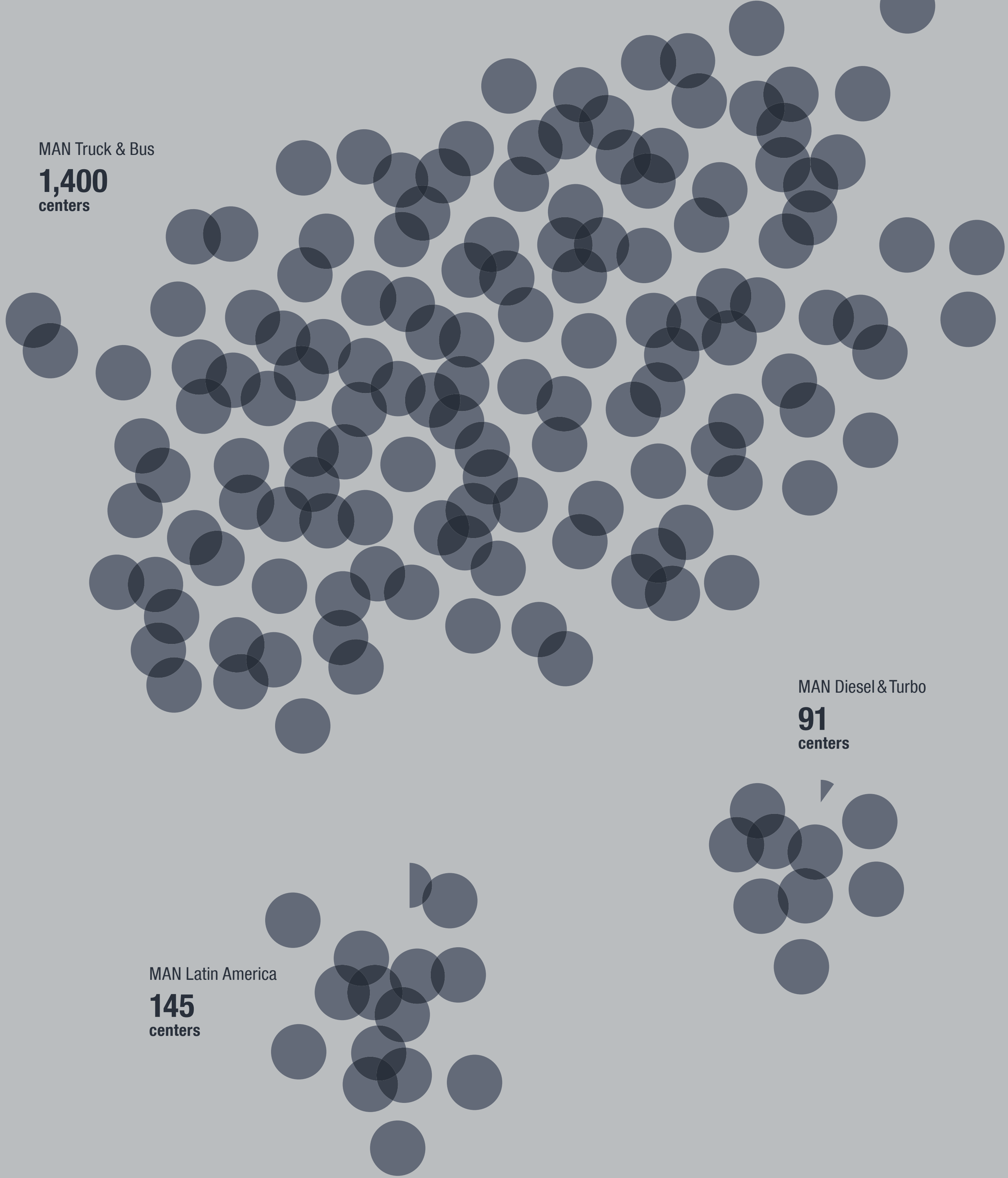
Industrial Governance

MAN's efficient Industrial Governance System controls how duties and responsibilities are allocated between the MAN Group's Corporate Center and its divisions. It strikes a balance between central strategic management with overarching shared services and decentralized operational functions, as well as a modern leadership culture. The foundation for this system is the basic values shared by MAN's brand and culture.

MAN SERVICE CENTERS

Serving our customers worldwide

MAN ensures the best possible local service for its customers throughout the world thanks to a close-knit network of service centers and the extensive technical expertise of its employees. This applies as much to trucks and buses as to turbomachinery and marine diesel engines.



A look back at 2010

At MAN, 2010 was dominated by the economic upturn. The Company's results picked up and were accompanied by successful technological innovations and the launch of sustainability management, among other things.

1st quarter

EIB and MAN agree on loan for eco-friendly technologies
The Luxembourg-based European Investment Bank (EIB) and the MAN Group conclude a loan agreement for €300 million to stimulate research in the commercial vehicles field. The funds are for the development and launch of reduced-emission and fuel-efficient drives for trucks and buses.

MAN Latin America increases production
MAN Latin America expands its capacity at the Resende plant in Brazil and introduces a third shift in March. The plant's capacity is raised to 72,000 trucks and bus chassis a year. In making the move, MAN responds to the growing demand for commercial vehicles in Latin America, and Brazil in particular.

Merger to form MAN Diesel & Turbo SE completed
The merger announced between MAN Diesel SE and MAN Turbo AG to form MAN Diesel & Turbo SE, based in Augsburg, is completed in March, the corresponding entry having been made in the register of companies. The process of amalgamating the two former MAN sister companies into one enterprise is thus achieved.

2nd quarter

MAN 2010 Annual General Meeting
At the 2010 Annual General Meeting in Munich, MAN CEO Georg Pachta-Reyhofen reports that, despite the extremely difficult economic situation, MAN recorded an operating profit of €0.5 billion and that the Commercial Vehicles business area was also profitable.

MAN opens new engine development center in Nuremberg (photo bottom left)
MAN Nutzfahrzeuge's new development center at its Nuremberg site aims to further improve the company's standing as the technological leader in the field of commercial vehicle and industrial engines. The new building houses 16 test beds for engines and one for vehicles, development laboratories, and workspace for 150 employees on an area covering 10,000 square meters.

Rheinmetall MAN Military Vehicles GmbH established
MAN Nutzfahrzeuge AG and Rheinmetall AG form a joint company for military wheeled vehicles. Rheinmetall has a stake of 51 percent and MAN Nutzfahrzeuge 49 percent in the new company, which is headquartered in Munich and known as Rheinmetall MAN Military Vehicles GmbH (RMMV).

Munich starts using the first MAN hybrid city bus
The Münchner Verkehrsgesellschaft (MVG—Munich Transport Corporation) puts the first MAN Lion's City Hybrid into service, making Munich the first metropolis in Europe to use the new MAN Lion's City Hybrid in regular service. The new bus consumes up to 30 percent less fuel than a conventional city bus.

Engines for the different environmental standards worldwide are optimized and certified at MAN Truck & Bus's new testing facilities in Nuremberg.

MAN unveiled its Concept S truck study at the IAA in Hanover. The streamlined design saves up to 25 percent in fuel.

3rd quarter

MAN Supervisory Board extends Dr. Georg Pachta-Reyhofen's contract by five years

In July, the Supervisory Board of MAN SE extends Dr. Georg Pachta-Reyhofen's appointment as CEO of MAN SE by five years, until June 30, 2016. Dr. Pachta-Reyhofen has been a member of the MAN SE Executive Board since July 1, 2006, and CEO of both MAN SE and MAN Nutzfahrzeuge AG since January 1, 2010.

MAN brand campaign (photo bottom right)

MAN launches the "We are your MAN" brand and innovation campaign in August, which comprises advertisements on TV, in daily and financial newspapers, on the Internet, and on billboards. The aim of the campaign is to depict MAN's innovation in a surprising and credible manner. Every motif is captioned with an unusual question to which the answer is: We are your MAN.

MAN cooperates with five Bundesliga teams

Just in time for the 2010/2011 German soccer season, the MAN Group concludes partnerships with five First Division teams. The Company cooperates with FC Bayern Munich, Hamburg SV, Borussia Dortmund, VfL Wolfsburg, and 1. FC Kaiserslautern as their exclusive commercial vehicle partner. As a result, a total of nine of 18 First Division teams now travel in MAN coaches.

Appearance at the IAA and SMM trade fairs (photo top)

The MAN Concept S design study causes a stir at the International Commercial Vehicles Motor Show (IAA), demonstrating that aerodynamics can drastically cut the fuel consumed by diesel trucks as well as the CO_2 emitted. At the world's most important shipping trade fair, SMM, MAN Diesel & Turbo shows just how the extremely strict "Tier III" emissions specifications—set down by the International Maritime Organization (IMO) and coming into force from 2016 onwards for coastal regions—are already being complied with today.

Corporate responsibility strategy

MAN SE presents its corporate responsibility (CR) objectives and plans in a strategy report entitled "Our Responsibility." Following the creation of a central, group-wide function for CR at the start of 2010, this is another step in pursuing the strategic approach of sustainable value creation as an integral part of the Company's strategy with concrete milestones and by making it transparent.

4th quarter

Listing in Carbon Disclosure Project's climate protection index

International investor group Carbon Disclosure Project lists MAN in the Carbon Disclosure Leadership Index (CDLI) of German companies for the first time. The CDLI comprises only those companies that stand out due to particularly transparent and detailed reporting about dealing with the opportunities and risks involved in climate change.

New Code of Conduct

MAN combines its corporate compliance principles in an updated Code of Conduct. The document is distributed to staff worldwide in all relevant languages and is designed to ensure that neither the business activities of individual employees nor those of MAN as a company conflict with laws, regulations, or ethical standards.

MAN Nutzfahrzeuge becomes MAN Truck & Bus

The successful strategy of international growth conducted by MAN Nutzfahrzeuge AG is to be reflected in the company's name. For this reason, the commercial vehicles manufacturer is renamed: from December 28, 2010, it is to be known as MAN Truck & Bus AG. The new name means that the company's brand presence will be standardized internationally and that it will be better perceived.

The "We are your MAN" campaign showcases MAN Group innovations.

Commercial Vehicles
Efficiency of the Future

Streamlined trucks consume less fuel. The aerodynamic properties of MAN's Concept S study reduce overall fuel consumption by a quarter.

Commercial Vehicles
Efficiency of the Future

Freight Forwarder Thomas Baumgarten calculates the efficiency of his MAN trucks down to the last cent per kilometer.

"The winter there is something else, I tell you!" When Thomas Baumgarten climbs into his MAN TGX in Hanover, it is as if he is going on a polar expedition, equipped with provisions for several days, a shovel, and two telephones. "In Scandinavia, you never know what you're in for: black ice, snowdrifts, you name it. Better safe than sorry—considering it's minus 40 degrees Celsius and some 1,500 kilometers on the road," says the 48-year-old driver. He and his brother Andreas run a freight forwarding firm based in Pattensen, near Hanover. For 14 years now, their road transport fleet has provided close to regular services from northern Germany to Sweden and Finland between November and April for the automotive and supplier industry. They deliver vehicles to test centers on the Arctic Circle for various brands. Driving dynamics in winter, engines, gears, brakes, electronics, and tires—there's nothing that won't be put to the test under extreme conditions in that region. The freight forwarder also has to think about the heavy demands placed on these test vehicles by an Arctic winter when it comes to his own truck fleet. "Transport efficiency," says Baumgarten, "is the measure of all things for our company."

> "Transport efficiency is the measure of all things for our company."
>
> Freight Forwarder Thomas Baumgarten

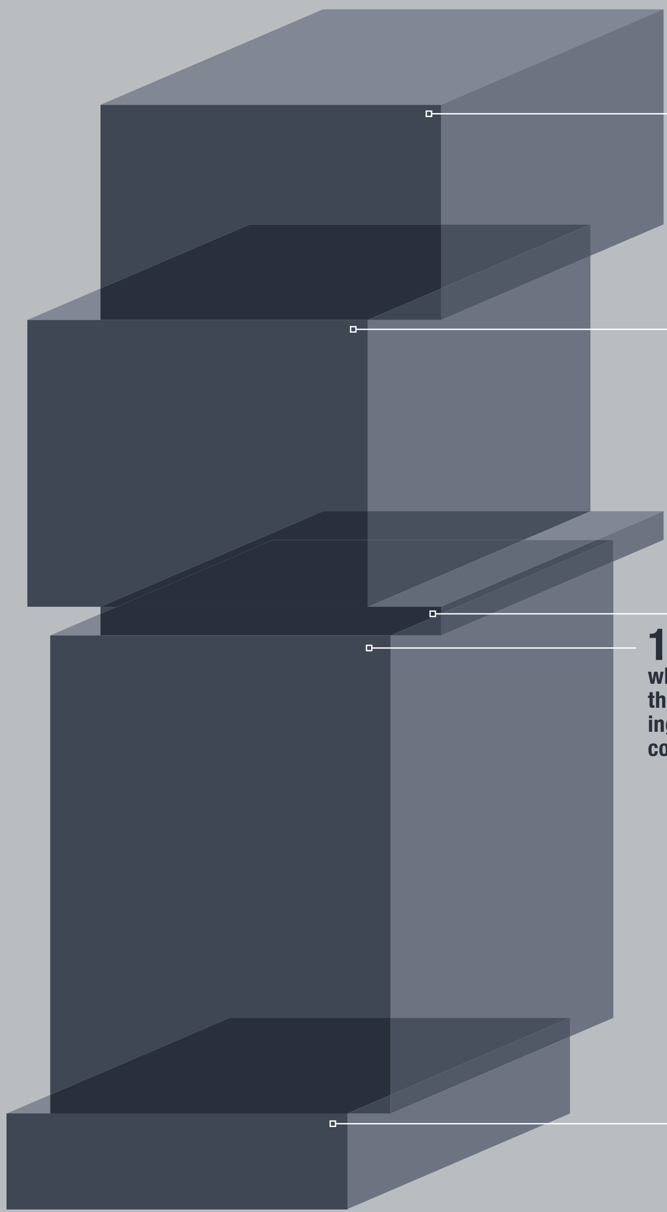
With its TGX EfficientLine, MAN focuses on reducing the TCO (total cost of ownership), for example. This semi-trailer tractor model uses up to three liters of diesel less per 100 kilometers. When traveling 150,000 kilometers annually over a service life of four years, the savings add up to 18,000 liters of diesel and 47 tons of CO_2. This was a winning argument for the transport specialist. "As a result of more stringent environmental regulations, diesel engines today require about 40 percent less fuel than they did back in 1970," says Dr. Georg Pachta-Reyhofen, Chief Executive Officer of MAN Truck & Bus. And further progress continues to be made. The 2010 International Commercial Vehicles Motor Show (IAA) in Hanover saw MAN present its spectacular Concept S truck solution. Its streamlined silhouette cuts fuel consumption and CO_2 emissions by as much as 25 percent. And MAN has many more innovations that are making an increasingly active contribution to transport efficiency: they include smart TipMatic gears, the MAN HydroDrive front wheel drive option and a telematics system that advises the driver in real time of the most economical way to handle the vehicle.

"During my long trips through the Arctic winter, I am constantly surprised by how this high tech works," comments Thomas Baumgarten. "My gut might tell me that we'd cover the ground quicker with low gears and high rotary speeds. Yet it's actually the other way around: efficient technology is constantly improving performance in the low-speed range, while also cutting costs." This pleases freight forwarder and trucker Baumgarten. He can now set off on his polar expedition, ideally equipped.

POTENTIAL SAVINGS

Focus on economy and efficiency

In the highly competitive transportation and logistics industries, the overall costs matter—from first purchasing to finally selling the vehicle. Reducing fuel consumption therefore represents a crucially important factor for efficient business.



4.5% of fuel consumption is cut by automatically changing gears with MAN TipMatic.

6% of diesel is saved by the installation of roof and side spoilers on the driver's cab. Side linings on the chassis account for an additional fuel saving of 1.25 percent.

0.6% of fuel can be conserved through tires with low road resistance.

10% is the percentage by which drivers can reduce their fuel consumption by taking an Economy Training course with MAN ProfiDrive.

2% of fuel can be saved through reducing average speed by four kilometers per hour (85 km/h instead of 89 km/h).

Percentages shown are average values.

Commercial Vehicles
Mobility of the Future

MAN's coaches bring many top soccer pros, like the Bayern Munich players, to their games—a comfort their junior counterparts also like to enjoy.


A1
B7
Making a 300 million euro transfer every Saturday? We are your MAN.
MAN
GM HT 200

Commercial Vehicles
Mobility of the Future

"The kids love it when there's a great movie showing on board."

Coach Driver Steffen Groß

Comfortable, innovative, and safe: Steffen Groß knows all about the benefits of coaches.

Looking after the D1 team is no small feat. The young soccer stars of Hürth FC are on their way to a tournament in Jülich and make for a fidgety bunch. While the lads are so wound up they would rather run the 50 kilometers dribbling the ball, Team Coach Christian Schulzki has opted for a more comfortable solution: Like the pros, the eleven- to twelve-year-olds are taking an MAN Lion's Coach. Bags are quickly stowed away in the luggage space, and Marius, Malte, Nicki, Felix, and the rest have already taken control of the bus. They are a pleasure to drive for Steffen Groß of Hofacker Touristik, a coach operator based in Reichshof-Heidberg near Gummersbach in Germany. Aged 46, he has been driving coaches all over Europe for the past 16 years. He knows all too well that his passengers have varying requirements. The kids might be a bit noisy, but at least they are not fussy. "They have their sandwiches and drinks in their rucksacks, and love it when there's a great movie showing on board," he comments.

MAN's flagship Lion's Coach does indeed offer maximum comfort, however long or short the journey. In the world of soccer, the great role models of the Hürth children have long appreciated its advantages. Since 2010, five German soccer teams—Bayern Munich, VfL Wolfsburg, Hamburg SV, 1. FC Kaiserslautern and Borussia Dortmund—have been using this "home on wheels" to get to their matches. "Our players can only do their best on the field if they are relaxed when they reach their destination," says Bayern Munich President Uli Hoeneß, explaining why the club opts for MAN.

The Bavarian team relies on the premium model, the Lion's Coach L Supreme. The coach is equipped with a lane guard system (LGS), which is designed to help drivers stay in their lanes, and also features ABS and ESP, automated TipMatic gears and front and rear view cameras. The luxurious interior boasts 30 leather seats, retractable tables with electrically adjustable leg rests, satellite TV, a DVD system with four 19-inch flat screens, as well as wi-fi. Over the players' heads, 500 luminous diodes create a starry galaxy. Maximum comfort is also becoming increasingly popular on the coach market. "This mode of transport offers passengers a mini world where everything is just as it should be," says Richard Eberhardt, President of the RDA coach tourism association. "In short: it's a feel-good world on wheels with more than enough room between the seats and lots of space for luggage."

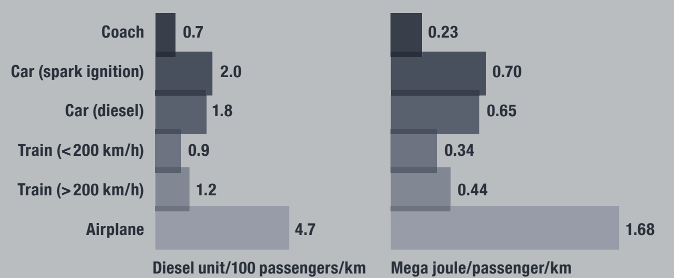
Drivers also appreciate comfort. Steffen Groß certainly waxes enthusiastically about his Lion's Coach as he drives to Jülich. "The cockpit is generously designed, there's lots of leg room, plus a great view through the panoramic windshields. And the new suspension system makes for very quiet operation." It becomes obvious just how smoothly the coach runs shortly before Jülich. The Hürth D1 junior soccer stars have dozed off. Let's not disturb them: they'll be dreaming of scoring goals and winning big in the tournament.

ENERGY COMPARISON OF TRANSPORTATION MEANS

Clean in the fast lane

Coaches are top of the class when it comes to environmental protection. At full capacity, they use 0.9 liters of diesel fuel per 100 kilometers and passenger, making them the best choice by far in terms of fuel consumption—and the one with the lowest CO_2 emissions—when compared with cars, airplanes, and even trains.

Source: ifeu institute 2009



Commercial Vehicles
Innovation of the Future

Brake, accelerate, brake:
the MAN Lion's City Hybrid is made for the city as it simply converts energy from braking into electricity.

Commercial Vehicles
Innovation of the Future

Clean commute: the MAN Lion's City Hybrid pulls away from a bus stop quietly without emitting any exhaust fumes.

> "You need to learn how to strategically operate the gas and brake pedals."
>
> Hybrid Bus Driver Peter Nortz

A quick flick through the paper, and then it's off to a business lecture for Johanna Heyden who is on the 154 bus to Ludwig-Maximilian University in Munich. She almost forgets to get off at her stop since the bus makes hardly any noise as it slows to a halt. This MAN Lion's City Hybrid is the first model of its kind to provide scheduled services for the Munich public transport authority.

Back in 1975—when hardly anyone saw the need for alternative drive systems—MAN engineers were already working on the Hybrid. For a long time, recovering the energy released in braking, converting it into electrical power, and storing it, proved uneconomical due to cost and the very limited service life of rechargeable batteries. Which is why MAN opted for an innovative solution: the Lion's City Hybrid uses high-performance condensers, known as ultracaps, to store the energy. To save space, they are accommodated on the roof of the bus, are practically maintenance-free, significantly lighter than regular battery packs and have a service life of up to 12 years.

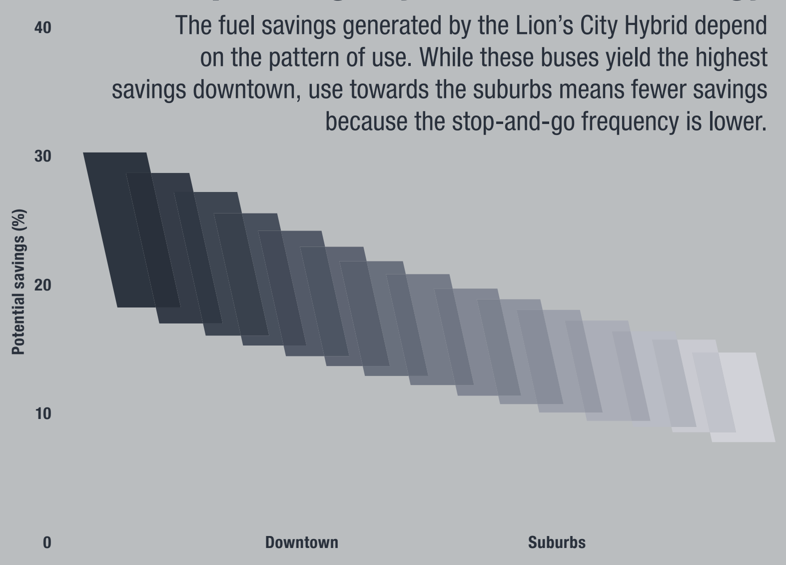
Peter Nortz thinks the new technology makes for a rather special driving experience. Formerly a traffic supervisor for the city of Munich, he is one of the first 10 drivers to have been trained in operating the new bus. "It drives wonderfully," he enthuses. The bus glides along without almost a sound, providing a unique form of luxury. Nortz says it still takes some getting used to for the passengers. "Many are baffled to find their bus suddenly appear in front of them at the stop." It's the perfect solution for urban transport, he says. Nowhere else do vehicles have to brake to a standstill as frequently as they do downtown. As a result, no other vehicles need to accelerate as often from a standstill either. The Lion's City Hybrid, however, can move for several hundred meters on nothing but electrical power and without any emissions, until more output is needed and the combustion engine ignites automatically. Intelligent energy utilization, such as the automated starting and stopping of the engine, adds to the efficiency of the system. Compared with a conventionally operated municipal bus, the Lion's City Hybrid saves up to 30 percent fuel, which is almost 10,000 liters of diesel a year. "Driving this vehicle does require you to tune into it," adds Nortz. "You need to learn how to strategically operate the gas and brake pedals, so that energy consumption is in the green while en route." Many drivers believed that the diesel-electric engine would not have enough power, says the driver. "But that's not true at all," he assures. "The Lion's City Hybrid is a powerful vehicle, and performs exceedingly well—even at the low end of the speedometer."

At the stop for the university, Nortz opens the doors. The bus sits idle, its engine turning itself off. Johanna Heyden disembarks with a nod to the driver and then proceeds to her business management lecture, where the subject today is cost accounting. The 154 line has already shown her how environmental awareness and innovative ideas can drive the economical solutions of the future.

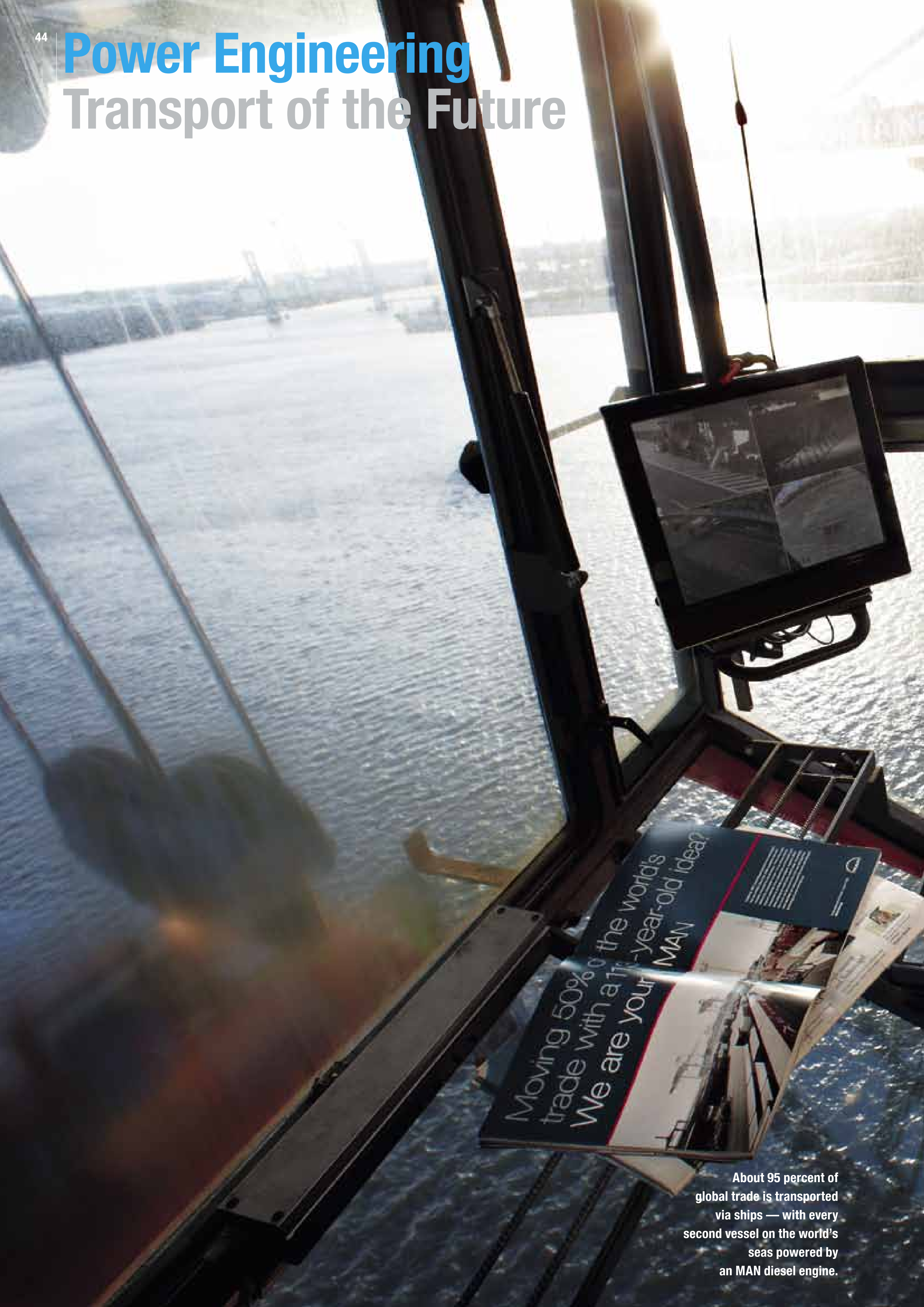
FUEL SAVINGS

Stop-and-go system creates energy

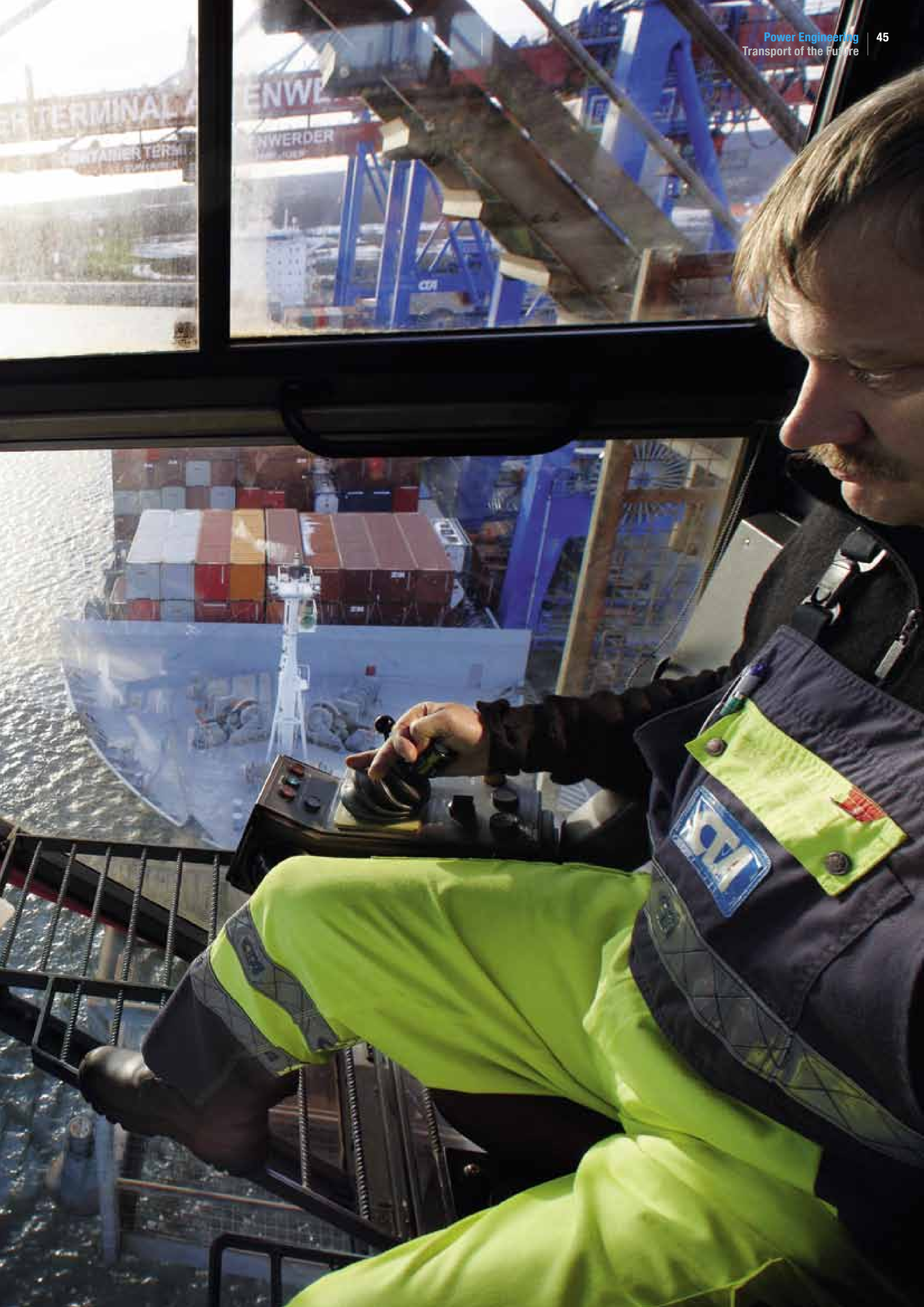
The fuel savings generated by the Lion's City Hybrid depend on the pattern of use. While these buses yield the highest savings downtown, use towards the suburbs means fewer savings because the stop-and-go frequency is lower.



Power Engineering
Transport of the Future



About 95 percent of global trade is transported via ships — with every second vessel on the world's seas powered by an MAN diesel engine.


TERMINAL

Power Engineering
Transport of the Future

Full steam ahead: Hendrik Külß is pleased with the economic impetus.

> "The economy has picked up. Our port is booming once again."
>
> Port Operative Hendrik Külß

Global trade pulls right up to Hendrik Külß. The 51-year-old container bridge operator supervises a bridge at CTA, the HHLA Container Terminal Altenwerder in Hamburg. Perched on his container bridge, at a height of roughly 40 meters above the Ballinkai quay, he loads and unloads freight ships from around the globe at one of the world's most state-of-the-art terminals. Operations here are in full swing. As many as three trading vessels dock here every day—and they are "big tubs," as Külß puts it—measuring up to 350 meters in length and 44 meters in width. Each can accommodate some 9,000 containers. There is much to do for the teams here around the clock seven days a week.

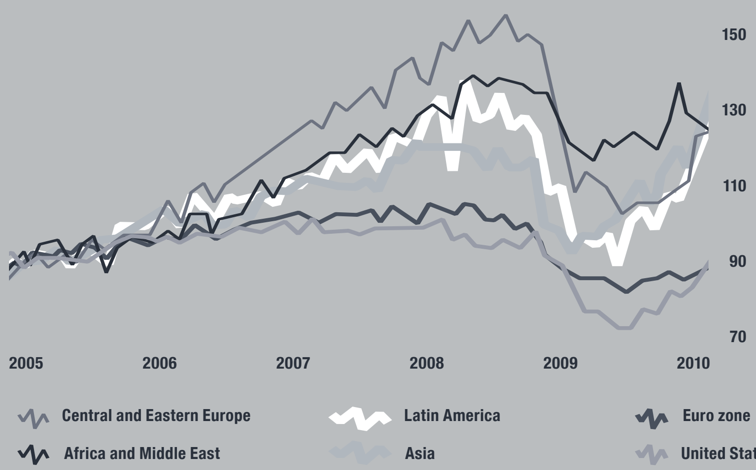
"The economy has picked up. Our port is booming once again," says a pleased Külß. He lowers the spreader, a telescope frame for picking up containers, down into the hold to grab the next freight box. During the year of crisis that was 2009, this happened far less frequently. A mere four or five ships moored at the Ballinkai—in a week. Yet the pace of expediting goods on board actually continued to accelerate during the crisis, as increasingly larger ships did not want to lose their cost advantages by staying in port for extended periods of time. The crisis has not knocked the global trend off course: the growth of the global economy and increase in the world's population continue to produce steadily rising flows of goods. Container ships, tankers and bulk goods freighters carry around 95 percent of transcontinental goods. Ships transport nearly eight billion tons of goods to all corners of the world every year.

GLOBAL TRADE TREND

Dynamic growth rates

After the crash of global trade in late 2008 and early 2009, foreign trade figures have been rising steadily, especially those of the emerging markets. The World Trade Organization (WTO) is expecting real growth of 13.5 percent for 2010 in comparison to 2009.

Source: dbresearch 2010
2005 = 100



More than half of all newly built diesel engines designated for seagoing vessels are manufactured by MAN Diesel & Turbo. Due to progressive technology, the two-stroke and four-stroke engines are cleaner than ever before. And environmental requirements are becoming ever more stringent. The International Maritime Organization (IMO) has decreed that by 2016, nitrogen emissions of maritime traffic must be reduced by 80 percent. To meet high ecological standards, MAN Diesel & Turbo has been reconditioning even decades-old engines to meet present-day specifications. Known as retrofitting, this process is one of the services offered under the MAN PrimeServ after-sales brand. In addition, MAN Diesel & Turbo's dual-fuel engines serve as trailblazers for the ecological progress of maritime shipping. In many liquid gas tankers of today, for example, gas evaporating from the cargo tanks is not lost but used to operate the drive engine in an energy-efficient way.

This is good news for Hendrik Külß at the Ballinkai quay. After all, he was a sea-faring man himself until 1979, which is why he sees these innovative engines as the dawning of a new age for the shipping industry. He believes that it will keep global trade coming right up to his container bridge—to both load and unload its cargo.

Power Engineering
Energy of the Future

MAN Diesel & Turbo's steam turbines generate electrical power from energy-rich waste components like paper, plastics, textiles, and wood.

Power Engineering
Energy of the Future

Energy from waste: a clean and locally available form of energy for Harbichi Zazaria

“We sort all unwanted items, if possible, and separate them by recyclable material.”

Refuse Collector Harbichi Zazaria

It’s cold, wet, and early in the morning. Frankfurt is still asleep. Harbichi Zazaria, however, has been wide awake for a good while. The young Moroccan and his team are heading for a housing complex in the city. They will be collecting bulk items today. Zazaria collects recyclable materials for the Werkstatt Frankfurt association. This socially committed company prepares the unemployed for re-entry into working life and specializes in electrical equipment as well as furniture. Since 1989, it has been collecting about 7,000 tons of waste every year with the help of 300 employees. “We dismantle and sort all unwanted items, if possible, and separate them by recyclable material,” says Zazaria. Besides wood, metals such as copper, scrap iron, and aluminum are of particular interest. “The rest is combustible waste for the thermal recovery in waste incineration plants that generate electricity and district heating,” says Christian Jungk, Head of the Frankfurt Recycling Center.

For a long time, incineration plants were considered toxic nuisances. Filter systems and processing technology have come a long way since then, however. “Waste to energy” is the process of generating heat and electricity from refuse, and it is a concept that Frankfurt is familiar with. Steam turbines supplied by MAN Diesel & Turbo ensure efficient cogeneration. “The energy mix of the future will change,” explains Dr. Hans-O. Jeske, Executive Board member of MAN Diesel & Turbo. “When it comes to boosting efficiency in energy utilization, we can make a valuable contribution with our products.” Even today, MAN Diesel & Turbo’s turbines already reach an efficiency level of up to 27 percent. “If district heat can also be sourced for apartments and buildings, the effectiveness of the plant’s incineration process can be further improved, surpassing that of modern coal-fired power stations,” emphasizes Jeske.

Intelligent waste management based on the “waste to energy” principle is necessary for social, political and ecological reasons. Throughout the European Union, there are still rather major differences in waste disposal. In Germany, 48 percent of municipal waste is recycled instead of heading for the incineration plant. Yet it is merely 18 percent in France, and just 11 percent in Italy. According to the step-by-step plan laid down by the new EU waste disposal directive, only 35 percent of domestic waste with energy potential will be allowed to end up in landfills by 2016. So, 65 percent will have to be incinerated, recycled or composted. Industry experts therefore anticipate a boom for the manufacturers of waste incineration systems and their component suppliers.

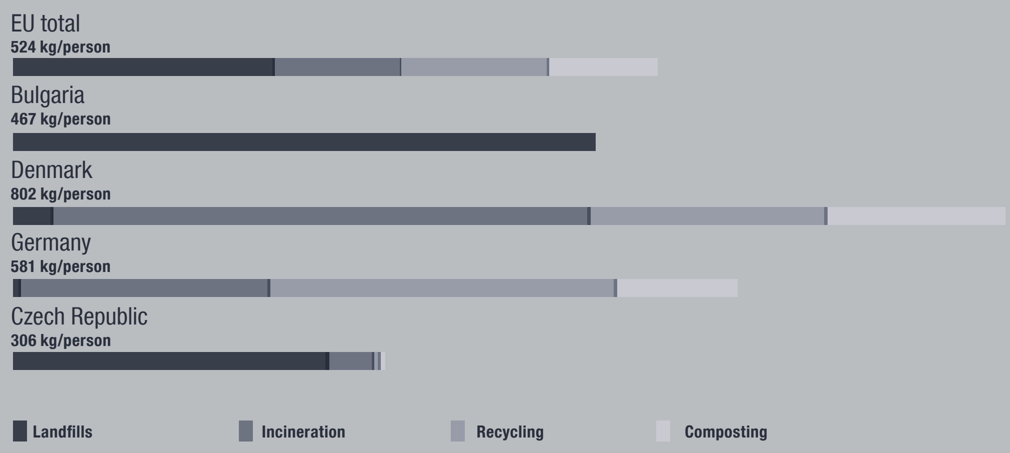
A new day is dawning in Frankfurt. Zazaria and his colleagues have already loaded up the bulk items and their collection vehicle is taking them to be recycled. Getting up early for the sake of recycling is worthwhile for the young Moroccan. His trips transport him directly into the future of energy production.

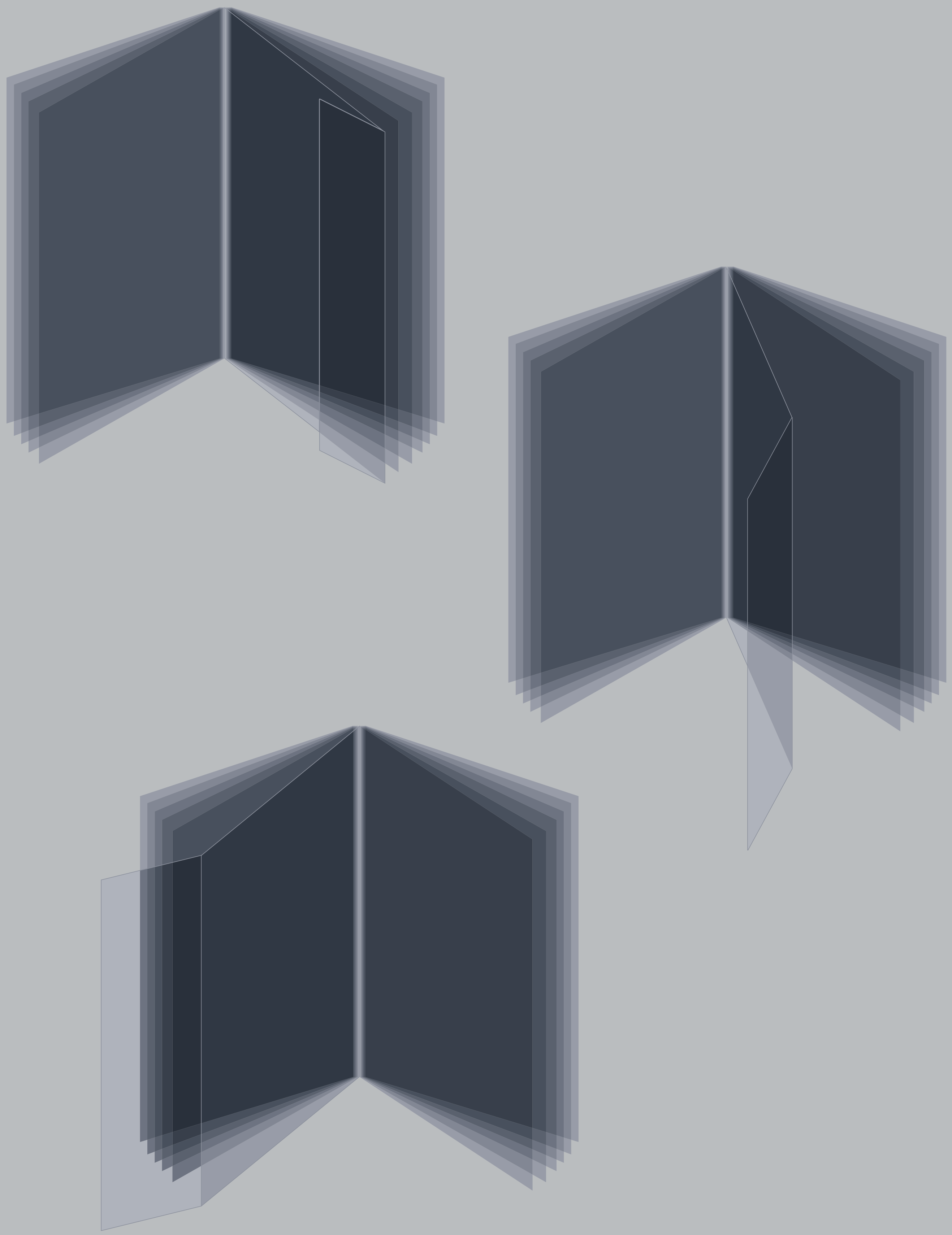
MUNICIPAL WASTE IN THE EUROPEAN UNION

What happens to the refuse?

In Europe, about 500 kilos of refuse per person end up in a variety of waste containers every year. The Danes are at the top of the list with 802 kilos while Czech citizens are the role models, coming in last with merely 306 kilos. There are also major differences in the treatment of waste. Denmark has the highest incineration rate and Germany the highest percentage of recycling. In Bulgaria, all waste still ends up in landfill sites to this very day.

Source: Eurostat 2009





Information at a glance

The foldout page gives you a better overview of MAN's Annual Report. Simply open the foldout, turn over the entire page, and you have an index with page numbers to guide you quickly to the information you need.

03 Group Management Report

for the fiscal year from January 1 to December 31, 2010

Pages 52 – 119

Group Management Report
Highlights 2010

Focusing on transportation and energy a success, operating profit doubled

- At €15.1 billion, order intake up significantly on previous year (+53%)
- Revenue increases by 22% to €14.7 billion (previous year: €12.0 billion) in an improving economic environment
- At €1,035 million, operating profit exceeds expectations (previous year: €504 million)
- Return on sales (ROS): 7.1% (previous year: 4.2%); return on capital employed (ROCE): 17.4% (previous year: 8.8%)
- Free cash flow: €1.1 billion, net financial debt falls to below €1.8 billion
- Earnings per share from continuing operations €5.30 (previous year: loss per share of €–2.69); excluding gains from nonrecurring items and effects from purchase price allocations €3.38 (€1.47)
- Proposed dividend increased to €2.00 per share (previous year: €0.25)

Outlook for 2011

- Target revenue growth of between 10% and 15% in the Commercial Vehicles business area
- Decline of up to 5% in Power Engineering revenue possible
- ROS to improve by one percentage point
- Systematic continuation of internationalization strategy
- Focus on increasing efficiency, cost discipline, and improving cash flow

Group Management Report The MAN Group's Business Activities and Strategy

The MAN Group

The MAN Group's focus on transportation and energy makes it one of Europe's leading engineering players. MAN Aktiengesellschaft became a Societas Europaea (SE) in 2009 and now operates as MAN SE. The sale of a majority interest in MAN Ferrostaal AG and the acquisition of MAN Latin America in 2009 completed the focusing process on the Commercial Vehicles and Power Engineering business areas.

MAN companies rank in the top three in their respective markets. The Group has approximately 47,700 employees in 150 countries. The MAN divisions are MAN Truck & Bus (formerly MAN Nutzfahrzeuge), MAN Latin America, MAN Diesel & Turbo, and Renk. The MAN Group is headed by MAN SE, which is the Group's Corporate Center. In 2010, the MAN Group generated revenue of €14.7 billion and operating profit of €1,035 million.

Overview of the business areas

Commercial Vehicles business area

MAN Truck & Bus is one of Europe's leading manufacturers of commercial vehicles, with production facilities in four European countries and in India. Its products range from trucks with a total weight of 7.5 to 44 t for all applications, special-purpose vehicles with a gross train weight of up to 250 t, through buses and coaches, to combustion ignition and spark-ignited engines for on- and off-highway uses. MAN Finance International GmbH, Munich, and the national companies allocated to it (MAN Finance), offer financing solutions, in particular leases, to commercial vehicle customers. These activities are supported by an international sales and service network. MAN Truck & Bus's revenue amounted to €7.4 billion and its operating profit was €158 million.

MAN Latin America is Brazil's largest truck manufacturer and the country's market leader for trucks with a gross vehicle weight (GVW) of more than 5 t. MAN Latin America has produced trucks and buses in Resende since 1996. Its vehicles are sold in Latin America and Africa in particular, and it delivered 65,630 trucks and buses in full-year 2010. MAN Latin America has a nationwide sales and service network in Brazil and its neighboring countries. MAN Latin America staff and partner suppliers work together at the Resende plant, which has a modular production system. Revenue amounted to €3.1 billion in 2010 and operating profit €370 million, with employees totaling 6,149.

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

Power Engineering business area

In the first half of 2010, MAN Diesel and MAN Turbo merged to form a single company, MAN Diesel & Turbo, in order to leverage additional growth potential in the energy generation segment by offering new product packages. The company is one of the world's leading developers and manufacturers of large-bore diesel engines, turbo compressors, industrial turbines, and chemical reactor systems.

MAN Diesel & Turbo commands a strong market position both in the development of two-stroke diesel engines for propulsion systems in large ships and in the manufacture of four-stroke diesel engines built into smaller vessels and as engines for electricity generation at power plants. While the two-stroke engines are built by licensees, MAN Diesel & Turbo manufactures most of its four-stroke engines at its sites in Germany and France. The company also offers a complete range of turbomachinery for various industries such as oil and gas, refineries, and chemicals, as well as for the production of industrial gases and electricity. Its product range is supported by a comprehensive after-sales service. MAN Diesel & Turbo's revenue amounted to €3.8 billion in 2010 and its operating profit was €439 million.

Renk is a listed subsidiary of MAN SE and a global manufacturer of transmissions and propulsion systems. MAN holds 76% of the company's capital. Renk is a global market leader for tracked vehicle transmissions and electric machine bearings. Renk also has a leading position in marine and industrial gear units. Renk's product portfolio comprises vehicle transmissions, drive elements (slide bearings and couplings), special-purpose propulsion systems (industrial and marine gear units), and broad-use propulsion systems (industrial and marine gear units, couplings). In addition, the company manufactures testing systems that are used in development, production, and quality assurance primarily in the automotive, rail, and aviation industries. Renk's revenue amounted to €0.4 billion in 2010, and its operating profit was €52 million.

The MAN Group's strategy and strengths

Emerging successfully from the crisis

All the signs are that the macroeconomic crisis has been overcome. Longer-term forecasts are becoming increasingly difficult, which means that MAN and the entire industry alike must be prepared for high volatility and must therefore act flexibly. Nevertheless, MAN has repeatedly proved over more than 250 years that it can deal with uncertainty and adapt to new developments. The Company pursues a clearly defined strategy that focuses on profitable international growth, technology leadership, customer orientation, sustainable value creation, and transportation and energy.

Profitable international growth

Europe remains MAN's most important market and therefore its mainstay. Premium products and excellent service quality ensure that the Company has a high market share in this region, especially in the commercial vehicles business. The development expertise at the Group's sites in Western Europe is instrumental in safeguarding MAN's technology leadership in its business areas for the long term.

However, despite the difficult market situation in the past two years, MAN continues to pursue its defined international growth strategy for the Commercial Vehicles business area. In the medium term, the need for transportation in the BRIC countries (Brazil, Russia, India, and China) in particular will continue to grow significantly and infrastructure expansion in these countries will be driven forward. This will increase demand for trucks and buses in the medium term. Although these countries collectively represent approximately 50% of the world's population, they currently account for only around 14% of global economic output. Above-average annual growth rates of between 5 and 10% demonstrate the pace of expansion in these economies. Today, MAN sells one in two of its heavy trucks and an even greater proportion of buses in one of the BRIC countries.

In addition to India and China, where MAN Diesel & Turbo already has a strong presence, the Brazilian market offers numerous opportunities for the company's products due to the fast growing oil and gas industry there. Brazil's plans to develop its own shipyard industry and ethanol production using sugar cane could offer a substantial volume of business for MAN Diesel & Turbo's products going forward.

Technology leadership

Technology leadership is a strategic success factor for MAN. A continued ability to innovate and adapt has made MAN a pioneer in the transportation and energy industry. The Company sets trends by identifying future requirements at an early stage and expertly transforming them into sustainable solutions.

For example, MAN presented the pioneering Concept S truck study, whose visionary approach departs from conventional truck design, at the 2010 International Commercial Vehicles Motor Show (IAA). The model's aerodynamics alone, which have reached the high level of the passenger car industry, allow fuel consumption to be reduced by up to 25% for long-distance trucks and lower CO_2 emissions compared with conventional trucks.

The Green Ship of the Future, a project that was jointly launched in 2008 by MAN Diesel & Turbo, the Danish shipping company A.P. Møller-Mærsk Group, Odense Steel Shipyard, and Aalborg Industries, now has 15 partners and received the International Environmental Award. The primary objective of The Green Ship of the Future is to identify and develop new technologies to substantially reduce ship emissions. The challenging goal is to cut CO_2 emissions by 30% and nitrogen and sulfur oxides by 90%. The project received the Sustainable Shipping organization's International Environmental Award for the most environmentally friendly transportation initiative.

MAN's aim is to be the most cost-effective provider over the entire lifecycle of the products and in terms of its costs for the environment and society. Technology leadership is a key prerequisite for this ambitious objective.

Customer orientation

The MAN Group's business activities focus on the needs and expectations of its customers. The highest quality and thus reliability and cost-effectiveness are the goals we set for all our products and services over their entire lifecycle. MAN Truck & Bus's "Consistently Efficient" program offers customers an optimized package of vehicle, maintenance, and services as well as flexible rental, leasing, and financing options. MAN Truck & Bus enables transportation companies to optimally focus their fleet by offering a broad range of services. Service agreements that are differentiated by target group make costs transparent right down to the cent per kilometer. Optimally maintained vehicles ensure that transportation orders can be carried out at any time and increase resale value.

Service and after-sales concepts tailored to customer needs are a key component of MAN's strategy. For example, the Company presented MAN Service Complete at the IAA 2010. This new concept ensures that repair and maintenance work not only on a truck, but also on its trailer, semi-trailer, and body, are carried out in a single stop at a single MAN Service outlet. To be even closer to its customers, MAN Diesel & Turbo has defined the continuous expansion of its PrimeServ service network as a strategic goal. MAN Diesel & Turbo's After Sales strategic business unit covers a substantial proportion of fleet requirements for diesel engines, while its retrofit area for turbo compressors is a pioneer.

Sustainable value creation

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

Adding economic value is of central importance for MAN and is reflected by the achievement of ambitious return on sales and return on capital employed targets. In particular, stability in generating returns is vital—in this area, MAN focuses on sustainably expanding its service structures. The Company pursues a responsible human resources policy for its workforce that puts the emphasis on the individual employee. MAN attaches particular importance to individual advancement and continuous professional development. In particular, the Company supports employees who show initiative and are willing to take responsibility. People who demonstrate that they enjoy accepting challenges are quickly given their own freedoms at MAN. High performers are able to grow as their responsibilities increase and to use their professional and social skills in equal measure.

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

MAN believes that the free interplay of competitive forces and responsible corporate governance are key levers for sustainable corporate development. Infringements of laws and guidelines are not tolerated and are systematically pursued.

Focus on transportation and energy

In recent years, MAN has successfully specialized in commercial vehicles and power engineering. In the long term, these two fields will profit disproportionately from the strong growth in emerging economies accompanied by increasing demand for transportation and energy.

MAN is a leading provider in the international vehicle industry, offering products and services that are tailored to individual markets worldwide in its Commercial Vehicles business area. MAN Truck & Bus is expanding from its core Western European market into the growth markets of Eastern Europe and Asia. As the market leader in Brazil, MAN Latin America has state-of-the-art production facilities and an extensive sales and service network in the emerging Latin American markets. These two companies enable the MAN Group to successfully cover both premium markets and emerging economies with specific products. The Group's stake in Sinotruk, the number two in the Chinese heavy trucks market, also allows it to participate directly in growth in China, the world's largest and fastest-growing commercial vehicles market. This strategic partnership will develop a new product for emerging economies and growth markets under a new brand and launch it in 2011.

MAN's second strategic business area, Power Engineering, is an economically logical form of diversification and a suitable counterbalance to the commercial vehicles business. MAN Diesel & Turbo is the world's leading supplier of large-bore diesel engines for use in ships and power plants, and specializes in developing and building compressors as well as gas and steam turbines. The successful merger of the two divisions enables MAN to offer customers new product packages such as turnkey DCC (diesel combined cycle) power plants or exhaust heat recovery systems for marine applications. This area is complemented by Renk, a globally recognized manufacturer of high-quality special gear units.

Divestments

On March 25, 2009, MAN transferred 70% of the shares of Ferrostaal AG, Essen, (Ferrostaal) to International Petroleum Investment Company, Abu Dhabi/U.A.E. (IPIC). The price for 100% of the shares of Ferrostaal is approximately €700 million and is contingent on the option agreed by MAN and IPIC on the purchase and sale of the remaining shares. The contractually agreed put option for the remaining 30% interest in Ferrostaal was exercised by MAN at the beginning of January 2010. The purchaser refused to complete the transaction, referring among other things to the ongoing investigations by the German public prosecution authorities at Ferrostaal. In addition, IPIC notified MAN at the end of September 2010 that it had filed an arbitration action to unwind the Ferrostaal transaction, and additionally for compensation for damages incurred. The arbitration action was served on MAN on October 18, 2010. MAN is analyzing the precise content of the action and is preparing its defense against the arbitration action.

See "Litigation/legal proceedings" and the "Notes to the Consolidated Financial Statements" for further information.

Group Management Report
Business Developments and Results of Operations in 2010

Economic environment

Fiscal 2010 was characterized by the global economic recovery. Following a 0.6% decline in global economic output in 2009 due to the international economic and financial crisis, the IMF is forecasting growth of 4.8% for 2010.

Despite the overall upward trend shown by the world economy, the pace of growth slowed somewhat because the boost provided by the inventory cycle and fiscal stimuli diminished. In most advanced economies, the combination of a weak labor market outlook, the ongoing reduction in borrowing, and muted consumer confidence is also leading to an economic slowdown. Growth in the emerging economies remains robust, but has also weakened slightly of late.

The strong economic recovery that was apparent in the Latin American countries in the course of 2010 continued up to the end of the year. In particular in Brazil—a key market for MAN—high corporate investment, rising industrial output, and buoyant consumer spending among other factors led to an expected increase of 7.6% in gross domestic product.

Economic output in Asia's emerging economies in the third quarter of 2010 confirmed this region's sustained and robust development, although the pace of growth slowed somewhat compared with Q2. Domestic consumer demand has now clearly become the most important driver in a number of countries. In China, real annualized gross domestic product growth continued to slow to 9.6% in the third quarter of 2010, compared with 11.9% in Q1 and 10.3% in Q2. This slight decline reduces the continuing risk of the country's economy overheating. Growth is increasingly being driven by private investment and the current account surplus, while government support measures are gradually being withdrawn.

The eurozone economy has been growing since mid-2009. The second quarter of 2010 saw an increase of 1.0%, due among other things to the rise in capital spending by 1.5% as against the previous quarter. This underlying momentum continued in the second half of the year, with the result that overall growth of 1.7% is forecast for 2010. The ongoing global economic recovery will continue to have a positive effect on demand for export goods in the euro zone. At the same time, domestic demand in the private sector is likely to contribute to growth, having been bolstered by monetary policy and the measures taken to restore the functioning of the financial system. For Germany, the IMF is expecting a 3.3% increase in real gross domestic product in 2010, driven largely by high exports.

Sharp upturn in business

Business in 2010 was dominated by the economic recovery. The MAN Group's order intake improved by 53%. Revenue increased by 22%, due in particular to the recovery in the Commercial Vehicles business area. Operating profit rose to €1,035 million—double the 2009 figure. Return on sales climbed from 4.2% to 7.1%.

Order situation

The economic environment improved sustainably in 2010, which had a positive effect on the transportation and energy markets. The European commercial vehicles business recovered faster than expected. Demand in Brazil led to a record year in the Company's history. Business in the Power Engineering business area remains dominated by the clearance of the high order backlog from previous years. Despite an 18% increase in order intake, revenue at MAN Diesel & Turbo remained above orders received in fiscal 2010. Although order intake was extremely strong overall, the MAN Group's order backlog as of the fiscal year-end therefore amounted to €7.0 billion, 5% below the previous year (€7.4 billion).

Significant increase in order intake

The global economic recovery led to an increase in order intake in all divisions. The MAN Group recorded incoming orders of €15.1 billion in 2010, which represents a rise of 53% on the previous year (€9.9 billion) and a return to the average level in the past. However, the Group was unable to match the high order volume shortly before the crisis. Order intake in the Commercial Vehicles business area was 68% above the previous year due to growing demand in the European commercial vehicles business and the ongoing boom in Brazil. After 2009, incoming orders in the Power Engineering business area also recorded an upward trend of 24%. At €0.9 billion, major orders received by the MAN Group in fiscal 2010 were up only slightly year-on-year (2009: €0.8 billion).

The upturn in order intake was as pronounced in Germany as it was abroad. International orders rose by 55% to €11.6 billion as against the high prior-year level. Domestic orders were up by 46% to €3.5 billion. At 77%, the proportion of international orders was slightly above the previous year.

Orders in Europe increased by 50% compared with the previous year. MAN's main sales countries are Germany (€3.5 billion), the United Kingdom (€0.8 billion), France (€0.5 billion), and Russia (€0.5 billion). Order intake quadrupled in Russia, and the United Kingdom recorded an 82% increase. In 2010, the share of the MAN Group's total order intake accounted for by Europe fell by 2% to 56%. Europe therefore remains the Group's most important region, followed by the Americas with a 27% share and Asia (13%).

Order intake in the Americas rose from €1.9 billion in the previous year to €4.0 billion, with Brazil accounting for €3.2 billion or 81% of this amount (previous year: 71%). MAN Latin America contributed €2.9 billion (89%) to the share attributable to Brazil, increasing the Company's order intake by more than two thirds in fiscal 2010. Orders in Asia also grew by 19% to €1.9 billion. €1.3 billion of this amount related to MAN Diesel & Turbo, which generated 33% of its order intake in China.

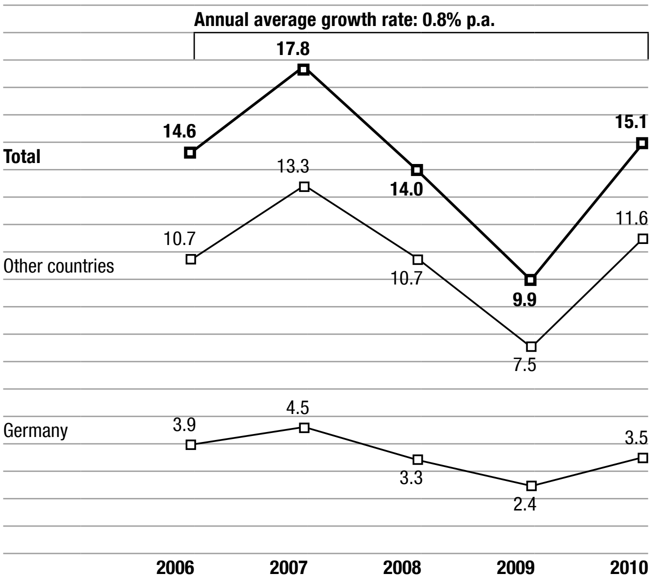
Order intake by business area
€ million

	2010	%	2009	%
Commercial Vehicles	11,163	74	6,636	67
Power Engineering	4,000	26	3,230	33
Others/Consolidation	–91	–	–6	–
MAN Group	**15,072**	**100**	**9,860**	**100**

Order intake by region
€ million

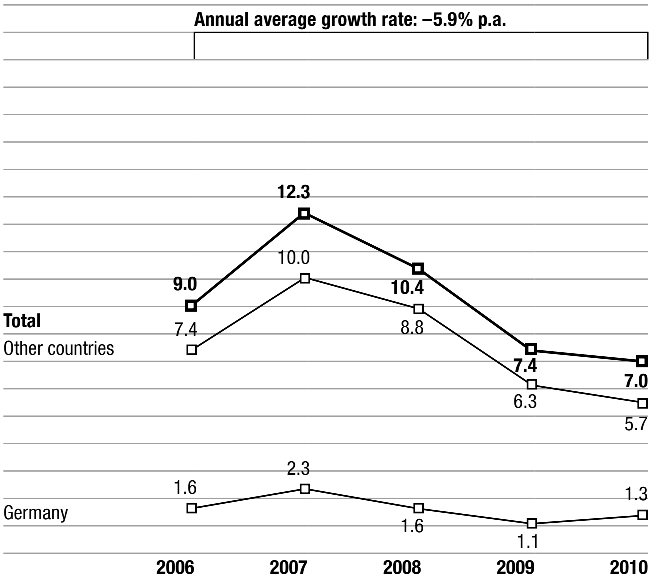
	2010	%	2009	%
Federal Republic of Germany	3,489	23	2,388	24
Other EU countries	3,829	25	2,736	28
Other European countries	1,181	8	559	6
Asia	1,908	13	1,607	16
Americas	4,003	27	1,931	20
Africa	591	4	485	5
Australia and Oceania	71	0	154	1
MAN Group	**15,072**	**100**	**9,860**	**100**

Five-year order intake trend
€ billion



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

Five-year order backlog trend
€ billion



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

Order backlog stabilizes

The recovery in order intake in 2010 meant that orders received again slightly exceeded revenue. Apart from isolated cancellations, the decline in the order backlog therefore stabilized and, at €7.0 billion, was only slightly below the previous year. The Commercial Vehicles business area in particular recorded a 5% increase in its order backlog compared with 2009. The figure for the Power Engineering business area again declined year-on-year, at –11%. However, the Power Engineering business area's order backlog remains higher than its annual revenue, and spans approximately a year.

Continuous increase in revenue

The MAN Group's revenue continuously increased from quarter to quarter in 2010. In the last quarter alone, it rose by 11.4% as against Q3 and therefore totaled €14.7 billion for the fiscal year as a whole, up 22% on 2009. At 36%, the highest increase was recorded by the Commercial Vehicles business area, with annual revenue amounting to €10.6 billion. MAN Latin America, which closed the strongest fiscal year in its history with revenue of €3.1 billion, made a significant contribution. The global recovery in the commercial vehicles industry was reflected at MAN Truck & Bus, leading to revenue growth of 16% to €7.4 billion. The highest-volume segment—heavy trucks—recorded an increase of 26%. Revenue from buses in 2010 declined again year-on-year, falling by 10% to €1.2 billion (previous year: €1.3 billion). The Power Engineering business area generated revenue of €4.2 billion in 2010 and was therefore slightly below the prior-year level of €4.3 billion. MAN Diesel & Turbo contributed revenue of €3.8 billion and Renk €0.4 billion. MAN Diesel & Turbo's revenue was therefore on a level with the previous year. This reflected a 39% improvement in the Power Plants strategic business unit, which was partially offset by a 13% decline in the Engines & Marine Systems strategic business unit as a result of continued weak new ship construction.

The MAN Group's domestic revenue rose by 11% year-on-year to €3.0 billion. Approximately 84% of domestic revenue was again accounted for by MAN Truck & Bus, which generates 34% of its revenue in Germany. Domestic revenue accounted for 12% of the revenue generated by the Power Engineering business area, and the proportion at MAN Diesel & Turbo declined by 8% year-on-year, in particular in the Turbomachinery strategic business unit. International revenue, which represents 88% of revenue in the Power Engineering business area, was on a level with the previous year in 2010.

Compared with the previous year, international revenue in the entire MAN Group rose by 25% in 2010 to €11.6 billion. As a result, the proportion of total revenue generated abroad was 79% in the past fiscal year, after 77% in 2009.

Revenue in the European markets rose by 7% in 2010 to €7.9 billion, while the proportion of total revenue generated in Europe amounted to 54% (previous year: 62%). The share attributable to the Americas increased to 27% or €3.9 billion in 2010. €3.1 billion or 80% of this was attributable to MAN Latin America, which generated 93% of its revenue in the Brazilian market. Revenue in the Brazilian market grew by more than two thirds year-on-year to €2.9 billion. The MAN Group's revenue in Asia was up by 7% to €2.1 billion. €0.6 billion of this relates to China, mainly due to MAN Diesel & Turbo. The proportion of total revenue accounted for by Asia reached 14%.

Following the economic slump in the previous year, the MAN Group's revenue exceeded the average level of the past five years and even almost matched the high figure of €14.9 billion from 2008. Over this five-year period, revenue rose overall from €11.7 billion to €14.7 billion. This means that the MAN Group recorded average annual growth of 5.9% between 2006 and 2010.

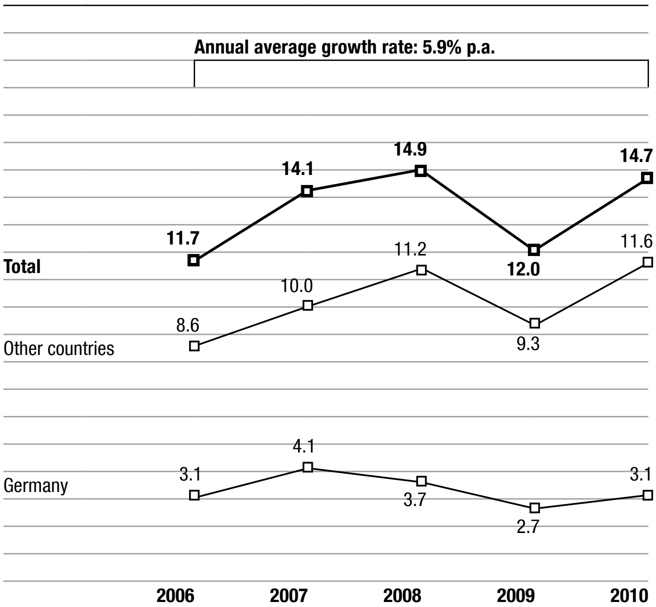
Revenue by business area
€ million

	2010	%	2009	%
Commercial Vehicles	10,586	72	7,807	65
Power Engineering	4,169	28	4,270	35
Others/Consolidation	–80	–	–51	–
MAN Group	**14,675**	**100**	12,026	100

Revenue by region
€ million

	2010	%	2009	%
Federal Republic of Germany	3,058	21	2,751	23
Other EU countries	3,777	26	3,812	32
Other European countries	1,092	7	854	7
Asia	2,106	14	1,973	16
Americas	3,906	27	1,945	16
Africa	618	4	571	5
Australia and Oceania	118	1	120	1
MAN Group	**14,675**	**100**	12,026	100

Five-year revenue trend
€ billion



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

Operating profit

The MAN Group generated an operating profit of €1,035 million in fiscal 2010, exceeding the one billion euro mark again. The doubling of this figure compared with the previous year is due to the Commercial Vehicles business area, which recovered sharply following the slump in the European commercial vehicles market in particular.

The Commercial Vehicles business area recorded an operating profit totaling €528 million in fiscal 2010. MAN Latin America contributed €370 million to this, more than double the prior-year figure on a like-for-like basis. However, MAN Latin America was not consolidated until the second quarter of the previous year. Operating profit in the European commercial vehicles business improved in line with the industry trend to €158 million (previous year: operating loss of €91 million). This includes negative effects from the financial services business amounting to €49 million. These effects increased by €7 million as against 2009 (€–42 million) due to continued high risk provisions. MAN Truck & Bus improved its operations in the Trucks business by €280 million. At €18 million, the profit generated by the Buses business was down €22 million on the previous year due to volume-related factors and the product mix.

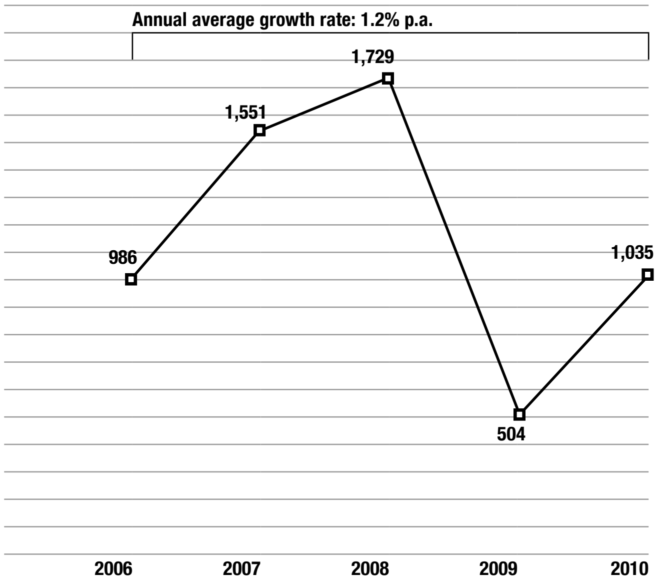
The Power Engineering business area generated an operating profit of €491 million. Operating profit at MAN Diesel & Turbo fell by €61 million to €439 million (–12%). This figure includes cost overruns and provisions as well as expenses for setting up the Power Plants strategic business unit. At €52 million, Renk was €14 million below the previous year (€66 million). In addition to MAN SE and its Shared Services companies, the figure for Others/Consolidation includes MAN's share of the net income/loss of Scania AB, Sinotruk Ltd., and manroland AG, as well as the consolidation adjustments between the MAN Group's divisions. The business volumes and earnings contributions of these investments increased in line with the general economic developments. Scania's earnings contribution in particular was €95 million above the previous year. The equity interest in Sinotruk that was only acquired in the fourth quarter of 2009 additionally accounted for €29 million.

Operating profit/loss by business area
€ million

	2010	2009
Commercial Vehicles	528	51
Power Engineering	491	566
Others/Consolidation	16	–113
MAN Group	**1,035**	**504**

Following the sharp economic slump in the previous year, the MAN Group's operating profit doubled in 2010. It therefore returned to a healthy level in line with the economic recovery. The overheated markets in the boom years of 2007/2008 that led to exceptional results are only of limited value as a benchmark.

Five-year operating profit trend
€ million



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

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

Income statement

€ million	2010	%	2009	%
Revenue	14,675	100.0	12,026	100.0
Cost of goods sold and services rendered	–11,400	–77.7	–9,455	–78.6
Gross margin	3,275	22.3	2,571	21.4
Other operating income	516	3.5	532	4.4
Selling expenses[1]	–997	–6.8	–807	–6.7
General and administrative expenses[1]	–740	–5.0	–631	–5.2
Other operating expenses[2]	–1,142	–7.8	–1,091	–9.1
Income/loss from investments[1/2]	123	0.8	–70	–0.6
Operating profit	1,035	7.1	504	4.2

1 Amount after reclassification of €–109 million of selling expenses/general and administrative expenses and income/loss from investments (previous year: €–62 million of selling expenses/general and administrative expenses) to earnings effects from purchase price allocations

2 Amount after reclassification of €357 million of income from investments (previous year: €–656 million of expenses and income/loss from investments) to gains/losses from nonrecurring items

Revenue rose by 22% year-on-year in 2010; the cost of goods sold and services rendered merely increased at a slower rate due primarily to better capacity utilization in the Commercial Vehicles business area. As a result, the gross margin rose by €704 million to 22.3%, up significantly on the previous year. Selling expenses were up by 24% as against the prior-year period to €997 million due to sales volumes. The increase in general and administrative expenses was kept lower at 17% to €740 million.

At €516 million, other operating income was slightly below the prior-year figure (€532 million). Other operating expenses amounted to €1,142 million.

The improvement in income from investments to €123 million is attributable mainly to the higher share of income from the Scania (€99 million) and Sinotruk (€29 million) investments.

Reconciliation to net income

€ million	2010	2009
Operating profit	**1,035**	**504**
Earning effects from purchase price allocations	–109	–62
Gains/losses from nonrecurring items	357	–656
Net interest expense	–158	–117
Earnings before tax (EBT)	**1,125**	**–331**
Income taxes	–338	–53
Income/loss from discontinued operations, net of tax	–65	126
Net income/loss	**722**	**–258**
Earnings per share from continuing operations in €	5.30	–2.69
Dividend per share in €	2.00	0.25

The MAN Group's earnings before tax amounted to €1,125 million in 2010 (previous year: €–331 million). This figure includes the earnings effects from the purchase price allocation performed as part of the acquisition of MAN Latin America in 2009, which amount to €–99 million, and from the interest in Sinotruk acquired at the end of 2009, which amount to €–10 million. To enhance long-term comparability, the effects from purchase price allocations are not included in operating profit.

The gains from nonrecurring items relate in full to the reversal of the impairment loss on the Scania investment. In the previous year, the Group recorded losses from nonrecurring items of €656 million. In addition to the writedown of Scania shares, these included payments for the administrative orders imposing fines totaling €150.6 million following the investigations by the public prosecution authorities due to suspected unlawful commission payments and the cost of internal investigations and severance payments amounting to €70 million. This item was also impacted by restructuring expenses for MAN Diesel & Turbo relating to the discontinuation of engine production at the Frederikshavn site in Denmark, and exceptional costs incurred in connection with the commercial vehicles market in Russia.

In addition to interest on bank balances and bank liabilities, net interest expense of €158 million includes net interest on pensions. The deterioration in this line item of €41 million relates to higher interest expenses for the bond used to finance the acquisition of MAN Latin America. Net interest expense in fiscal 2010 also reflects tax interest expenses in the amount of €22 million.

The MAN Group's tax expense increased by €285 million to €338 million due to earnings-related factors. The Group's tax rate was 30.0% (previous year: –16.0%) and is calculated from the tax rates of the German and foreign Group companies, prior-period income taxes, and tax-exempt income. The negative tax rate in the previous year is mainly attributable to the writedowns of investments that are not recognized for tax purposes.

Following the arbitration action sought by IPIC in connection with the sale of Ferrostaal, provisions for the maximum contractually possible warranties and guarantees were recognized and impact income from discontinued operations, net of tax. In the previous year, income from discontinued operations, net of tax (€126 million) was due mainly to the sale of 70% of the shares of Ferrostaal AG.

At €722 million, the MAN Group's net income improved by €980 million on the prior-year net loss of €258 million. Earnings per share from continuing operations rose from €–2.69 to €5.30. Adjusted for gains from nonrecurring items and excluding purchase price allocations, earnings per share improved from €1.47 to €3.38.

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

Financial control system and value management

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

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

Alongside ROS, another key indicator previously used to determine the performance-related remuneration of managers was MAN value added (MVA). This financial measure, which was calculated as the difference between operating profit and the cost of capital, will no longer be used for control purposes from fiscal 2010. Instead, the modified measure referred to as the "delta to the cost of capital" (ROCE—WACC) will be introduced for the MAN Group as a component of performance-related remuneration. It corresponds to the difference between ROCE and the weighted average cost of capital (WACC).

In June 2010, the Supervisory Board of MAN SE amended the remuneration components for the members of the Executive Board of MAN SE to the effect that the calculation of the annual bonus based on business performance no longer depends on the previously used "MAN value added." Instead, the achievement of targets will be determined using the newly introduced "delta to the cost of capital" measure as well as the other new indicator—ROE—which is only used for the performance-related remuneration of Executive Board members. An average figure over two years will be used to determine the achievement of targets under the "delta to the cost of capital" factor. 50% of the bonus under the ROE factor will be paid in shares.

Target returns

The MAN Group aims for an ROS of 8.5% over an operating cycle and a ROCE that exceeds the cost of capital of 10%. The target return on sales is 8.0% in the Commercial Vehicles business area and 9.0% in the Power Engineering business area. A bandwidth of +/–2 percentage points is defined for all specified ROS figures.

Operating profit

The earnings measure for calculating ROS and thus for assessing and managing the performance of a division is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). When calculating operating profit, an adjustment is made for earnings effects from purchase price allocation and, in individual cases, nonrecurring items. These items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. In 2010, MAN recorded gains from nonrecurring items totaling €357 million, which are reflected in EBIT, but not in operating profit. In 2009, the Group reported losses from nonrecurring items of €656 million.

ROS

%	2010	2009
Commercial Vehicles	5.0	0.7
Power Engineering	11.8	13.3
MAN Group	**7.1**	**4.2**

In 2010, the MAN Group generated a return on sales of 7.1% (previous year: 4.2%), leveraging the positive effects of the economic recovery on the global markets. MAN Truck & Bus recorded an ROS of 2.1%, while the figure for MAN Latin America was 11.8%. MAN Diesel & Turbo achieved a return on sales of 11.7% and Renk 12.9%.

ROCE

€ million	2010	2009
Total equity	**5,990**	**5,129**
Pension obligations[1]	226	160
Financial liabilities[1]	2,849	3,270
	9,065	**8,559**
Volume not funded by equity of MAN Finance	–2,075	–1,990
Marketable securities and cash and cash equivalents	–1,071	–636
Capital employed by the MAN Group at December 31[2]	**5,919**	**5,933**
Annual average capital employed by the MAN Group[2]	**5,933**	**5,933**
Operating profit[3]	**1,035**	**524**
ROCE in %	**17.4**	**8.8**

1 2009 including discontinued operations

2 CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made to previous year)

3 2009 including operating profit attributable to discontinued operations of €20 million

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

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

The MAN Group's ROCE improved from 8.8% in the previous year to 17.4%.

WACC

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

MAN uses WACC together with other control parameters as a basis for setting ROCE requirements. The cost of capital for fiscal year 2010 is 10.0%. The new "delta to the cost of capital" measure, which was introduced as part of the variable remuneration model for MAN SE's Executive Board and is used to measure the achievement of targets as the difference between ROCE and WACC, was 7.4% in 2010.

ROE

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

€ million	2010	2009
MAN Group equity on December 31	5,990	5,129
Annual average MAN Group equity	5,453	5,387
Earnings before tax (EBT)[1]	1,060	–191
ROE in %	**19.4**	**–3.6**

[1] Earnings before tax additionally including earnings effects of discontinued operations

The MAN Group's ROE improved from –3.6% to 19.4% in fiscal 2010.

Group Management Report
Financial Position

Principles and objectives of financial management

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

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

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

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

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

Cash flow

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

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

€ million	MAN Group		Industrial Business		Financial Services	
	2010	2009	**2010**	2009	**2010**	2009
Net liquidity/net financial debt at beginning of period	**–2,634**	–1,631	**–822**	468	**–1,812**	–2,099
Cash earnings	815	396	861	431	–46	–35
Change in net capital employed in continuing operations	612	964	641	687	–29	277
Change in net capital employed in discontinued operations	–	102	–	102	–	–
Net cash provided by/used in operating activities	**1,427**	1,462	**1,502**	1,220	**–75**	242
Net cash flows from investing activities of continuing operations	–371	–2,226	–385	–2,225	14	–1
Net cash flows from investing activities of discontinued operations	–3	–358	–3	–358	–	–
Net cash used in investing activities	**–374**	–2,584	**–388**	–2,583	**14**	–1
Free cash flow	**1,053**	–1,122	**1,114**	–1,363	**–61**	241
Cash flow from net liquidity/net financial debt financing activities	**–40**	–325	**–71**	–384	**31**	59
Net change in net liquidity/net financial debt	**1,013**	–1,447	**1,043**	–1,747	**–30**	300
Other changes in net liquidity/net financial debt	–157	241	–141	254	–16	–13
Change in net liquidity/net financial debt of discontinued operations	–	203	–	203	–	–
Net liquidity/net financial debt at end of period	**–1,778**	–2,634	**80**	–822	**–1,858**	–1,812

Cash earnings in the MAN Group increased to €815 million due to earnings-related factors. The Industrial Business generated cash earnings of €861 million, after €431 million in the previous year. In addition, the MAN Group's net capital employed improved by €612 million (previous year: €1,066 million). This is due to the substantial decline in inventories, better receivables management, and higher liabilities relating to an increase in business. This led to a positive cash flow from operating activities of €1,502 million in the Industrial Business and €1,427 million in the MAN Group as a whole.

Net cash used in investing activities amounted to €374 million compared with €2,584 million in the previous year. In 2009, this item was dominated by the acquisition of MAN Latin America and the shares of Sinotruk (total of €–2.2 billion). Adjusted for these portfolio measures, net cash used in investing activities in the previous year amounted to €335 million.

The MAN Group generated free cash flow of €1,053 million in the past fiscal year. The Industrial Business recorded free cash flow of €1,114 million compared with €–1,363 million in the previous year.

Net cash provided by/used in financing activities includes the dividend payment of €40 million (previous year: €297 million).

Free cash flow by business area
€ million

	2010	2009
Commercial Vehicles	552	792
Power Engineering	763	138
Others/Consolidation	–262	–2,052
MAN Group	**1,053**	**–1,122**

Free cash flow in the Commercial Vehicles business area totaled €552 million. €484 million of this was attributable to the operating commercial vehicles business at MAN Truck & Bus, while Financial Services negatively impacted cash flow by €61 million. MAN Latin America generated free cash flow of €129 million. While free cash flow at MAN Latin America virtually matched the prior-year level and is €50 million above the 2009 figure in the remaining commercial vehicles business, Financial Services recorded a €302 million decline in its free cash flow. This is mainly due to the increase in the volume of financing following the economic recovery in the year under review.

At €763 million, free cash flow in the Power Engineering business area improved by €625 million on 2009. This is primarily attributable to MAN Diesel & Turbo, which saw a clear improvement of around €250 million in its net capital employed, in particular through the reduction of inventories.

Compared with the previous year's figure (€2,634 million), the MAN Group's net financial debt decreased by €856 million to €1,778 million. The Industrial Business saw its net financial debt improve by €902 million from €822 million as of December 31, 2009, to become net liquidity of €80 million. Financial Services maintained its net financial debt from refinancing its business (€1,858 million) at the prior-year level (€1,812 million).

The MAN Group's net financial debt is composed of cash and cash equivalents of €1,057 million (previous year: €502 million) and marketable securities of €14 million (previous year: €134 million), less financial liabilities of €2,849 million (previous year: €3,270 million). The €435 million year-on-year increase in the MAN Group's cash and cash equivalents and marketable securities relates mainly to the positive development of free cash flow. Additionally, financial liabilities were reduced by €421 million compared with 2009. This results primarily from the repayment of the matured bond in the amount of €240 million issued by MAN SE in December 2003 via MAN Financial Services plc, Swindon/United Kingdom, the repayment of the variable-rate component of a promissory note loan in the amount of €121 million, and additional specific measures to reduce financial liabilities.

MAN Group funding

The MAN Group funded its operating business activities in 2010 to a large extent from cash flow from operating activities. In addition to bilateral lines with financial institutions, a variable-rate syndicated credit line commitment by a syndicate of 23 banks in the amount of €1.5 billion is available for debt funding until December 2015. This line was agreed in December 2010 and replaces the previous syndicated credit line that ran until December 2011 and that has therefore been discontinued. The latter syndicated credit line was reduced by €500 million in July 2010 to €1.5 billion and was never drawn down during its term. Nor had the current line that expires in 2015 been utilized as of December 31, 2010.

Another component of the MAN Group's funding is its access to the capital markets. In 2009, MAN SE launched an EMTN program of which €1.5 billion has currently been utilized through the issue of a bond in 2009 in two tranches expiring in 2013 and 2016 and a fixed interest rate of 5.375% and 7.25% respectively. A bond issued by MAN SE in December 2003 via MAN Financial Services plc, Swindon/United Kingdom, was repaid at maturity in the amount of €240 million in December 2010.

The variable portion of a promissory note loan in the amount of €121 million was repaid prior to maturity in October 2010. Until repayment, this tranche bore an average interest rate of 3.92% p.a. The fixed-interest component of the promissory note loan in the amount of €49 million and an interest rate of 5.056% expiring in 2012 continues to exist. In addition, the Group has issued a promissory note loan in the amount of €30 million expiring in 2019 (amortizing), which bears a fixed interest rate of 6.76%.

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

In April 2010, Standard & Poor's lowered MAN's long-term rating from A– to BBB+ with a stable outlook and again confirmed this rating in December 2010. The A3 rating with a stable outlook awarded by Moody's was confirmed in September 2010.

The following table shows MAN's current credit ratings:

Rating agency	Long-term	Short-term
Standard & Poor's	BBB+ / Stable	A-2
Moody's	A3 / Stable	P-2

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

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

Under the agreed syndicated credit line amounting to €1.5 billion, each syndicate member can demand immediate repayment of its portion if one or more natural or legal persons (with the exception of Volkswagen AG or a majority held direct or indirect subsidiary of Volkswagen AG) either individually or collectively obtain control of MAN SE or acquire the majority of voting rights in MAN SE.

The promissory note loans issued in the amount of €79 million can be terminated with immediate effect if one or more persons acting in concert acquire the majority of voting rights in MAN SE.

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

Asset and capital structure

€ million	MAN Group		Industrial Business		Financial Services	
	2010	2009	2010	2009	2010	2009
Property, plant, and equipment, and intangible assets	3,978	3,772	3,974	3,766	4	6
Investments	2,136	1,723	2,131	1,693	5	30
Assets leased out	1,755	1,433	1,111	896	644	537
Income taxes	1,292	989	1,264	969	28	20
Inventories	2,852	3,037	2,785	2,989	67	48
Trade receivables	2,265	2,202	1,936	1,896	329	306
Finance lease receivables	1,050	1,096	–	–	1,050	1,096
Assets held for sale	139	139	139	139	–	–
Other noncurrent and current assets	893	868	859	823	34	45
Cash and cash equivalents	1,071	636	1,031	589	40	47
Total assets	**17,431**	**15,895**	**15,230**	**13,760**	**2,201**	**2,135**
Total equity	5,990	5,129	5,864	4,984	126	145
Pension obligations	226	160	225	159	1	1
Financial liabilities	2,849	3,270	1,993	2,238	856	1,032
Intragroup financing	–	–	–1,042	–827	1,042	827
Provisions	2,118	1,860	2,114	1,857	4	3
Prepayments received	762	913	759	908	3	5
Income taxes	1,383	1,116	1,351	1,090	32	26
Trade payables	1,981	1,368	1,882	1,319	99	49
Other noncurrent and current liabilities	2,122	2,079	2,084	2,032	38	47
Total equity and liabilities	**17,431**	**15,895**	**15,230**	**13,760**	**2,201**	**2,135**

Industrial Business

After focusing on acquisitions in 2009, investments primarily concentrated on property, plant, and equipment, and intangible assets in fiscal 2010. Key areas were replacement and maintenance investments as well as measures to improve productivity and quality at various sites. The increase in investments by €438 million is due mainly to the reversal of the impairment loss on the interest in Scania in the amount of €357 million. See the “Notes to the Consolidated Financial Statements” for further information.

The €215 million rise in assets leased out relates primarily to the initial consolidation of EURO-Leasing. See the “Notes to the Consolidated Financial Statements” for further information. The change as against 2009 also reflects the growth in the volume of sales with buyback obligations at MAN Truck & Bus in the course of the year.

Inventories totaled €2,785 million at the end of the fiscal year. The decline in new and used vehicles in particular is attributable to the recovery in the European commercial vehicles market. Inventories at MAN Diesel & Turbo decreased due to the discontinuation of production in Fredrikshavn as well as targeted working capital management in the Engines & Marine Systems strategic business unit and in the After Sales business. Prepayments received fell by €149 million. This change resulted mainly from business development at MAN Diesel & Turbo.

Financial liabilities declined by €245 million year-on-year. This relates primarily to the repayment of the variable-rate component of a promissory note loan in the amount of €121 million, and additional measures to reduce financial liabilities.

Trade payables increased by €613 million compared with the previous year due to volume-related factors.

Equity in the Industrial Business rose by €880 million as against December 31, 2009. This change resulted mainly from the profit generated in 2010. Despite the simultaneous increase in noncurrent assets, in particular due to the reversal of the impairment loss on the Scania investment, the higher equity led to an improvement in the ratio of equity to intangible assets, property, plant, and equipment, and investments by 5 percentage points (from 91% to 96%). The equity ratio of the Industrial Business amounted to 38.5% (previous year: 36.2%). The MAN Group’s overall equity-to-assets ratio was 98% (93%), and its equity ratio was 34.4% (32.3%).

Financial Services

At Financial Services, total assets increased from €2.1 billion to €2.2 billion because of the higher business volume. €856 million (previous year: €1,032 million) was refinanced externally, and €1,042 million (previous year: €827 million) was financed internally within the Group. The decline in external refinancing resulted mainly from the repayment of the bond issued by MAN Financial Services plc.

Unrecognized assets

As part of the Group’s off-balance sheet financing instruments, we use receivables programs to refinance the financial services business in particular. For further information, see “MAN Group funding” and the “Notes to the Consolidated Financial Statements.”

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

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

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

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

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

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

Composition of share capital, classes of shares

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

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

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

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

Restrictions affecting voting rights or the transfer of shares

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

Shareholdings exceeding 10% of the voting rights

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

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

Volkswagen Aktiengesellschaft notified MAN SE (MAN Aktiengesellschaft at the time) in February 2007 in accordance with section 21 (1) sentence 1 of the WpHG that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 25% and amounted to 29.9% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us in September 2008 in accordance with section 21 (1) of the WpHG that—because Porsche Automobil Holding SE had assumed control of Volkswagen AG—Volkswagen AG's 29.9% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. In 2010, we also received notifications in accordance with section 21 (1) of the WpHG that the share of voting rights held by BlackRock, Inc. (and companies affiliated with it) exceeded the threshold of 3%. We have not been notified of, nor are we aware of, further existing direct or indirect interests in the capital of MAN SE that reach or exceed 10% of the voting rights or the relevant thresholds of the WpHG, or of any changes in the above-mentioned interests.

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

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

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

Powers of the Executive Board, in particular to issue and repurchase shares

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

The powers of the Executive Board to utilize the contingent and authorized capital and to issue or repurchase shares are presented in the following. The corresponding authorizations were not exercised in fiscal 2010.

Authorized Capital 2010

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

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

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

(i) to the extent necessary to grant the holders of convertible bonds or bonds with warrants that were or will be issued by the Company or its Group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their conversion rights or options if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation (antidilution provision); and/or
(ii) if the issue price of the new shares is not more than 5% lower than the quoted market price and the shares issued in accordance with section 186 (3) sentence 4 of the AktG do not in the aggregate exceed 10% of the share capital. Shares issued or sold by direct or indirect application of this provision on the basis of other authorizations during the term of these authorizations count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations issued at the time of utilization in accordance with this provision shall also count towards the above-mentioned 10% limit; and/or
(iii) to settle any fractions needed to round the share capital; and/or
(iv) to issue new shares against cash contributions to employees with managerial responsibility (managers) of the Company and/or of Group companies in respect of a proportion of Authorized Capital 2010 of up to €4,000,000. It may also be stipulated that the contribution to be paid is covered in accordance with section 204 (3) of the AktG.

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

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

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

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

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

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

(i) to the extent that the issue price of the bond is not materially lower than its theoretical market value calculated by recognized financial techniques. In addition, the disapplication of preemptive rights within the meaning of section 186 (3) sentence 4 of the AktG only applies to bonds with rights to shares with a notional interest in the share capital that does not in the aggregate exceed 10% of the share capital. Shares issued, sold, or issuable by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization;
(ii) to the extent that this is necessary to settle fractions that result from the subscription ratio;
(iii) to grant the bondholders with existing conversion rights/options on, or obligations to convert bonds to, shares of the Company, preemptive rights to the extent to which they would be entitled if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation, in order to prevent dilution of the economic value of these rights.

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

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

Share repurchase

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

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

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

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

(i) if the purchased common shares are sold at a price that is not materially lower than the quoted market price; and/or
(ii) to the extent that they are used as consideration in a business combination or to acquire companies or investments in companies or assets of companies; and/or
(iii) to the extent that they are used to settle options or conversion rights or conversion obligations established by the Company or a Group company when bonds were issued. The shares transferred by virtue of this authorization may not in the aggregate exceed 10% of the share capital where they are used to settle conversion rights and options or conversion obligations established in corresponding application of section 186 (3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations issued at the time of utilization in accordance with this provision shall also count towards this limit; and/or
(iv) to the extent that the common shares are used to settle stock bonus commitments to employees with managerial responsibility (managers) of the Company and/or of Group companies.

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

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

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

Right: Cutting-edge turbocharger technology for large-bore diesel engines
Left: A steam turbine
Bottom: Top MAN models at the IAA 2010 in Hanover

Group Management Report
Research and Development

Our goal of being the technology leader requires long-term research and development (R&D) activities. When defining key future R&D themes, MAN focuses strongly on the requirements imposed by megatrends in the transportation and energy sectors:

- An enormous increase in freight transportation is expected in the coming years. For example, the traffic volume of heavy trucks is forecast to grow by 58% in the period from 2010 to 2025. However, the rise in global freight transportation is also expected to lead to a greater need for propulsion systems in the marine segment.
- MAN plays an active role in reducing pollutants and emissions. For example, the emission standard for trucks will be further tightened from 2014 with the introduction of Euro VI in Europe. However, a clear trend is also emerging with regard to marine engines. A directive designed to almost completely eliminate emissions containing sulfur at European ports came into force in 2010, and will ultimately be extended to cover all European waters from 2015.
- MAN expects further increases in transportation and energy costs in the medium and long term, driven by high prices for oil and other resources.
- Despite the high safety standards met by today's fleet of trucks, the need for traffic safety will grow continuously in future.
- The trend towards cutting pollution in inner cities is reflected in the introduction of ecozones, among other things.

The need to reduce greenhouse gas emissions is an incentive for MAN to research alternative drive technologies and to push the energy efficiency of its products further towards their physical and technological limits. After several years of in-depth research and testing, MAN's hybrid drive—a pioneering alternative drive technology featured in the MAN Lion's City hybrid bus—went into series production in time for the 2010 International Commercial Vehicles Motor Show (IAA). This innovative city bus is more ecological and economical and much more efficient than the most state-of-the-art conventional diesel city bus. The MAN Lion's City Hybrid consumes up to a third less fuel than a conventional model and can therefore reduce CO_2 by up to 30%. Braking energy is recovered with a very high degree of efficiency and extremely low losses to allow the bus to start quietly and without emitting any exhaust gases.

The greatest savings potential in the long-distance trucks segment is offered by improved aerodynamics. MAN studies show that, in the case of a standard 40 t semitrailer tractor, a new, aerodynamically designed tractor and trailer can reduce fuel consumption and therefore CO_2 emissions by up to 25%. Savings of this order would either be impossible or could only be achieved at substantial expense in other efficiency areas. However, this new design would require amending certain statutory registration rules within the EU. MAN is thinking beyond these limits and presented a truck study with a pioneering new design at the 2010 IAA. The MAN Concept S's streamlined design distinguishes it completely from the cubic exterior of conventional trucks. A drag coefficient (cD value) of around 0.3 gives the MAN Concept S aerodynamic figures that are otherwise only achieved by state-of-the-art passenger limousines.

When it comes to saving fuel and emissions, however, MAN is also looking beyond the possibilities offered purely by vehicle and drive technologies. The Company expects to make further progress by strategically using intelligent traffic management resources (car-to-car communication: warning the driver about the end of a traffic jam or an obstacle; traffic management: controlling speed according to traffic light phases). In cooperation with efficient traffic management partners, MAN aims to intelligently network road users with guidance systems that are designed to make the traffic of the future even more efficient.

Reducing emissions is also a key issue in the products manufactured by the Power Engineering business area. The main focus here is on cutting nitrogen oxides and sulfur content. In cooperation with partners, MAN is developing systems to filter pollutants from exhaust gas. As with its commercial vehicles, MAN pursues a dual exhaust gas strategy for its large-bore diesel engines. Engine exhaust gas recirculation is especially suitable for ships that mostly operate in coastal regions and must meet strict emission requirements. In contrast, the Company's selective catalytic reduction technology entails treating the exhaust gases in a catalytic converter, reducing the emission of nitrogen oxides (NOx). Using this method, only nitrogen and water vapor are emitted from the funnel.

In the large-bore diesel engines segment, MAN also uses renewable fuels such as rapeseed, soya bean, and palm oil, as well as old fat (cooking fat) or animal fats. However, these substances have a negative effect on the life of the injection systems and on engine performance. Compared with previous heavy oil-powered operation, performance with biofuels is around 5% lower. For ethical reasons, thermal and electrical energy generation should only use sustainable raw materials that do not compete directly with food production. As a result, MAN's research and development work is currently focusing on jatropha, African palms, and special algae.

In 2008, MAN Diesel & Turbo launched an initiative entitled The Green Ship of the Future together with the Danish shipping company A.P. Møller-Mærsk Group, Odense Steel Shipyard, and Aalborg Industries. The project's goal is to reduce CO_2 emissions by 30% and nitrogen and sulfur oxides by 90%. The initiative uses both conventional and new technologies. The Green Ship of the Future focuses mainly on large two-stroke engines such as those deployed in big ocean-going container ships and tankers. The project received the Sustainable Shipping organization's International Environmental Award for the most environmentally friendly transportation initiative.

These activities show that sustainability, protecting the environment, reducing emissions, and cost-effectiveness have long been central goals pursued by MAN. The Company's products are based primarily on innovative engineering. Across all divisions, this makes them dynamic and reliable premium products that are leaders in their field. MAN's willingness to embrace new concepts has not only been a key success factor in the development of its latest products, but also ensures its ability to master new challenges and guarantees the Group's future success.

MAN invests a significant proportion of its revenue each year in R&D to reflect the particular importance of these activities. In 2010, capital expenditure in this area was €626 million, or 4.3% of revenue. €469 million, or 75% of R&D expenditures, was internally funded.

Funds for order-specific R&D activities and for publicly subsidized projects amounted to €157 million. Around 43% of internal funds were invested in basic research and the development of new products.

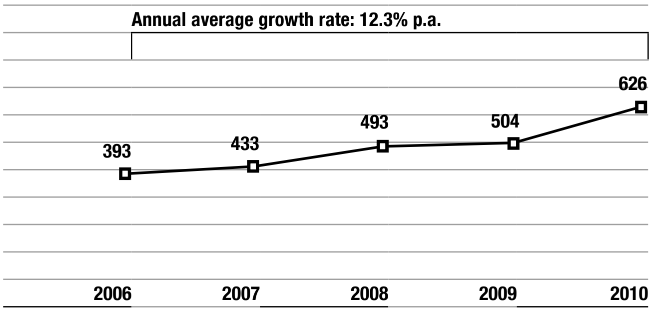
3,944 people were employed in research and development in 2010, compared with 3,791 in the previous year.

€ million	2010	2009
R&D expenditures	**626**	504
R&D expenditures of the manufacturing divisions (% of revenue)	4.3	4.2
Internally funded R&D	469	382
R&D employees (annual average)	3,944	3,791

R&D expenditures by business area
€ million

	2010	2009
Commercial Vehicles	328	237
Power Engineering	313	267
Consolidation	–15	–
MAN Group	**626**	504

Five-year R&D expenditures trend
€ million



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

Group Management Report
Capital Expenditures

Capital expenditures in fiscal 2010 totaled €396 million, compared with €2,303 million in the previous year. The high prior-year figure is due mainly to the acquisitions of MAN Latin America and Sinotruk. Excluding the acquisitions, MAN invested €366 million in property, plant, and equipment and intangible assets in the previous year. The proportion of other capital expenditures made outside Germany was 33% or €131 million.

Investments in the Commercial Vehicles business area totaled €283 million in 2010 compared with €229 million in the previous year. MAN Truck & Bus made the necessary replacement and maintenance investments and invested in enhancing productivity and quality, leveraging growth potential, and developing new products (Euro VI). The focus of investing activities was on the Munich and Nuremberg sites. MAN Latin America's capital expenditures were driven by the Euro V emission standard, the technical integration of products and components with MAN Truck & Bus, and leveraging joint growth potential through the announced cross-selling of products, as well as investment in its Resende production site.

Investments in the Power Engineering business area amounted to €108 million in 2010 as against €161 million in the previous year. MAN Diesel & Turbo made replacement and maintenance investments and invested in enhancing the efficiency of its production sites and in its after-sales network. Renk invested primarily in testing systems for wind power gear units at the Rheine site.

Capital expenditures
€ million

	2010	2009
Property, plant, and equipment and investment property	235	283
Intangible assets	156	83
Investments	5	1,937
Total	**396**	**2,303**
of which: acquisition of MAN Latin America less cash and cash equivalents	–	1,333
of which: acquisition of Sinotruk	1	567
of which: Scania share purchase	–	4
of which: other capital expenditures	395	399
of which: Germany	264	280
of which: other countries	131	119
Depreciation, amortization, and impairment[1]	368	360
Capital expenditure ratio in %[2]	107	111

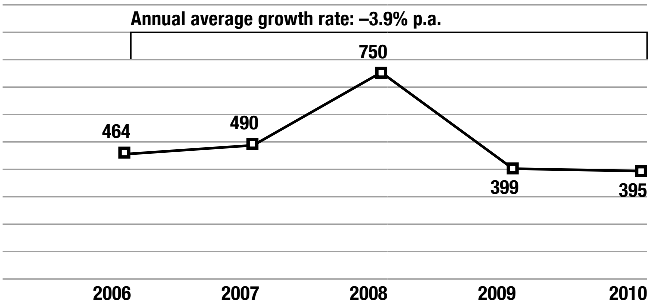
[1] Excluding earnings effects from purchase price allocations (2010: €99 million, 2009: €62 million) and in the previous year excluding write-downs of investments of €382 million

[2] Excluding the acquisition of MAN Latin America, Sinotruk, and the Scania shares

Capital expenditures by business area
€ million

	2010	2009
Commercial Vehicles	283	229
Power Engineering	108	161
Others/Consolidation	5	1,913
MAN Group	**396**	**2,303**

Five-year capital expenditure trend*
€ million



* 2006 to 2009 excluding Scania share purchase
2009 and 2010 excluding acquisition of MAN Latin America and Sinotruk

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

Cost of materials by business area € million	2010	2009
Commercial Vehicles	6,329	4,485
Power Engineering	1,853	1,949
Others/Consolidation	–87	–98
MAN Group	**8,095**	**6,336**

Cost of materials in % of revenue	2010	2009
Commercial Vehicles	60	57
Power Engineering	44	46
Others/Consolidation	–	–
MAN Group	**55**	**53**

At around €8.1 billion (previous year: €6.3 billion), the MAN Group's procurement volume is approximately 55% of revenue. As a result of MAN's international growth strategy in the BRIC countries, the Group's purchasing activities are continuing to focus on global procurement markets. Despite the global economic recovery, which was characterized by growing demand for commodities and primary materials and therefore increased supplier prices, the MAN Group's purchasing units largely maintained prior-year price levels in 2010.

Selecting and monitoring suppliers is extremely important due to the increased insolvency risk in the supplier industry, a factor that is relevant for MAN. In this continued difficult environment, a preventive risk monitoring system enables continuous supervision of suppliers by the Purchasing function with the aim of initiating measures at an early stage to reduce losses.

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

Complying with orderly external procurement transactions that leverage economic market opportunities and ensuring fair and sustainable relationships with suppliers and business partners requires clearly defined rules. This is why in 2010 the Group established binding rules of conduct and principles governing procurement in the form of a Group-wide purchasing policy.

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

Top: MAN TGX in the Brazilian Resende plant
Right: Testing large-bore diesel engines in the Augsburg plant
Bottom: Truck production in Munich

Group Management Report
Employees

Employees at December 31*	2010	2009
Germany	27,354	26,768
Other countries	20,315	20,975
Total	**47,669**	**47,743**
Other countries in %	43	44

Employees by business area at December 31*	2010	2009
Commercial Vehicles	33,020	33,029
Power Engineering	14,337	14,414
Other	312	300
MAN Group	**47,669**	**47,743**

* Including subcontracted employees

Headcount
As of December 31, 2010, the MAN Group employed 47,669 people including subcontracted employees; this figure almost matches that of December 31, 2009 (47,743). Our foreign companies, whose headcount fell by 660 (3%) to 20,315, account for 43% of our employees (previous year: 44%). In Germany, the Group's workforce totaled 27,354 at the end of the year, up 586 (2%) year-on-year. The MAN Group had 1,976 subcontracted employees on December 31, 2010. This represents an increase of 333 or 20% as against the previous year (1,643). The Group's permanent staff declined by 407 from 46,100 in the previous year to 45,693 on December 31, 2010. At 2,035, the number of employees with fixed-term contracts at December 31, 2010 was up slightly on the previous year (2,002).

Leadership Culture—core qualities for successful employee management
Today, the Group, its managers, and its employees constantly face new challenges: Successful change management is required simply to deal with a market environment that is altering due to the economic and financial crisis. However, only when managers have the confidence of their staff can they successfully communicate and implement changes.

Core qualities for successful employee management at MAN are competence, transparency, commitment, and behavior. They apply worldwide. The MAN Leadership Culture gives all managers clear guidance on how to achieve this working environment and how they themselves should behave and develop. The goal is to create a trusting leadership culture—which is the basis for excellent performance by each employee and therefore for MAN's success.

From 2010, the four management qualities mentioned above have been established in annual employee appraisals for MAN managers and the extent of their implementation is being measured.

Management training
MAN has a partnership with the Saïd Business School of the University of Oxford and the WHU—Otto Beisheim School of Management to draw up an innovative continuous professional development program for its managers. In doing so, the Company aims to ensure that, in future, MAN managers with a strong strategic focus are available for international management positions. The cooperation produced the Executive Management Program (EMP), which is aimed at MAN's senior managers, and the General Management Program (GMP), which is open to high potentials in management positions. Both programs reflect the Group's internationalization and the related requirements placed on management. Participants are supported by mentors and coaches during the continuous professional development program. Project work is also a key element of the programs.

The European Foundation for Management Development (EFMD) presented the MAN Group with the “EFMD Excellence in Practice Award 2010” in the Executive Development category.

Occupational pension system

Retirement provision that goes beyond the statutory pension systems is usually essential for MAN Group employees to ensure the standard of living to which they are accustomed when they retire. The MAN Group therefore contributes to its employees’ retirement provision by granting pension commitments and similar benefits that are structured to country-specific and market requirements.

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

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

Short-time working in the MAN Group, in particular at MAN Truck & Bus

MAN Truck & Bus in particular was still affected by the consequences of the financial and economic crisis in the first half of the year. However, in fiscal 2010 the company was able to continuously reduce short-time working that had been introduced in 2009. The Steyr and Nuremberg sites returned to full capacity utilization from the middle of the year, allowing short-time working to be discontinued.

Short-time working was also fully discontinued at the other plants and the central functions at the end of the year. This means that MAN Truck & Bus has now successfully left behind the financial and economic crisis and is well positioned for future challenges with a strengthened workforce. This is also a result of the training measures implemented in cooperation with the *Bundesagentur für Arbeit* (German Federal Labor Agency) during the period of short-time working.

Group Management Report
Corporate Responsibility

As one of Europe's leading engineering groups, the MAN Group makes a value contribution to meeting global challenges such as climate change, globalization, demographic trends, and urbanization. These trends are being reinforced by the rapid increase in the size of the global population. Resources are becoming scarcer, while climate change will continue to drive the development of new energy supply solutions and structures. The Company expects these developments to have a major impact on transportation systems, mobility structures, and the energy infrastructure. As a result, the MAN Group is already deriving the requirements that future drive/propulsion technologies will have to meet. In other areas, too, it aims to anticipate developments, for example by addressing increasing transparency requirements from investors and analysts as well as from society.

The MAN Group attracts the attention of a wide variety of stakeholder groups: customers, business partners, employees, society, investors, and analysts. A canon of values and a clear strategy enable the Company to respond to their different needs, to strike a balance, and to mediate in the event of conflicts of interest.

The MAN Group's corporate responsibility strategy

The MAN Group is committed to sustainable corporate management that takes into consideration the demands placed on the Company in the areas of integration, the environment, the economy, and people, with the strategic goal of sustainable value creation. This has now been formulated in a strategy for dealing with the developments described above and with society's increasing expectations in respect of companies. The strategy was resolved by MAN SE's Management Board and entered into force in July 2010.

Corporate responsibility (CR) is therefore part of the corporate and leadership culture at MAN and drives the Company's vision of being number one in commercial vehicles and power engineering. Sustainable value and profitable growth can only be created if the MAN Group meets its responsibility for the environment and toward its stakeholders.

The MAN Group's CR strategy is founded on good corporate governance and designed to create value for society. MAN has translated the four dimensions of its CR strategy into concrete fields of action that have been assigned priority status within the Company. The MAN Executive Board has lent added weight to these fields of action as well as to the CR roadmap that defines specific aims for all four dimensions up to 2015.

Fields of action

Integration: MAN uses CR to sharpen its competitive edge. This aim is specifically supported by the integration of CR into the divisions' strategies and operating processes, vocational training and continuous professional development, as well as a systematic stakeholder dialog and open communication.

MAN actively communicates its CR strategy and the related fields of action to its employees and customers. For example, MAN SE's Executive Board presented the components of the Company's CR strategy at the annual Management Summit and discussed the strategy's aims with around 500 MAN managers from 50 countries. 400 sales staff at MAN Truck & Bus from the Germany, Western and Eastern Europe, Russia, Latin America, and Middle East sales regions were schooled in CR for the 2010 International Commercial Vehicles Motor Show (IAA) in Hanover as part of the Company's Global Sales Training. A global survey of 400 stakeholders enabled MAN to better understand the expectations of the various groups and to integrate them into the Company's CR strategy. The participants were employees, customers, suppliers, and business partners in the countries in which MAN is active. The results confirmed the focus of MAN's CR strategy and its central fields of action, and provided an insight into which topics the stakeholders regard as important for MAN. Those surveyed cited the conservation of resources and climate protection as the greatest challenges.

Environment: By developing solutions that offer greater resource efficiency and safety, the MAN Group enables the realization of sustainable transportation concepts and future-proof energy supplies. This aim is supported by a Group-wide climate protection strategy with clear objectives that is still in development, a resource-efficient product and service portfolio, and resource efficiency in production and administration.

Resource efficiency of products plays a key role in purchases by MAN's customers. A drastic reduction in fuel consumption and CO_2 by diesel trucks is possible and can be implemented rapidly. This was demonstrated by a design study developed by MAN Truck & Bus that was premiered at the 2010 IAA in Hanover. The MAN Concept S's aerodynamic design alone allows it to consume up to 25% less fuel—when combined with an appropriately modified trailer—than a conventional 40 t semitrailer tractor. This represents a 25% reduction in CO_2 emissions. Long trucks are another alternative commercial vehicle concept that helps reduce CO_2. MAN Truck & Bus will participate in a nationwide field trial of these trucks in Germany organized by the Federal Ministry of Transport.

Electromobility and hybrid technology are particularly important in urban traffic. The Lion's City Hybrid, the first MAN bus with a hybrid drive that has been in regular service in Munich and other European cities since May 2010, consumes up to 30% less fuel than a conventional city bus. This represents a CO_2 reduction of up to 30%. MAN is therefore helping protect the climate and cut exhaust gas and noise in downtowns. In addition, this year MAN Latin America delivered the first trucks that can be powered entirely by biodiesel (B100). When filled with pure biodiesel, the dual fuel trucks reduce CO_2 emissions by up to 90%.

MAN Diesel & Turbo's wind diesel and dual fuel power plants as well as the Green Ship of the Future contribute to preserving finite resources and to reducing greenhouse gases. This ship project aims to cut CO_2 by 30% and nitrogen and sulfur oxides by 90%.

Resource efficiency is not only an important criterion in the use of MAN products, but also in production. To ensure resource-efficient manufacture, the divisions introduced an environmental management system some time ago. A total of 19 MAN sites in Europe are certified in accordance with ISO 14001. Management systems that are based on OHSAS 18001 (Occupational Health and Safety Assessment Series) and that guarantee the occupational safety and health protection of employees have also been launched throughout the Group.

Economy: Business success is founded on sustainable value creation. Operating in all key regions and product segments in MAN's industry worldwide ensures the Group's lasting success. It also enables the Company to create added value for all its stakeholders. Sustainable value creation is supported by risk and crisis management as well as innovation and supplier management.

To ensure sustainability and corporate responsibility along the supply chain, the MAN Group's Purchasing function has drawn up a purchasing policy that establishes principles that promote compliance with internationally recognized human and employee rights as well as environmental protection by suppliers, for example.

People: Together, demographic trends and internationalization are driving the activities that position the Company as an attractive employer internationally, capable of recruiting and retaining the best minds. MAN's aim of employing the best people is supported by employer branding and talent management, diversity management, and occupational health and safety management.

MAN joined the United Nations Global Compact in December 2010. An international framework agreement was also negotiated by the International Metalworkers' Federation and the MAN Works Council. This agreement commits the MAN Group to human and employee rights. MAN launched the "Personalities Wanted" employer branding campaign to ensure the recruitment of specialist staff. The campaign allows MAN to position itself as an attractive employer in the long term. The Company has been developing young talent through its Campus Initiative for more than three years. In addition to scholarships, MAN offers students at Munich Technical University and RWTH Aachen an insight into working life through lectures series and project work.

The MAN Group's CR structure

The Chief Human Resources Officer is ultimately responsible for CR at MAN. The CR Manager—a position that was newly created in 2010—reports directly to the Chief Human Resources Officer. The CR Manager's main duties are strategy development and implementation. This person acts as a central point of contact for CR in the Company and is supported by the CR Excellence Team in which experts from the Group are represented. The CR Excellence Team's duties include CR reporting as well as controlling and monitoring the implementation of the strategy. MAN's Executive Board serves as the steering committee for important CR decisions.

CR programs and reporting

In its CR roadmap, the MAN Group has laid out how and when its goals will be attained. The roadmap is the blueprint for each year's CR program, assigning responsibilities and deadlines. From spring 2011, an annual CR Report will provide information on the achievement of the Group's aims and the development of key performance indicators. The MAN Group will prepare this report in accordance with the internationally recognized Global Reporting Initiative (GRI) guidelines and will have parts of the report for 2010 audited by an auditor.

Left: Training employees
in Production
Top: The 2010 IAA in Hanover
Bottom: An MAN Lion's
City Hybrid

Group Management Report
The Divisions in Detail

MAN Truck & Bus

The recovery by the European commercial vehicles market from the effects of the financial and economic crisis dominated fiscal 2010 and led to a significant increase in order intake, revenue, and earnings at MAN Truck & Bus.

At €8.0 billion, order intake in fiscal 2010 was 54% above the prior-year level (€5.2 billion). Revenue rose by 16% from €6.4 billion in the previous year to €7.4 billion in 2010. This revenue growth and the resulting improvement in capacity utilization as well as systematic cost savings enabled MAN Truck & Bus to generate an operating profit of €158 million (previous year: operating loss of €91 million). At €85 million, Q4 was the most profitable quarter of 2010. The company's operating commercial vehicles business contributed €103 million to this figure.

MAN Truck & Bus
€ million

	2010	2009
Order intake	8,023	5,224
of which: Trucks	6,865	4,210
of which: Buses	1,158	1,014
Order intake (units)	67,393	37,984
of which: Trucks	61,934	33,272
of which: Buses	5,459	4,712
Revenue	7,446	6,395
of which: Trucks	6,279	5,091
of which: Buses	1,167	1,304
Vehicle sales (units)	60,649	46,767
of which: Trucks	55,166	40,535
of which: Buses	5,483	6,232
Employees[1]	31,284	31,519
Operating profit/loss[2]	158	–91
of which: Trucks	191	–89
of which: Buses	18	40
of which: Financial Services	–49	–42
ROS (%)	2.1	–1.4

[1] Including subcontracted employees as of December 31

[2] Including €–2 million from consolidation adjustments between Financial Services and Trucks/Buses in 2010

Economic environment

Unit sales of trucks in Europe recovered from the low level of around 220,000 in 2009 to 235,000 in 2010 (+7%). MAN Truck & Bus maintained its market share of 16.8% for trucks over 6 t in 2010. The semitrailer tractors over 16 t segment recorded the highest growth. The European bus market contracted to 28,000 units (–10%). MAN Truck & Bus's market share declined from 14.8% to 13.3%. The city and intercity bus segment saw the sharpest decreases here, while the coach business picked up.

Business developments

The Trucks business lifted its order intake from €4.2 billion in the previous year to €6.9 billion. The number of trucks ordered was up by 86% from 33,272 to 61,934. Order intake for heavy trucks rose by 110%. The United Kingdom and Russia recorded particularly strong growth. At 14%, the increase in orders in the Buses business from €1.0 billion to €1.2 billion in 2010 was equally encouraging.

In 2010, MAN Truck & Bus delivered 55,166 trucks and 5,483 buses, recording a 30% year-on-year rise (40,535 trucks, 6,232 buses) in the course of the economic recovery. Revenue amounted to €7.4 billion (previous year: €6.4 billion). Revenue in the Trucks business climbed by 23% to €6.3 billion, while Buses saw a decline in revenue by 10% to €1.2 billion.

Reducing short-time working allowed MAN Truck & Bus to flexibly adapt its production schedule to the increasing demand. For example, the average period of short-time working in production at the company's German sites was 46 days in 2010 (previous year: 85 days), and 18 days in administration (previous year: 39 days). The cost-cutting program initiated in 2008 continued undiminished in 2010.

Operating profit

The higher volume of business enabled MAN Truck & Bus to reverse its operating loss of €91 million in fiscal 2009 to an operating profit of €158 million in 2010. This reflects income of €40 million in connection with the license granted to Sinotruk. The return on sales amounted to 2.1% (previous year: –1.4%).

The operating loss in the Trucks business from the previous year improved by €280 million to become an operating profit of €191 million, and the return on sales was therefore 3.0% (previous year: –1.7%). At €18 million, the profit generated by the Buses business was down €22 million on the previous year due to volume-related factors and the product mix. The operating loss in Financial Services amounted to €49 million (previous year: €42 million) as a result of continued high risk provisions, especially in Spain, Italy, and Russia, as these countries remain significantly affected by the financial crisis.

Employees

As of December 31, 2010, MAN Truck & Bus had a workforce of 31,284 (previous year: 31,519). 18,616 staff were employed in Germany (previous year: 18,309), and 12,668 abroad (previous year: 13,210). The company had 2,178 vocational trainees as of December 31, 2010 (previous year: 2,115). The proportion of vocational trainees therefore amounted to 6.7%.

Research and development

Research and development expenditures amounted to €262 million in the period under review (previous year: €211 million), or 3.5% of revenue (previous year: 3.3%). An average of 1,827 staff (previous year: 1,769) were employed by the company's research and development departments worldwide during the year.

MAN Truck & Bus is a technology leader in the international market and maintains this position by identifying future requirements at an early stage and expertly transforming them into new trailblazing solutions and products. The company's ongoing R&D program focused on continuing to increase the cost-effectiveness and environmental compatibility of commercial vehicles. The development of Euro VI engines in particular is a logical step toward transportation efficiency and sustainable mobility. MAN Truck & Bus presented pioneering commercial vehicle concepts at the IAA in Hanover, such as the Concept S truck study that attracted a high level of international attention.

MAN Truck & Bus presented the new Lion's City Hybrid bus—an innovative concept that offers greater environmental protection and cost-effectiveness in urban traffic. MAN's hybrid bus consumes up to 30% less fuel and therefore saves up to 10,000 liters of diesel per year. Munich was the first European city to put the MAN Lion's City Hybrid into service as a pre-production vehicle. Other buses of this type are being used in major European cities.

Intelligent traffic assistance systems aim to significantly reduce the risk of traffic jams and accidents on the roads in future. In 2010, MAN Truck & Bus pioneered the development of these systems using state-of-the-art research methods, such as the driving simulator developed jointly with the Chair of Automobile Engineering at Munich Technical University. Its research activities focused on increasing active safety for vehicles and traffic systems, helping drivers by providing assistance systems, and efficiently using existing transportation infrastructure.

Capital expenditures

The division's capital expenditures of €207 million (previous year: €205 million) reflected the renewal of its product range in particular. In addition to continuous investments in the sales and service network, MAN Truck & Bus increased capital expenditure at its production sites. An automated seam sealing station was established in the cab painting line at the Munich site. The company's "Nuremberg engine development center" investment project was launched with new test beds. In spring 2010, the newly built bus delivery center began operating at the Munich site.

Outlook

The effects of the financial and economic crisis were still clearly apparent in 2010, although signs of a sustained recovery on the commercial vehicles market emerged in the course of the year. This upturn will contribute to a continued year-on-year increase in production and unit sales figures for trucks and buses in 2011.

Global unit sales of commercial vehicles are expected to return to their pre-crisis level in 2011; sales in Western Europe are forecast to recover by 2013. The BRIC markets in particular offer new unit sales potential, although they will not grow as dynamically as in the past. The Russian market slumped dramatically in 2009, primarily due to financing problems, which means that the upturn there will be somewhat delayed. Market growth in China will in future be driven by increasing demand for heavy commercial vehicles.

Going forward, there will continue to be considerable differences between the BRIC countries and the European market environment in terms of market requirements, demand preferences, and general price acceptance. While innovation, equipment, and costs per kilometer driven will remain the key success factors for high-margin business in the European market, the BRIC countries continue to demand low-cost vehicles that meet market needs.

MAN Truck & Bus's investments in 2011 will also reflect the improved environment and will support the company's strong market position and its internationally attractive product portfolio for vehicles and services as well as its long-term growth targets.

In the next three years, the company's Plauen site will be expanded into a state-of-the-art production plant for exclusive NEOPLAN brand luxury coaches. Modernization and construction measures with an investment volume of €19 million will be implemented in the period to 2013 to reflect the premium nature of the NEOPLAN brand.

At the beginning of January 2010, MAN Truck & Bus announced that it had signed an agreement with Rheinmetall AG, Düsseldorf, on the formation of a joint venture for wheeled military vehicles. Rheinmetall holds a 51% stake in the new company and MAN Truck & Bus holds 49%. The first contractually agreed transaction stage was completed at the beginning of May 2010. In this first step, the two companies' wheeled military vehicles development and sales activities were combined under the umbrella of the new company. Under the second contractually agreed stage in the transaction—expected for the beginning of January 2012—the two companies' production capacities are scheduled to be integrated organizationally into the joint venture.

MAN Nutzfahrzeuge AG became MAN Truck & Bus AG on December 28, 2010. As a result, the company's name now also reflects its successful international growth strategy.

If the economic environment in the euro zone remains positive, further revenue growth of 15% is possible in 2011. Management expects a substantial increase in operating profit, and the return on sales will be significantly above 5%.



Left: Developing bus chassis further
Top: Ramp-up in production
Bottom: A VW Constellation truck

MAN Latin America

MAN Latin America generated revenue of €3.1 billion in 2010, which enabled it to record the best operating profit in its history. The introduction of a third shift in Resende from the first quarter allowed the company to successfully benefit from volume growth that was driven primarily by local infrastructure investments and government incentives, as well as by the recovery of certain Latin American export markets.

MAN Latin America[1]
€ million

	2010	2009
Order intake	3,140	1,412
Order intake (units)	65,630	35,842
Revenue	3,140	1,412
Vehicle sales (units)	65,630	35,842
Employees[2]	1,736	1,510
Operating profit	370	142
ROS (%)	11.8	10.1

1 Included as of March 31, 2009/April 1, 2009. The order situation, revenue, earnings, and cash flow for 2009 do not include any Q1/2009 figures for MAN Latin America.

2 Including subcontracted employees as of December 31

Economic environment

The Brazilian economy was less affected by the global economic crisis than most other major economies. The government in Brazil implemented a variety of stimulus measures to ensure a rapid and stable recovery in all key market segments, and in particular in the automotive and infrastructure sectors. For example, the incentives included tax cuts and subsidized finance for capital goods spending. Gross domestic product in Brazil grew by 7.6% in 2010.

Buoyed by the economic upturn in Brazil, the truck market increased to a total of 160,309 trucks (+43%) and 30,593 buses (+27%) in 2010. Total exports in the truck and bus market that was recovering from the global crisis amounted to 37,120 vehicles (+64%), of which 22,565 were trucks (+74%) and 14,555 buses (+50%).

Business developments

The strong recovery on the Brazilian market enabled MAN Latin America to sell 48,608 trucks and therefore maintain its position as the country's market leader for trucks over 5 t for the eighth successive year and its market share of 29%. The Brazilian bus market is also performing positively. MAN Latin America sold 8,691 vehicles to achieve a market share of 28%, confirming its number two position in the local market.

The company's unit sales in the export markets amounted to 8,331 trucks and bus chassis, securing its market lead in the truck export business for the second successive year with a share of 29%. In the bus chassis segment, MAN Latin America reinforced its number two position with a share of exports of just under 11%.

Sales totaling 65,630 commercial vehicles in 2010 made it the best fiscal year in the company's history.

Operating profit

Operating profit grew faster than revenue to €370 million (previous year: €142 million), which corresponds to a return on sales of 11.8%.

Employees

At the end of 2010, MAN Latin America had a total workforce of 1,736. In addition, 4,413 employees are on the payroll of the company's partners or service providers as part of the "Consorcio Modular" production system.

Capital expenditures, research and development

A feature of MAN Latin America's "Consorcio Modular" business model, in which the partner companies are also suppliers and investors, is its low capital expenditure requirement (< 2.5% of revenue) and capital employed.

Research and development expenditures in the year under review amounted to €66 million or 2.1% of revenue. An average of 410 staff (including subcontracted employees) and 110 service provider employees work in R&D.

R&D activities focused on enhancing the company's product portfolio for the truck segment that is tailored to the emerging markets, adapting buses to customer needs, efficient solutions with regard to alternative fuels, reducing emissions (Euro V), and synergy projects with MAN Truck & Bus, such as localizing the MAN D08 engine and the MAN TGX truck, as well as a joint new low-floor bus platform. MAN Latin America confirmed its technological lead in energy-efficient hybrid solutions by developing the compressed natural gas (CNG) D08 engines for city buses.

In the middle of the year, MAN Latin America established a dedicated bus development unit to support expansion in this growing segment. The initial results of this included the new low-floor bus that is adapted to reflect the latest public transportation concepts in major cities. The company also implemented various customer-driven technical modifications to existing series and enhanced the gear and engine programs.

Outlook

The outlook for 2011 is positive, boosted by resolved infrastructure investments and the announced extension of tax breaks for truck purchases until December 31, 2011, in Brazil, MAN Latin America's largest market. The result of the presidential election points to the continuation of the current economic policy. Several support programs, including "Caminho da Escola," for which MAN Latin America sold 2,233 school buses in 2010, and "Pró-Caminhoneiro" to modernize the truck fleet and improve financing opportunities, have in most cases already been extended.

Various factors with a beneficial effect, such as the 2014 soccer World Cup, the 2016 Olympic Games, and the tapping of newly discovered oil reserves will lead to increased demand for trucks and buses in the coming years. Growth is also expected to be driven by the need to renew Brazil's aging fleet of transportation vehicles, which have an average age of over 16 years.

MAN Latin America aims to further expand its international activities, especially in developing countries. The company sees additional growth potential in exports from connections with MAN Truck & Bus's global business activities, especially in South Africa and Mexico.

New business opportunities will emerge from the launch of the TGX series in the heavy-duty segment in Latin America as an addition to the company's product range, and the integration of MAN D08 engines. The after-sales area also offers further growth potential.

Provided that the market continues to develop positively, MAN Latin America's management expects revenue growth of up to 10%. As a result, the return on sales will remain in double digits. These forecasts assume no significant change in exchange rates.

Left: A four-stroke large-bore diesel engine
Top: Las Salinas diesel power plant on Fuerteventura
Bottom: MAN Diesel & Turbo headquarters in Augsburg

MAN Diesel & Turbo

MAN Diesel & Turbo
€ million

	2010	2009
Order intake[1]	3,475	2,936
of which: Engines & Marine Systems	1,525	1,110
of which: Power Plants	812	789
of which: Turbomachinery	1,138	1,038
Revenue[1]	3,766	3,796
of which: Engines & Marine Systems	1,576	1,805
of which: Power Plants	839	606
of which: Turbomachinery	1,351	1,386
Employees[2]	12,455	12,511
Operating profit	439	500
of which: Engines & Marine Systems	333	290
of which: Power Plants	–60	52
of which: Turbomachinery	166	158
ROS (%)	11.7	13.2

[1] Including consolidation adjustments between the Engines & Marine Systems, Power Plants, and Turbomachinery strategic business units

[2] Including subcontracted employees as of December 31

The economic environment improved in fiscal 2010. As a result, MAN Diesel & Turbo's order intake amounted to €3.5 billion, exceeding the prior-year figure of €2.9 billion (+18%), but falling short of the pre-crisis level. In the Engines & Marine Systems strategic business unit in particular, the upturn in demand for transportation services has not yet led to a tangible increase in the number of engines manufactured. At €3.8 billion, revenue was roughly at the prior-year level. The order backlog decreased to €3.8 billion (2009: €4.4 billion) due to incoming orders remaining below revenue and to order cancellations. Operating profit declined from €500 million to €439 million, while the return on sales remained healthy at 11.7%.

Economic environment

After the crisis bottomed out in 2009, the macroeconomic recovery strengthened further in the second half of 2010 in particular. High consumer spending and new investment in the emerging economies and developing countries ensured a significant increase in output and global trade. However, muted consumer confidence, rising unemployment, and high government debt kept consumer spending at a low level in most developed economies. Growth in these countries was comparatively limited.

China's considerable appetite for commodities led to extremely high demand for dry bulk transportation capacity. Transportation of finished products also picked up, boosting freight rates and allowing many ships to return to service after being mothballed. Slow steaming, which was introduced to avoid decommissioning vessels, remains in widespread use due to rising fuel prices. These positive trends, coupled with the decline in prices for new constructions, resulted in surprisingly high orders from dry bulk carriers. After a long break, orders for container ships resumed in the second half of the year. Orders for special ships and in the offshore sector increased again toward the end of the year. Only the market for chemical and product tankers is still affected by overcapacity.

The energy sector, too, was buoyed by the strengthening economy. Investment decisions relating to new power generation capacity were made in emerging economies and developing countries in particular. Demand for power plants with flexible power generation also increased due to the significant growth in power generation from renewable energies with a fluctuating availability such as wind and hydropower. In addition, investment activity for natural gas-fired power plants was encouragingly strong due to the high availability of gas and its comparatively low emissions.

Demand for compressors and turbines was still impacted by the global economic crisis at the beginning of 2010. However, business picked up in the second half of the year, with demand in both Europe and Asia improving sharply. Sales in the other regions remained on a level with the previous year; only the Middle East was unable to match the high prior-year volume that was attributable to major projects.

Business developments

Demand for merchant ships increased by 156% compared with 2009. As a result, MAN Diesel & Turbo also recorded a more positive order intake amounting to 16.4 gigawatts (GW) for two-stroke engines. Nevertheless, its order book continued to decline despite delivery rates almost doubling.

Order intake for four-stroke medium-speed diesels used as propulsion engines and for powering onboard equipment recovered slightly year-on-year. A total of 2,028 original and licensed engines amounting to 2,803 megawatts (MW) were sold. The offshore sector also saw a low volume of new orders. However, MAN Diesel & Turbo recorded major orders in the passenger ship segment, including propulsion engines for two new cruise ships and the world's strongest propulsion system for a RoPax ferry (roll-on/roll-off passenger ferry) with four 12V48/60CR engines for the Tunisian shipping company Cotunav. In addition, MAN Diesel & Turbo gained new orders for special applications such as dredgers and in the naval sector.

Despite the continued difficult market situation and the resulting increase in competition, overall MAN Diesel & Turbo maintained its position as market leader for marine engines.

Order intake in the Engines & Marine Systems strategic business unit totaled €1,525 million compared with €1,110 million in 2009 (+37%). Revenue amounted to €1,576 million, significantly below the very high prior-year figure of €1,805 million (–13%).

Order intake for four-stroke engines used in diesel power plants substantially exceeded the 2009 figure in the year under review. Together with its licensee partners, MAN Diesel & Turbo sold a total of 197 engines amounting to 1,750 MW. The order for 120 18V32/40 engines for six Brazilian power plants as part of the A-3 expansion program is particularly worthy of mention. The company's other projects included an order for an additional 184 MW power plant for a public utility in the Caribbean. This led to a year-on-year increase in order intake in the Power Plants strategic business unit from €789 million to €812 million (+3%). Revenue also rose to €839 million (+39%) due to the implementation of the strong order intake in previous years (2009: €606 million).

The Turbomachinery strategic business unit recorded an increase in order intake for turbomachinery for chemical/petrochemical plants and for fertilizer, as well as in the oil and gas industry segment. The largest business segment remained the oil and gas industry, with plant and equipment for the production, storage, and processing of gas. A further focus was the sale of compressor trains for air separation equipment and generator steam turbines for energy generation. Key major orders were placed for six machine lines for the primary industries in China. Earnings quality in the new construction business was impacted by price pressure due to the lower volume of orders awarded. At €1,138 million, the strategic business unit's order intake was 10% up on the previous year (€1,038 million). Its continued healthy revenue of €1,351 million was generated mainly from high order backlogs at the beginning of the year; this figure declined slightly by 2% as against 2009 (€1,386 million).

Operating profit

MAN Diesel & Turbo's operating profit amounted to €439 million in the period under review. A slight drop in revenue in particular, as well as cost overruns, provisions, and expenses for setting up the Power Plants strategic business unit, meant that the company could not match the prior-year figure (€500 million). Nevertheless, its return on sales remained at a healthy 11.7%.

Employees

MAN Diesel & Turbo employed 12,455 people as of December 31, 2010 (including subcontracted employees; previous year: 12,511). This decline is due in particular to the reduction in staff at the Germany and Denmark sites.

Capital expenditures

Overall, capital expenditures in 2010 were reduced significantly by 39% compared with the previous year.

One focus at the Augsburg site was the continued modification of engine test beds for series operation and development. In addition, the plant began renewing parts of its pipe production so that its manufacturing procedures meet state-of-the-art occupational safety and environmental requirements. Another focus of investment was on mechanical production in the area of injection systems in order to further expand this core competence. At the same time, the first construction measures were taken for the new kindergarten on site.

The company continued to expand its production site at Saint-Nazaire so that, going forward, it can assemble and test up to 50 large-bore diesel engines per year. In Copenhagen, investments were made in injection production, and the necessary steps for the construction of a PrimeServ academy were initiated.

Investments in machinery and equipment were made at the production and test sites in Oberhausen and Zurich in order to maintain the plant and machinery in an up-to-date and efficient state. One focus that will continue in the coming years was expenditure on testing facilities for developing new products and enhancing existing ones.

MAN Diesel & Turbo drove forward the expansion of production facilities at its production site in China, and will continue to do so in the coming year. The aim is to develop capacity here to manufacture components for other business areas in which MAN Diesel & Turbo operates.

In 2010, MAN Diesel & Turbo established service and sales companies in Guatemala, Poland, and Qatar to increase its global presence. The company further expanded its existing local centers in China, the United Kingdom, India, Russia, Spain, and South Korea.

Research and development

Even during the crisis years, MAN Diesel & Turbo continuously invested in forward-looking products and technologies so that, in the future, it can continue offering customers optimum products that meet growing environmental compatibility, cost-effectiveness, and reliability requirements.

Top: A large-bore diesel being transported
Top right: Competence Center Repair Europe in Oberhausen
Bottom right: Reactor at the Deggendorf plant

For example, all MAN Diesel & Turbo engines fulfill the Tier II emission standards that are effective from 2011. The MC-C9 engines developed for the Chinese market are key innovations in the two-stroke engine segment. In the four-stroke segment, the Tier II-compliant 10 MW 20V28/33D engine was developed as the strongest in its class. These are complemented by the two new L- und V-32/44CR engines that are fitted with the common rail technology required for demanding heavy oil-powered operation and therefore record optimum consumption and emission figures at every load point. Significant progress was also made with dual fuel engines as well as gas engines, which are becoming increasingly important for the future. The company is also stepping up its work on future topics such as Tier III. New technologies to cut emissions are already being tested and will be developed in cooperation with prominent industrial partners.

As a result of the merger, MAN Diesel & Turbo can now offer products that are adapted even better to customer needs. One focus is on systems comprising diesel engines and tailored energy-efficient heat recovery systems. The company's ability to now offer one-stop shopping for both gas engines and gas turbines is an additional competitive advantage.

Ever decreasing oil and gas reserves are leading to these raw materials being produced under difficult environmental conditions. Deep waters (of up to 3,000 m), oil and gas fields that lie beneath ice, arctic temperatures and adverse sea conditions, as well as declining reservoir pressures or smaller reserves necessitate new compressor and propulsion technologies. MAN Diesel & Turbo's Turbomachinery strategic business unit took a significant step in developing equipment for subsea purposes by systematically enhancing its own high-frequency electric engine. This 18 MW high-frequency engine forms the basis for future subsea and offshore applications. To qualify this pioneering new technology, a qualification program was launched in cooperation with a prominent oil and gas producer, during which the prototype successfully completed more than 10,000 operating hours.

Another R&D focus this year was the construction and testing of an innovative geared compressor concept for air separation with the aim of optimally designing and shortening processes with regard to throughput times. The company began developing a component test bed for CO_2 geared compressors that is expected to start operating in 2011. This testing facility enables MAN Diesel & Turbo to make a key contribution to climate protection. In addition, the company will drive forward development of reactors for gas and biomass liquefaction as part of the trend towards green/biomass technology.

The current green power initiative is a key concern in the power plant sector. Here, the focus is on solar thermal power plants that use reheating steam turbines. MAN Diesel & Turbo has developed a highly flexible, dual-housing turbine design for these plants that enables outstanding efficiency not only for the turbine itself, but also for the entire process. This gives MAN Diesel & Turbo a strong position in the solar steam turbine market.

In the air separation, ethylene, terephthalic acid, and refinery sectors, the trend towards mega-sized plants has been in evidence for some years and is continuing. In the past fiscal year, MAN Diesel & Turbo therefore vigorously pursued its extensive development program with a view to moving into new size and power density categories in all segments—axial compressors, centrifugal compressors, geared compressors, and steam turbines. The company took an extremely important step towards mega-sized plants by testing a brand new axial compressor based on aerospace technology. This new product will be used in initial projects soon and will strengthen our market lead in this segment.

Outlook

The emerging economies and developing countries are again expected to see continued healthy growth in the coming year. Demand for commodities such as coal, oil, and natural gas will further increase and lead to price hikes. This trend, which applies especially to oil, will in turn boost investment in the commodities industry.

After seeing orders bottom out in 2009 and 2010, the shipbuilding industry will recover slowly—earlier than expected, but at a much lower level than in the boom period of 2005 to 2008. Price pressure will remain high as the overcapacity in the container ship and bulk freighter markets has not yet been fully absorbed. China will continue on its path to becoming the world's largest shipbuilding nation. In emerging economies and developing countries in particular, increasing population and economic growth as well as the emergence of a high-spending middle class will ensure a continuous rise in demand for products that MAN Diesel & Turbo plays a key role in manufacturing thanks to its offering for the processing industry. This will be accompanied by growing demand for energy in these countries, which will have a positive effect on the development of new capacity for electricity provision. Future demand for new power plants in the OECD countries will be driven primarily by the replacement of existing capacity. Efforts to meet climate protection goals will create opportunities to make greater use of alternative technologies, such as solar power. The importance of natural gas or LNG (liquefied natural gas) will increase further in both shipping and stationary applications.

In fiscal 2011, MAN Diesel & Turbo expects its order intake and revenue to be slightly below the period under review. It is currently forecasting a decline in revenue of up to 5%. The order backlog will settle at roughly the same level as revenue for the first time since the shipbuilding boom began. Operating profit is expected to decrease somewhat more sharply than the business volume, but the return on sales will remain in double digits.



Left: Production in the Augsburg plant
Top: A PUMA infantry fighting vehicle
Bottom: Vehicle transmissions

Renk

MAN Renk
€ million

	2010	2009
Order intake	525	294
Revenue	403	474
Employees[1]	1,882	1,903
Operating profit	52	66
ROS (%)	12.9	13.9

[1] Including subcontracted employees as of December 31

Economic environment

Fiscal 2010 was dominated by a tangible upturn in market demand whose continuing momentum suggests that the economic environment will strengthen further in 2011.

Business developments

The clear recovery in orders contrasted with a continued decline in revenue. This trend is due to the fact that a significant proportion of Renk's product portfolio has throughput times of more than twelve months and new vehicle transmission orders usually entail multi-year delivery periods. The current rise in order intake will therefore have a delayed effect on revenue. The decline in revenue in 2010 is mainly attributable to the low order intake in the previous year.

Renk's Vehicle Transmissions business received a major order for the German PUMA infantry fighting vehicle and an order for a testing facility for high-performance wind power gear units. The term of the PUMA contract runs significantly beyond 2015.

In 2010, the Slide Bearings business again recorded stable operations that resulted from additional growth opportunities. This positive performance was due to increasing customer orders and the short order throughput times of a few weeks that are characteristic of this segment.

In contrast, the upturn in the market for special and standard gear units was relatively muted. Commercial shipping showed no significant signs of recovery and the markets for stationary gear units remained under fierce competitive pressure.

Operating profit

The €71 million decline in revenue to €403 million (previous year: €474 million) was the main reason why operating profit also decreased to €52 million (previous year: €66 million). Other significant factors impacting earnings were the underutilization of production capacity that remained tangible in the first half of 2010 in particular and risk provisions for offshore wind power gear units. Despite these negative effects, Renk generated a return on sales of 12.9% (previous year: 13.9%).

Employees

The Renk group had a workforce of 1,882 people as of December 31, 2010 (previous year: 1,903). 1,720 staff were employed at German sites (previous year: 1,747), and 162 abroad (previous year: 156).

Capital expenditures, research and development

Investments focused on adding high-performance processing machinery to complete the range of equipment at the new production facility for special gear units at the Augsburg plant, as well as developing a wind gear unit test bed at the Rheine plant in preparation for the series production of 5 MW wind power gear units.

Development activities concentrated on preparing the PUMA transmission for series production and basic development work on a transmission concept for transferring extremely high torque.

Outlook

The clear economic recovery in Renk's key market segments should continue in 2011, with the exception of new constructions in merchant shipping. Demand for offshore wind power gear units in particular will further increase in the coming years. Management also believes that there are good opportunities to implement export projects for tracked vehicle transmissions.

Based on this market assessment, Renk expects its order intake in fiscal 2011 to be at the high prior-year level. Long throughput times and multi-year delivery schedules for vehicle transmissions will not allow a turnaround in revenue until 2012. This will also be reflected in a slight decline in revenue and operating profit that is forecast for 2011. Renk will secure its leading position in gear unit construction by taking continuous measures to ensure flexible costs and by enhancing its entire product range for the benefit of its customers. Its return on sales is expected to remain in double digits.

Others/Consolidation

€ million	2010	2009
Employees[1]	312	300
of which: MAN Shared Services	93	122
of which: MAN SE	219	178
Operating profit/loss	16	–113
of which: MAN SE and MAN Shared Services	–83	–63
of which: investment in Scania AB (equity method)	99	4
of which: investment in Sinotruk Ltd. (equity method)	29	–
of which: investment in manroland AG (equity method)	–13	–53
of which: consolidation	–16	–1

[1] Including subcontracted employees as of December 31

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

In 2010, the operating loss for the Corporate Center and its Shared Services companies amounted to €83 million (previous year: operating loss of €63 million). The deterioration as against the comparable prior-year period is due primarily to increased expenses for legal advice, marketing, and the establishment of the compliance organization, as well as higher bonuses due to improved corporate results. MAN's share of income from Scania amounted to €99 million; as a result of the staggered inclusion of this company, it includes Scania's figures for both Q4/2009 and the first nine months of 2010. The low level of income in the comparable prior-year period was mainly attributable to poorer earnings as a result of the economic situation. The equity interest in Chinese truck manufacturer Sinotruk acquired at the end of 2009 contributed €29 million to operating profit, thanks primarily to the company also recording a strong improvement in earnings compared with 2009. manroland's performance (€–13 million) continued to be dominated by the weak market situation in the printing machine sector.

The higher cost factors from consolidation result from a rise in eliminated intercompany profits due to increasing intragroup transactions, in particular in the commercial vehicles business.

Financial statements of MAN SE

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

Results of operations

€ million	2010	2009
Net investment income/expense	276	–98
Other earnings before taxes	361	–165
Earnings before tax (EBT)	**637**	**–263**
Income taxes	–116	–35
Net income/loss for the fiscal year	**521**	**–298**
Retained profits brought forward	0	40
Transfer to (–)/withdrawal from (+) revenue reserves	–225	295
Net retained profits	**296**	**37**

MAN SE's earnings before tax improved by €900 million in the reporting period to €637 million. This is mainly due to the gain on the merger of MAN B&W Diesel Beteiligungs GmbH and MAN Maschinen und Anlagenbau GmbH with MAN SE as well as the reversal of the write-down recognized in the previous fiscal year on the carrying amount of the investment in Scania AB. Other earnings include general and administrative expenses, net interest income, and other income and expenses. As in 2009, the net taxable loss for the fiscal year meant that there were no German current taxes in 2010. The income tax expense of €116 million relates mainly to prior-period taxes.

Net retained profits amount to €296 million following the transfer of €225 million to revenue reserves and the retained profits brought forward. At the Annual General Meeting, MAN SE's Executive and Supervisory Boards will propose utilizing the net retained profits of €296 million (previous year: €37 million) to distribute a dividend of €2.00 per share carrying dividend rights (previous year: €0.25) and to carry forward the remainder to new account.

Net assets and financial position

€ million	2010	2009
Fixed assets	5,651	4,220
Current assets	2,374	2,429
Total assets	**8,025**	**6,649**
Equity	2,311	1,828
Financial liabilities	4,886	4,174
Other liabilities and provisions	828	647
Total equity and liabilities	**8,025**	**6,649**

Fixed assets relate primarily to shares in affiliated companies.

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

Additional information

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

The principles governing the remuneration system for members of the Executive and Supervisory Boards are explained in the remuneration report, which forms part of the management report in accordance with section 315 of the HGB. The remuneration of the members of the Executive and Supervisory Boards is reported individually in the sections entitled "Remuneration of the Executive Board" and "Remuneration of the Supervisory Board" in the "Notes to the Consolidated Financial Statements." As of December 31, 2010, MAN SE employed 219 people including subcontracted employees (previous year: 178).

Risk management

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

The MAN Group's risk management activities are an integral part of its corporate management and business processes. Strategic corporate planning, internal reporting, the internal control system, and the compliance system are all core elements of the risk management system. One of the objectives of strategic corporate planning is to promptly identify and assess long-term opportunities and risks so that appropriate structural measures can be taken. The internal reporting system is set up at all levels of the Group to promptly provide up-to-date and relevant information on the status of significant risks and the efficacy of risk mitigation measures, among other things. Building on risk identification activities, the internal control system focuses on monitoring and managing risks in a targeted manner. The task of the compliance system is to assist management in promptly identifying and responding to compliance-related risks. The system is based on a compliance organization that reflects the structure of the MAN Group, various processes, and steering committees to enforce the compliance requirements. For further information on the structure and workings of the compliance organization, please see the section entitled "Compliance system."

Responsibility for setting up and maintaining an appropriate and focused risk early recognition system lies with the MAN Group's Executive Board, which has itself defined the scope and focus of the risk management system and the internal control system to the Company's specific requirements. The Industrial Governance management system provides for decentralized decision-making processes within the MAN Group and therefore an appropriately organized risk management system. Consequently, management of each division is responsible for ensuring that all Group companies are integrated into the risk management system and internal control system.

The MAN Group's policy for risk management and the internal control system is applicable throughout the Group and contains binding guidelines on identifying, analyzing, assessing, controlling, and monitoring significant risks and opportunities as well as the internal controls within the Group. The principles and processes set out in the policy ensure a common understanding of the risk management and internal control system. Functions and committees for the risk management process and the internal control system have been put in place both at Group level and in the divisions. Therefore, in the Group's material companies, there are coordinators for risks and controls who are responsible for managing the continuous development and improvement of the risk management process and the internal control system. Cross-functional risk boards have been set up in the individual Group divisions. As part of the risk management system, these are tasked with assessing the risks reported by the functions, identifying additional risks, and introducing and monitoring measures to minimize the risks. Risks are initially classified as short-term, i.e., up to one year, or as long-term, i.e., up to three years. They are assessed in terms of their probability of occurrence and impact on a gross and net basis, with the net assessment factoring in any measures that mitigate the risk in question. The projected operating profit of the relevant organizational unit is used to evaluate the materiality of such a net assessment. Uniformly defined risk fields allow the Group to promptly identify and manage any concentration of risk. In addition to risks, opportunities, material weaknesses in the internal control system, and measures introduced by the companies are identified continuously. At its meetings, the Group Risk Board analyzes and evaluates this risk information from the divisions on a quarterly basis with the Executive Board, the Corporate Audit function, and the Controlling function. Where necessary, further measures to prevent or mitigate risk are decided upon and kept in place so as to continuously develop and improve the existing risk management system and the internal control system.

In recent years, the MAN Group has structured its existing internal control system and documented it uniformly throughout the Group in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to allow it to systematically assess the effectiveness of its internal controls. The documentation covers all standard business processes as well as any additionally identified business-specific risks and all necessary controls relating to the material MAN Group companies. The control system is regularly reviewed with regard to the completeness, appropriate design, and effectiveness of the existing controls with the aim of ensuring compliance at all levels of the MAN Group with existing regulations aimed at reducing process-related and organizational risks. The internal controls focus on limiting risks of material misstatement in the financial reporting, risks arising from noncompliance with regulatory standards or acts of deception, and on minimizing operational/economic risks (e.g., threats to assets as a result of unauthorized operational decisions or obligations entered into without authorization). The control environment and the cross-process controls that form the framework of an effective and operational internal control system are documented at a central, overall level and regularly assessed to determine whether they are appropriate and functioning effectively. The risk managers on the Group Risk Board report to the Executive Board on the effectiveness of the internal controls and any control weaknesses identified. The control structures are represented in a database solution, thereby supporting the system's uniform documentation throughout the Group. This database shows the controls relating to all the material companies in the MAN Group. The relevance of companies is reviewed annually according to the materiality of the risk situation on the basis of qualitative and quantitative criteria.

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

Accounting-related risk management system and internal control system

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

The goal of the risk management system in respect of the accounting processes is to identify and assess risks that could run counter to the objective of preparing consolidated financial statements that comply with the relevant rules. Identified risks must be assessed in terms of their effect on the consolidated financial statements, including by using external specialists if necessary. In this context, the internal control system aims to provide sufficient assurance that, despite the risks identified, the Group accounting process is reliable and complies with International Financial Reporting Standards, the *Handelsgesetzbuch* (HGB—German Commercial Code), and other accounting-related rules and laws by implementing corresponding controls.

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

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

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

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

Opportunities and risks

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

Markets

Both for 2011 and over the medium to long term, the MAN Group sees opportunities for all divisions to achieve profitable growth in the transportation and energy markets. At the present time, no significant risk to the MAN Group is anticipated. The underlying global economic trends will continue, such as sustained economic growth, a greater international division of labor and resulting increase in global transport routes and volumes, capital spending by the oil and gas industry, and a need to innovate due to trends in global climate policy. Through its strategy of significantly strengthening its position in the current and future growth markets of the BRIC countries, the MAN Group is increasing its sales potential and thus countering regional economic risks. In China, for example, MAN is able to participate in the strong growth in heavy trucks through its partnership with Sinotruk. In Brazil, it is able to benefit from the country's economic growth by virtue of its position as market leader for trucks over 5 t. But although the growth trend is expected to be positive, in an environment of continuing uncertainty there are also downside risks to global economic activity. Due to overall higher demand for oil and other commodities, for example, there is a risk that prices on procurement markets will rise, impacting negatively on margins if MAN is unable to pass on any price increases it incurs in its purchasing activities via product prices. Protectionist efforts may also have an adverse effect on expected growth. MAN continuously and carefully monitors and assesses the political, legal, social, and financial environment so that the resulting opportunities and risks can be promptly incorporated into strategic and operational decisions.

Products

As a leading supplier of advanced technology, it is the MAN Group's mission to develop technologically superior and highly cost-effective products that are of outstanding quality when launched on the market. Abandoning this mission would pose an unjustifiable risk to the Group's market position. However, the rollout of new products involves conceptual and market risks, which are managed through a careful strategic planning process that analyzes trends in the market and business environment. The resulting product plans are used to manage our extensive research and development activities. For many years now, research and development expenses have been in the region of 3% to 4% of revenue. The launch of Euro V emission standard-compliant engines at MAN Truck & Bus (at MAN Latin America starting in 2012) and the introduction at MAN Diesel & Turbo of the diesel combined cycle technology for stationary power plants, which boosts efficiency by 10% to 15%, clearly show that these risks can be overcome.

Products that have already been launched pose risks in relation to the quality expected by customers. Substandard quality may result in manufacturer's guarantee, statutory warranty, and ex gratia repair costs, and lead in the long term to the loss of market share or lower product margins. In extreme cases, product liability and compensation claims may be made. The MAN Group starts to identify and limit these risks right from the product gestation stage. A standardized product gestation process ensures that only properly functioning and reliable product concepts move on to the next stage of development. Suppliers and their products are required to undergo a strict approval process in order to safeguard the Company's high quality standards. After production startup, defined quality assurance measures within the production process ensure that manufacturing defects are promptly identified and eliminated. During use, any defective products are collected, analyzed, and repaired in collaboration with the service operations.

Long-term customer contracts give rise to additional risks: changes in the political or economic conditions in a particular market may result in additional expenditure on major projects. At MAN Truck & Bus, buyback obligations pose a risk if the amount obtainable from the future sale of a used vehicle in the market changes significantly versus expectations at the time the contract was entered into. In the project business, risks arise as a result of guarantees or guarantee obligations. However, these are often covered by third-party guarantees, or in the case of prepayment guarantees by prepayments received from customers. Defaults are minimized by carrying out intensive checks before and after extending guarantees. The high-growth turnkey business at MAN Diesel & Turbo, where MAN functions as a lead contractor for the delivery of turnkey diesel power plants, entails particular risks in relation to timely and due and proper performance by subcontractors and therefore for MAN Diesel & Turbo itself. The company combats this risk through appropriate controlling during all phases of the project.

Processes

The MAN Group considers the continual optimization of its development, purchasing, production, sales, and administration processes to be a central and ongoing task. It therefore operates a preventive and continuous supplier monitoring system to identify potential delivery delays or supplier defaults at an early stage and to mitigate their effects. Inadequate processes in these areas result in excessive costs and, by tying up too much capital, in financing risks. Moreover, overstocked inventories regularly result in an increased risk of loss through shrinkage or scrapping, while excessively high receivables increase the risk of default. MAN works vigorously and systematically to reduce capital employed by improving the underlying processes.

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

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

To meet the four main requirements of information security, namely availability, integrity, confidentiality, and authenticity so as to mitigate and prevent risk, MAN uses the latest hardware and software technologies as well as effective IT organizational and control mechanisms to support business processes. By centralizing and outsourcing IT operations, systematically introducing IT service management processes in accordance with ITIL (IT Infrastructure Library (standard for the organization of IT processes)), and increasingly organizing information security in accordance with the internationally recognized standard ISO 27001, the MAN Group has significantly improved the transparency and reliability of the IT infrastructure compared with its IT operations up until mid-2009, which were mapped out purely internally.

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

Employees

The highly qualified specialists and managerial staff who set technological standards with MAN products are a critical factor in the MAN Group's success. The opportunities for the MAN Group lie in the skills, international focus, and innovativeness of the employees who develop continuously improved and forward-looking products, services, and processes. The risks include not being able to fill key positions to meet future requirements. Filling such positions requires a holistic approach to talent management that enables MAN to identify highly qualified junior employees. Through a variety of HR marketing activities, it has been able to recruit and retain outstanding specialists and managers. Participating in rankings helps position MAN as an attractive employer and therefore enables it to hire the specialists and managers it requires worldwide, while systematic succession planning supports it in its efforts to fill management positions from within its own ranks. As part of its internationalization strategy, the MAN Group will continue to concentrate on aspects such as intercultural skills in training its specialists and managerial staff.

Finances

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

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

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

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

Exchange rate movements can affect both prices for goods and services and profit margins. The MAN Group hedges all firm customer contracts, its own purchase orders, and other transactions against currency risks. Hedging is also used for budgeted serial-production revenue and for highly probable customer projects. Despite these measures, there is still a risk that the amount and timing of revenue payments will deviate from budget.

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

Adverse effects may also result from changes in interest rates. The risks associated with such changes are managed by entering into interest rate hedges. This applies in particular to the Group's customer financing arrangements, which are usually entered into at fixed rates of interest. MAN uses derivative and nonderivative financial instruments exclusively for risk management purposes. All hedging is aimed at reducing economic exposure to currency and interest rate risk to a minimum. For further information on the use of financial instruments, see note (30) in the "Notes to the Consolidated Financial Statements."

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

Changes in the investment portfolio may give rise to significant strategic risks. Acquisitions, for example, may result in risks if the assumptions underlying the purchase price, such as assumptions regarding potential synergies, cannot be realized. At the same time, divestment measures entail the risk that certain business activities cannot be sold as planned. For information on potential risks in connection with the Ferrostaal transaction, see the sections entitled "Divestments" and the "Notes to the Consolidated Financial Statements."

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

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

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

For active employees in Germany, the trend of a regular increase in life expectancy was reflected by switching from annuities to capital payments. In the UK, all defined benefit pension plans have been closed to new members in recent years.

Assessment of the Group's risk position

On the basis of the risk management system established by the MAN Group, the Executive Board has determined that, at the present time, there are no identifiable risks that could have a material and long-term adverse effect on the net assets, financial position, and results of operations of the MAN Group. The risk management system introduced by the Group and the related organizational measures allow the Executive Board to identify risks rapidly so as to initiate appropriate measures.

Risk management is an ongoing and continuous activity on the part of the Company, and of course something that is undergoing constant development. For MAN, this means continuing to optimize its risk management and internal control systems going forward and adapting them to changing conditions. Given the more positive yet partly still uncertain economic trend, activities in 2011 will continue to focus on financial, market, and product risk management.

Litigation/legal proceedings

Please see “Divestments,” “Events after the reporting period,” and the “Notes to the Consolidated Financial Statements” for information relating to litigation/legal proceedings.

Compliance

In the reporting period, MAN continued to implement the 5-point program to better combat corruption launched in July 2009 and to replace it by the establishment of a dedicated compliance organization and the introduction of effective compliance measures. The compliance program was developed especially for MAN, taking into account the Group's structure, specificities, and needs.

Compliance organization

As of January 1, 2010, MAN established a new Compliance function whose tasks include combating corruption as well as preventing or identifying violations in the areas of antitrust law and data protection. The function is managed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer of MAN SE and additionally to the Audit Committee of the Supervisory Board. The Compliance function currently comprises 30 staff and is being further expanded. 20 employees work in the Corporate Compliance Office that is based at MAN SE and is responsible for designing and enhancing MAN's compliance system as well as for Group-wide compliance issues. Ten staff provide compliance advice in the subgroups. Each subgroup therefore has a compliance officer, who is supported by compliance managers in various business units or sales regions. The compliance officers at the subgroups report directly to MAN SE's Chief Compliance Officer, and the compliance managers in turn report directly to the responsible compliance officer. In addition to providing an in-depth advisory function, the compliance staff at the subgroups are responsible for implementing the centrally defined compliance measures in the respective business units or sales regions worldwide. The

Compliance Steering Committee met a total of 14 times in the period under review. At these meetings, the Chief Compliance Officer informed MAN SE's full Executive Board and the heads of the other functions on the progress of the development of the compliance organization and the introduction of new compliance measures, and agreed additional steps.

Compliance risk assessment

The Compliance function conducted a Group-wide compliance risk assessment in the first quarter of 2010. The aim of this was to identify potential compliance risks affecting the business models of the business units or sales regions in all subgroups. The results of the compliance risk assessment were used to determine the structure and scale of the compliance organization, the compliance program tailored to MAN's requirements, and other measures to prevent compliance risks, among other things.

Code of Conduct and compliance policies

In the period under review, MAN issued a new Code of Conduct and compliance policies to specifically prevent compliance offences.

The new Code of Conduct replaces the Code of Conduct from 2006 and is aimed especially at MAN employees. It clearly defines MAN's corporate values and thus its aim to be reliable, innovative, dynamic, and open, in more detail and provides concrete and binding guidelines for situations where employees must take particular care to conduct themselves responsibly. It uses examples to describe how they may handle conflicts encountered in the course of day-to-day operations. The Code of Conduct is available in eleven languages and has been distributed to all employees in the Group. It is also available on the intranet and the Internet.

In May 2010, MAN issued a policy on handling gifts, hospitality, and invitations to events to ensure that such benefits are appropriate and are not used to influence business partners or authorities. This was followed in August 2010 by a policy on engaging business partners, which defines requirements for commissioning agents, representatives, consultants, or other business partners who perform sales support activities. Concrete process steps when validating business partners (using a web-based review application, see below), the structuring of agreements, the documentation of business relationships, and the payment of remuneration are designed to ensure that business partners do not use the remuneration paid by MAN for the purposes of corruption. Finally, MAN adopted a policy on handling donations and sponsoring measures in September 2010. All these policies apply directly to the entire Group.

Compliance training

The Compliance function held on-site training sessions on compliance issues for over 4,000 staff worldwide in the reporting period. MAN kicked off these training measures in June 2010 with a day-long Compliance Summit for around 200 managers, which was attended by all the Executive Board members of MAN SE and the subgroups. Senior management was informed about the introduction and development of the compliance organization, its awareness of the issue of compliance was raised, and it was obliged to actively support the implementation of compliance throughout the Group. This was followed by a total of 166 compliance awareness training sessions lasting several hours each in Germany and abroad (Brazil, China, Denmark, France, Mexico, Norway, Poland, Switzerland, and South Africa) in which staff who are potentially exposed to compliance risks were introduced to MAN's compliance organization and given basic knowledge on combating corruption and on antitrust law. These compliance awareness training sessions will be continued in fiscal 2011.

Compliance Helpdesk

In February 2010, the Compliance function set up a Compliance Helpdesk that employees can contact by telephone or e-mail if they have any questions about compliance. The Compliance Helpdesk received and answered a total of over 1,100 questions in the reporting period.

Business Partner Approval Tool

The policy on engaging business partners lays down binding rules on the use of the Business Partner Approval Tool, a web-based application that allows a fast, transparent, and comprehensive review of a business partner's integrity, and cooperation with the business partner to be approved. The Business Partner Approval Tool was developed by the compliance organization in the reporting period in cooperation with sales staff and has been used at initial sites since September 2010. In fiscal 2010, almost 500 sales staff were trained in the use of this tool in four countries (Germany, Austria, Russia, and Switzerland). The rollout of this tool and training sessions at other sites will continue in fiscal 2011.

Reporting compliance violations

Compliance violations are not tolerated at MAN. There is a unit in the Compliance function that investigates reports of compliance violations, if necessary with the support of the Internal Audit function or the departments concerned. Any violations identified are punished according to the penalties permitted under labor law. In individual cases, the responsible government investigating authority is also informed about the violation. The findings from the clarification of compliance violations are used to continuously improve the compliance system. Employees can currently report compliance violations internally (to their supervisor, or their compliance, human resources, or legal departments) or externally to an ombudsman. At the beginning of 2011, MAN will also launch a web-based whistleblower portal in eleven different languages that both MAN staff and third parties can use to report serious compliance violations confidentially in their local language.

Anticorruption organizations

MAN is in talks with various anticorruption organizations with a view to meeting international demands for an effective compliance organization and fighting corruption on joint projects. Since September 2010, MAN has been a member of Transparency International, a nongovernmental organization dedicated to fighting corruption.

Outlook

A global economic recovery with slight upward momentum

Management anticipates that the global economic recovery will persist in 2011 and continue to have a positive impact on the transportation and energy markets. The economic recovery is expected to continue over the next two years, with the slowdown in evidence since the second half of 2010 persisting throughout the first half of 2011. In particular, the effect of economic stimulus measures in the industrialized countries will decline. These countries are expected to record slower growth, which will also impact emerging economies and slow the pace of their exports. According to forecasts from IHS Global Insight, this means that global growth will slow somewhat compared with 2010 to 3.3% in 2011, but pick up slightly to 3.7% in 2012. It is assumed that growth in the BRIC countries will be three times faster than in the industrialized nations, particularly in 2011. A weak dollar and growth in developing countries will have a positive impact on exports.

In the Commercial Vehicles business area, an above-average increase in demand is expected in the BRIC countries in the coming years. The Russian commercial vehicles market, which has experienced a severe crisis in recent years, is forecast to grow by an average of 35% p.a. in the next two years due to rising demand in the energy sector in particular. Markets such as India and China that have boomed on the back of tax breaks for new vehicle purchases will improve slightly on their record levels. China will remain by far the world's largest heavy trucks market. The Brazilian commercial vehicles market remained relatively stable during the financial crisis and should record single-digit percentage growth in the coming years provided that there is no change in the current favorable financing conditions. Global unit sales of heavy commercial vehicles will continue to increase in 2011; the *Verband der Automobilindustrie* (VDA—German Association of the Automotive Industry) expects growth of 8%.

In the shipbuilding industry, lingering overcapacity in the container ship and bulk freighter markets among others means that price pressure will remain high in the coming quarters. As a result, only slight growth is forecast in the marine engines segment in the coming years. China in particular will continuously progress towards becoming the world's largest shipbuilding nation and account for a substantial share of growth. Steady moderate growth is expected in the Turbomachinery strategic business unit in the coming years. The key markets for the oil and gas business at present are China, the Middle East, and Brazil. Future demand for new power plants in Europe will be driven primarily by the replacement of existing capacity. Efforts to meet climate protection goals will create opportunities to make greater use of alternative technologies, such as solar power. The importance of natural gas or LNG (liquefied natural gas) will increase further in both shipping and stationary applications.

The recovery in the United States and Europe will initially slow in 2011 before strengthening again in the course of the year. The Institut für Weltwirtschaft (IfW—Institute for the World Economy) is forecasting 2.5% growth for the United States in 2011, underlining expectations that its upturn will be more muted going forward. By comparison, US economic growth was 2.8% in 2010.

The forecast for the euro zone in 2011 paints a divided picture that comprises sustained real economic growth in Germany, Belgium, and the Netherlands on the one hand, and the countries affected by the debt crisis (Greece, Portugal, and Spain) on the other. Growth rates across the eurozone countries will continue to vary enormously. There are currently scarcely any opportunities for European monetary policy to kick start the economy in the short term, with interest rates already extremely low and money markets well supplied with liquidity. At present, inflation is expected to settle at just under 2% in 2011. Overall, the economic slowdown at the end of 2010 will persist throughout the first half of the year and only be overcome towards the end of 2011. The IfW is forecasting 1.3% growth in gross domestic product for 2011. Overall, the euro zone will not offset the decline in output caused by the crisis until during 2012. In the Commercial Vehicles business area, MAN is expecting the truck market to grow in all European regions in the period from 2011 to 2013. While demand in the peripheral countries is only picking up slowly due to existing economic problems, demand for heavy trucks in Germany should increase much faster. The VDA is predicting 14% growth in this segment for 2011. During the crisis, the European bus market recorded a much less pronounced slump than the truck market. Overall, slight growth is expected in this market for 2011 and 2012.

The economic upturn in Germany is set to continue in 2011. The IfW anticipates gross domestic product growth of 2.3% for 2011 and 1.3% for 2012. In addition to domestic demand and investment, foreign demand and private consumption will also rise next year, as already seen at the end of 2010. However, it appears that the pace of expansion will be much more moderate than in 2010. Investment activity will continue to increase this year and next year due to growing capacity utilization and favorable financing conditions.

Brazil remains a growth driver in Latin America, but its expansion will slow compared with 2010. It is expected to see average growth of 5% in the coming years, which will result from investments in the run-up to the 2014 soccer World Cup and the 2016 Olympic Games, among other things. In particular, capital expenditure on infrastructure is likely to be substantial. If massive capital imports continue in future, appreciation pressure on the real will remain a risk for the country's export industry. According to current forecasts by the Brazilian central bank, inflation will be around 5% in the next two years.

The Indian economy is expected to essentially maintain its high growth of around 9% in the next two years. The slowdown in growth will also continue in the other East Asian emerging economies following their high growth rates at the beginning of 2010. As a key customer of upstream products, China will have a dampening effect due to its now more restrictive monetary policy and the decline in the pace of its expansion.

Despite this anticipated growth trend in the global economy, Management considers in its decisions the downside risks to global economic activity that also exist in an environment of uncertainty. There remains a risk of renewed tensions in the financial markets, further increases in the price of oil and other commodities, protectionist efforts, and a disorderly correction of global imbalances, the occurrence of which could have an adverse impact on current growth. The MAN Group is constantly monitoring ongoing economic developments and will take additional measures without delay should this become necessary in the event of a deterioration in the economic situation.

Returns and operating profit

The MAN Group anticipates a continuing economic recovery in 2011. In the Commercial Vehicles business area, revenue is forecast to increase by between 10% and 15%. Assuming this to be the case, management expects a return on sales in the region of 7%. In the Power Engineering business area, revenue is expected to fall by up to 5% in 2011. Return on sales will remain in double digits. Across the MAN Group, revenue is currently expected to increase by between 7% and 10%. Return on sales will therefore improve by one percentage point. Net interest expense and the tax rate will remain at a comparable level in 2011.

In 2012, revenue in the Commercial Vehicles business area will continue to increase due to international growth, but at a more moderate pace. As a result, return on sales should then be well in excess of 7%. In the Power Engineering business area, there is expected to be a slow recovery in new shipbuilding, which in 2012 will only be reflected in order intake. Revenue and ROS will remain stable. Management currently estimates that revenue growth across the MAN Group will be in the single digits in 2012. It anticipates that earnings will rise at a slightly faster pace, enabling the Group to achieve a return on sales of at least 8%.

Long-term growth strategy

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

A central task in the Commercial Vehicles business area is systematic international growth and the leveraging of potential synergies. Besides the BRIC countries, the key growth regions for MAN Truck & Bus are the growth markets in Asia. As the market leader in Brazil, MAN Latin America has an extensive sales and service network. As is the case in the strategic partnership with Chinese truck manufacturer Sinotruk, the focus here is on successfully covering emerging markets by providing specific products.

The merger of MAN Diesel & Turbo will enable customer requirements to be better met by providing needs-driven products and leveraging synergies through the joint use of existing infrastructure. The energy generation market will be more rigorously developed by offering product packages. Across all companies, the focus will remain not only on expanding new business, but also on bolstering after-sales operations under the "MAN PrimeServ" brand. Here too, MAN needs to offer an attractive end-to-end package comprising a leading technological product and appropriate service.

In mid-2010, MAN entered into an agreement with commercial vehicles manufacturer Scania to cooperate on purchasing and technology issues that do not have any significant brand reference. The initial focus is on a defined number of purchasing and development projects. Management of both companies is currently examining the legal possibilities of further cooperation. Closer integration only makes sense if both companies profit from it—in particular the employees, customers, and shareholders of MAN and Scania.

Capital expenditure, research and development, and procurement

The primary goal of the investments made in 2011 will be to safeguard the MAN Group's long-term success. Again, these mainly comprise the ongoing modernization of its production facilities, necessary expenditure on replacement items, and the continued expansion of the service and sales network throughout the MAN Group. Management will use portfolio measures if the opportunity arises.

Research and development is of elementary importance to the MAN Group because the Company can only meet customer and legal requirements by developing leading technological solutions. Our R&D activities are rigorously aimed at providing customers with a competitive advantage. As a result, they continue to focus on enhancing MAN's commercial vehicle and diesel engines in terms of their performance, consumption, and emissions standards; further developing its truck and bus models; and improving the product range in the Power Engineering business area. In 2011 and 2012, the MAN Group will step up its R&D activities and therefore increase research and development expenditures slightly with the goal of maintaining and expanding its technological position through R&D.

As a result of MAN's international growth strategy, purchasing activities will continue to focus on global procurement markets. To ensure the sustainability of successful purchasing strategies and generate additional synergies, non-production-related requirements are procured by a Group-wide Purchasing function centrally and by group of goods. The use of the preventive risk management system by the Purchasing function to continuously monitor supplier relationships will continue to form the basis of successful and efficient procurement. The cost of materials will develop largely in line with revenue in 2011 and 2012.

Cash flow

In view of the economic situation, cash management will be a particular focus. This will be supported by the Group-wide working capital optimization program. The sustainability of measures to reduce inventories and receivables will gain in importance once the markets recover and demand therefore picks up. The MAN Group's financing structure aims to achieve an economically sensible mix of operating cash flow and external finance. The Group's placement of a corporate bond in 2009 with a total volume of €1.5 billion and maturities of four and seven years is helping to safeguard MAN's long-term financial stability.

Due to the current situation, no significant financing measures are planned for 2011 with the exception of local financing arrangements in emerging market countries and asset-backed financing arrangements to refinance the financial services business.

Helped by positive cash flow in the Industrial Business, net financial debt in the coming year will be on a level with 2010. The simultaneous expansion of sales financing will slow the reduction in net financial debt.

Once again, the MAN Group would like to enable its shareholders to participate in the Company's success by distributing an appropriate share of its profits for 2010 bearing in mind the economic environment. The dividend for this year will therefore be higher than that for 2009. The amount distributed is not fixed; the Group generally aims for 30% to 60% of net income.

Employees

The number of employees in the MAN Group will remain at the current level in the next two years.

Uncertainties in the outlook

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

Events after the reporting period

On January 5, 2011, MAN exercised its right to cash settlement in connection with the call option on 1.5% of the equity and 2.8% of the outstanding voting rights of Scania. The transaction led to a cash settlement of €29 million, which MAN received on January 7, 2011. At the same time, MAN lost access to more than 20% of the voting rights of Scania, with the result that the investment in Scania is no longer accounted for using the equity method after January 5, 2011, but as a financial investment. This investment was initially recognized at fair value on January 5, 2011 and amounted to €1,815 million. The reclassification resulted in a gain of approximately €455 million in the first quarter of 2011.

From January 18 to 20, 2011, the European Commission conducted a search at MAN due to a suspected possible antitrust violation in the commercial vehicles segment. MAN has assured the European Commission of its comprehensive cooperation in order to thoroughly clarify the allegations. MAN does not tolerate compliance violations. Neither corruption nor breaches of competition law are tolerated, promoted, or accepted by MAN.

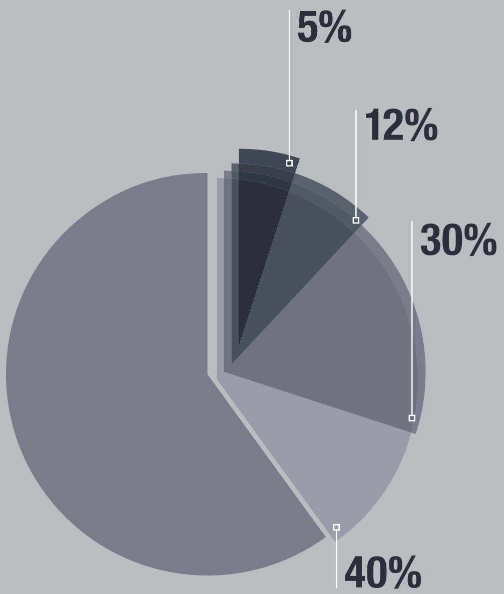
MARKET POTENTIAL OF SOLAR THERMAL ENERGY

Generating power from the sun

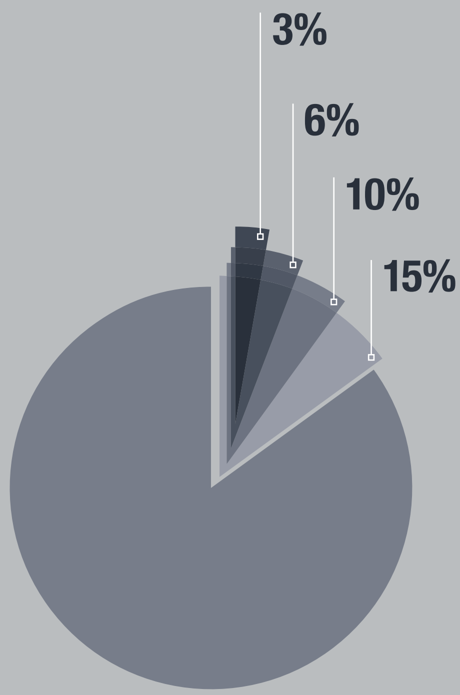
Experts believe that the share of the power mix accounted for by solar thermal electricity is set to increase worldwide—by up to 40 percent in sun-rich countries such as Australia. This offers substantial market opportunities for solar thermal power plants.

Source: International Energy Agency (IEA), Annual Report 2009

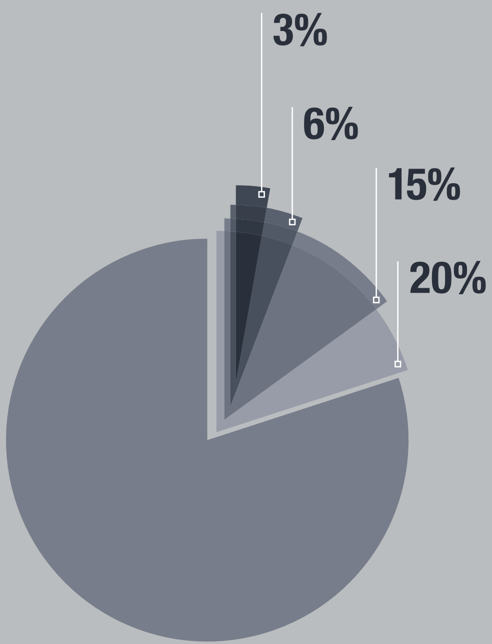
2020 2030 2040 2050



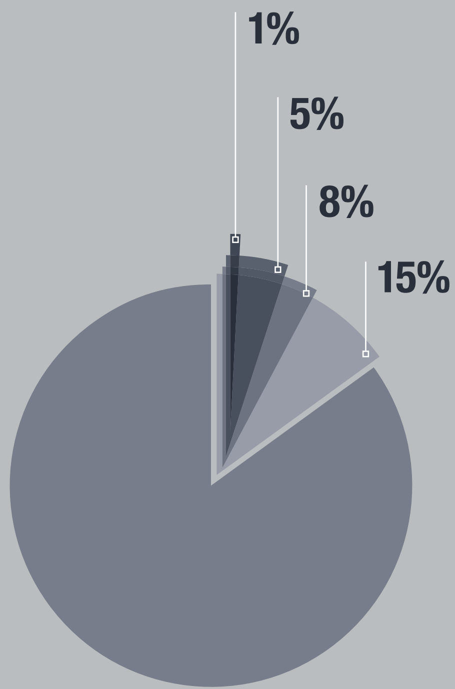
Australia, Central Asia, Chile, India (Gujarat, Rajasthan), Mexico, Middle East, North Africa, Peru, South Africa, U.S.A. (southwest)



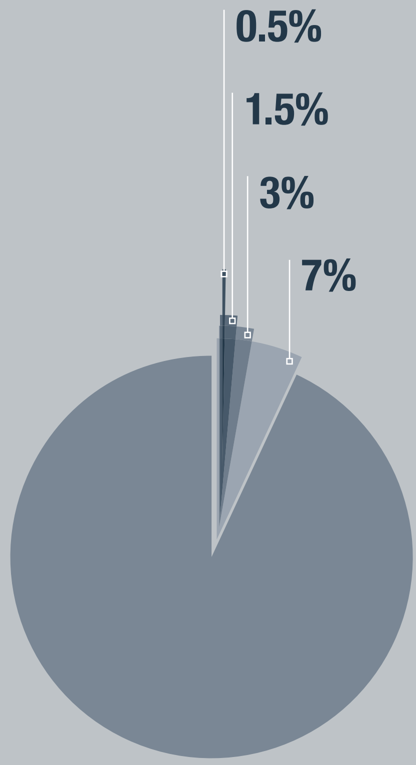
Europe (partly solar power imports), Turkey



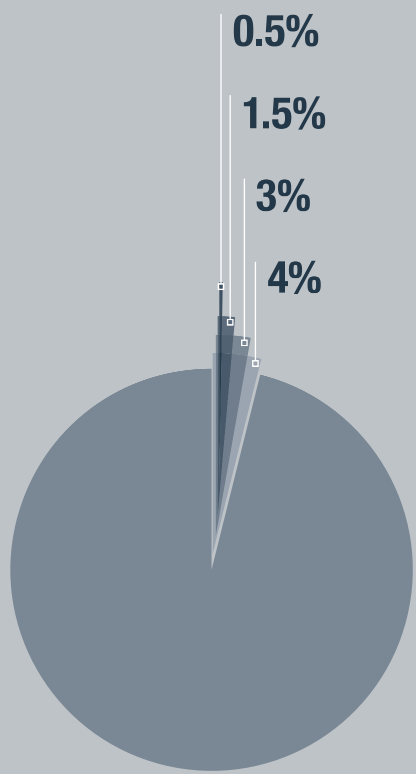
U.S.A. (rest of)



Africa (rest of), Brazil, India (rest of)



Indonesia (partly solar power imports)



China, Russia (partly solar power imports)

04
Consolidated Financial Statements

for the fiscal year from January 1 to December 31, 2010

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Consolidated Financial Statements

MAN Consolidated Income Statement

MAN consolidated income statement

€ million

	Note	MAN Group		Industrial Business (unaudited additional information)		Financial Services (unaudited additional information)	
		2010	2009	2010	2009	2010	2009
Revenue		**14,675**	12,026	**14,675**	12,026	**–**	–
Cost of goods sold and services rendered		–11,400	–9,455	–11,400	–9,455	–	–
Gross margin		**3,275**	2,571	**3,275**	2,571	**–**	–
Other operating income	[7]	516	532	332	331	184	201
Selling expenses		–1,095	–868	–1,084	–860	–11	–8
General and administrative expenses		–741	–632	–714	–609	–27	–23
Other operating expenses	[8]	–1,142	–1,365	–948	–1,159	–194	–206
Share of net income/loss of equity-method investments	[16]	112	–66	113	–60	–1	–6
Reversals of impairment losses and impairment losses on equity-method investments	[16]	357	–382	357	–382	–	–
Income/loss from financial investments		1	–4	1	–4	–	–
Earnings before interest and taxes (EBIT)		**1,283**	–214	**1,332**	–172	**–49**	–42
Interest income	[9]	59	49	58	49	1	0
Interest expense	[9]	–217	–166	–216	–166	–1	0
Earnings before tax (EBT)		**1,125**	–331	**1,174**	–289	**–49**	–42
Income taxes	[10]	–338	–53	–342	–49	4	–4
Income/loss from discontinued operations, net of tax	[6]	–65	126	–65	126	–	–
Net income/loss		**722**	–258	**767**	–212	**–45**	–46
Net income attributable to noncontrolling interests		9	12	9	12	–	0
Net income/loss attributable to shareholders of MAN SE		**713**	–270	**758**	–224	**–45**	–46
Diluted/basic earnings per share from continuing operations in €	[11]	**5.30**	–2.69				
Diluted/basic earnings per share from continuing and discontinued operations in €	[11]	**4.85**	–1.84				

MAN Consolidated Reconciliation of Comprehensive Income for the Period

MAN consolidated reconciliation of comprehensive income for the period

€ million	Note	2010	2009
Net income/loss		**722**	**–258**
Currency translation differences		257	320
Change in fair values of derivatives	[30/31]	–54	60
Actuarial losses attributable to pensions	[24]	–50	–112
Actuarial gains attributable to provisions for termination benefits		2	8
Other comprehensive income for the period from equity-method investments	[16]	–6	23
Deferred taxes		39	7
Other comprehensive income for the period		**188**	**306**
Total comprehensive income for the period		**910**	**48**
of which attributable to noncontrolling interests		9	12
of which attributable to shareholders of MAN SE		**901**	**36**

See also Note (22) for additional information on equity.

Consolidated Financial Statements

MAN Consolidated Balance Sheet

MAN consolidated balance sheet/assets

€ million	Note	MAN Group		Industrial Business (unaudited additional information)		Financial Services (unaudited additional information)	
		12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Intangible assets	[14]	1,914	1,662	1,912	1,658	2	4
Property, plant, and equipment	[15]	2,064	2,110	2,062	2,108	2	2
Equity-method investments	[16]	2,085	1,630	2,080	1,625	5	5
Financial investments		51	93	51	68	–	25
Assets leased out	[17]	1,755	1,433	1,111	896	644	537
Noncurrent finance lease receivables	[18]	703	738	–	–	703	738
Deferred tax assets	[10]	1,159	877	1,132	858	27	19
Other noncurrent assets	[21]	180	118	174	110	6	8
Noncurrent assets		**9,911**	**8,661**	**8,522**	**7,323**	**1,389**	**1,338**
Inventories	[19]	2,852	3,037	2,785	2,989	67	48
Trade receivables	[20]	2,265	2,202	1,936	1,896	329	306
Current finance lease receivables	[18]	347	358	–	–	347	358
Current income tax receivables		133	112	132	111	1	1
Assets held for sale	[6]	139	139	139	139	–	–
Other current assets	[21]	713	750	685	713	28	37
Marketable securities		14	134	14	134	–	–
Cash and cash equivalents		1,057	502	1,017	455	40	47
Current assets		**7,520**	**7,234**	**6,708**	**6,437**	**812**	**797**
		17,431	**15,895**	**15,230**	**13,760**	**2,201**	**2,135**

MAN consolidated balance sheet/equity and liabilities

€ million	Note	MAN Group		Industrial Business (unaudited additional information)		Financial Services (unaudited additional information)	
		12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Subscribed capital		376	376				
Capital reserves		795	795				
Retained earnings		4,483	3,816				
Accumulated other comprehensive income		280	92				
Equity attributable to shareholders of MAN SE		**5,934**	**5,079**	**5,808**	**4,934**	**126**	**145**
Noncontrolling interests		56	50	56	50	0	0
Total equity	[22]	**5,990**	**5,129**	**5,864**	**4,984**	**126**	**145**
Noncurrent financial liabilities	[23]	1,983	2,230	1,838	2,032	145	198
Pension obligations	[24]	226	160	225	159	1	1
Deferred tax liabilities	[10]	849	622	817	597	32	25
Other noncurrent provisions	[25]	675	547	675	547	0	0
Other noncurrent liabilities	[26]	722	714	722	713	0	1
Noncurrent liabilities and provisions		**4,455**	**4,273**	**4,277**	**4,048**	**178**	**225**
Current financial liabilities	[23]	866	1,040	155	206	711	834
Intragroup financing		–	–	–1,042	–827	1,042	827
Trade payables		1,981	1,368	1,882	1,319	99	49
Prepayments received		762	913	759	908	3	5
Current income tax payables		534	494	534	493	0	1
Other current provisions	[25]	1,443	1,313	1,439	1,310	4	3
Other current liabilities	[26]	1,400	1,365	1,362	1,319	38	46
Current liabilities and provisions		**6,986**	**6,493**	**5,089**	**4,728**	**1,897**	**1,765**
		17,431	**15,895**	**15,230**	**13,760**	**2,201**	**2,135**

Consolidated Financial Statements
MAN Consolidated Statement of Cash Flows

MAN consolidated statement of cash flows

€ million	MAN Group		Industrial Business (unaudited additional information)		Financial Services (unaudited additional information)	
	2010	2009	2010	2009	2010	2009
Earnings before tax	1,125	–331	1,174	–289	–49	–42
Current income taxes	–336	–210	–335	–209	–1	–1
Cash earnings of discontinued operations	–	11	–	11	–	–
Depreciation, amortization, and impairment of noncurrent assets (other than assets leased out and impairment losses on equity-method investments)[1]	467	422	464	420	3	2
Change in pension obligations	15	31	15	31	0	0
Share of net income/loss of equity-method investments	–112	66	–113	60	1	6
Dividends received from equity-method investments	15	25	15	25	–	–
Reversals of impairment losses and impairment losses on equity-method investments	–357	382	–357	382	–	–
Other noncash income and expense	–2	–	–2	–	–	–
Cash earnings	**815**	**396**	**861**	**431**	**–46**	**–35**
Change in inventories	254	405	273	366	–19	39
Change in prepayments received	–184	–221	–181	–221	–3	0
Change in trade and finance lease receivables	43	1,209	14	932	29	277
Change in trade payables	492	–352	442	–273	50	–79
Change in assets leased out	–121	148	–15	147	–106	1
Change in customer payments for assets leased out	–14	–178	–14	–178	–	–
Change in tax assets and liabilities	22	51	22	51	0	0
Change in other provisions	182	–19	182	–18	0	–1
Change in other assets	–19	91	–24	48	5	43
Change in other liabilities	–36	–130	–51	–129	15	–1
Change in discontinued operations	–	102	–	102	–	–
Elimination of gains/losses from asset disposals	–7	–11	–7	–11	–	–
Other changes in working capital	0	–29	0	–27	0	–2
Net cash provided by/used in operating activities	**1,427**	**1,462**	**1,502**	**1,220**	**–75**	**242**
Payments to acquire property, plant, and equipment, investment property, and intangible assets	–391	–366	–390	–365	–1	–1
Payments to acquire investees	–4	–600	–4	–600	–	–
Payments to acquire subsidiaries, net of cash acquired	–1	–1,337	–1	–1,337	–	–
Proceeds from asset disposals	25	77	10	77	15	0
Net cash flows from investing activities of discontinued operations	–	–9	–	–9	–	–
Proceeds from disposal of business activities, net of cash disposed	–3	–349	–3	–349	–	–
Net cash provided by/used in investing activities	**–374**	**–2,584**	**–388**	**–2,583**	**14**	**–1**
Free cash flow from operating and investing activities	**1,053**	**–1,122**	**1,114**	**–1,363**	**–61**	**241**
Intragroup dividend distributions	–	–	–31	–61	31	61
Dividend payments	–40	–297	–40	–297	–	–
Change in marketable securities	130	298	130	298	–	–
Issuance of bonds and promissory note loans	–	1,730	–	1,730	–	–
Repayment of bonds and promissory note loans	–411	–30	–171	–30	–240	–
Borrowings	21	107	21	107	–	–
Repayment of borrowings and syndicated loans	–131	–400	–131	–400	–	–
Change in other financial liabilities	–129	–111	–177	–82	48	–29
Change in intragroup financing	–	–	–214	252	214	–252
Special pension fund endowment	–	–28	–	–27	–	–1
Net cash flows from financing activities of discontinued operations	–	–5	–	–5	–	–
Net cash provided by/used in financing activities	**–560**	**1,264**	**–613**	**1,485**	**53**	**–221**
Net change in cash and cash equivalents	**493**	**142**	**501**	**122**	**–8**	**20**
Cash and cash equivalents at beginning of period	**502**	**105**	**455**	**78**	**47**	**27**
Change in cash and cash equivalents of discontinued operations	–	223	–	223	–	–
Change in cash and cash equivalents due to changes in consolidated Group structure	12	2	12	2	–	0
Effect of exchange rate changes on cash and cash equivalents	50	30	49	30	1	0
Cash and cash equivalents at end of period	**1,057**	**502**	**1,017**	**455**	**40**	**47**

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

Net cash flows from operating activities of continuing operations includes interest received of €59 million (previous year: €49 million), interest paid of €252 million (previous year: €213 million), income taxes paid of €311 million (previous year: €143 million), and dividends of €15 million (previous year: €25 million) received from investees.

Consolidated Financial Statements
MAN Consolidated Statement of Changes in Equity

MAN consolidated statement of changes in equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income	Equity attributable to shareholders of MAN	Noncontrolling interests	Total
Balance at December 31, 2008	**376**	**795**	**4,447**	**–263**	**5,355**	**41**	**5,396**
Net income	–	–	–270	–	–270	12	–258
Other comprehensive income	–	–	–	306	306	0	306
Total comprehensive income	–	–	–270	306	36	12	48
Dividend payment	–	–	–294	–	–294	–3	–297
Other changes	–	–	–67	49	–18	0	–18
Balance at December 31, 2009	**376**	**795**	**3,816**	**92**	**5,079**	**50**	**5,129**
Net income	–	–	713	–	713	9	722
Other comprehensive income	–	–	–	188	188	0	188
Total comprehensive income	–	–	713	188	901	9	910
Dividend payment	–	–	–37	–	–37	–3	–40
Other changes	–	–	–9	–	–9	0	–9
Balance at December 31, 2010	**376**	**795**	**4,483**	**280**	**5,934**	**56**	**5,990**

See also Note (22) for additional information on equity

Consolidated Financial Statements
MAN Notes to the Consolidated Financial Statements

Basis of preparation

1 General principles

MAN SE (referred to in the following as “MAN” or “MAN SE”) is a listed corporation headquartered in Munich. With its four divisions of MAN Truck & Bus (formerly MAN Nutzfahrzeuge), MAN Latin America, MAN Diesel & Turbo, and Renk, the MAN Group is one of Europe’s leading engineering players, generating annual revenue of €14.7 billion (previous year: €12.0 billion) and employing a worldwide workforce of approximately 47,700 employees, including around 2,000 subcontracted employees (previous year: approximately 47,700 employees, including around 1,600 subcontracted employees).

In compliance with section 315a (1) of the *Handelsgesetzbuch* (HGB—German Commercial Code), the accompanying consolidated financial statements of MAN SE for the fiscal year January 1 to December 31, 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union. The Executive Board prepared these consolidated financial statements on January 27, 2011 and resolved to authorize them for submission to the Supervisory Board.

To enable a better insight into the MAN Group’s net assets, financial position, and results of operations, the consolidated financial statements have been supplemented by a breakdown of figures into the Industrial Business and Financial Services. The Industrial Business comprises all companies of the MAN Group with the exception of MAN Finance. In the MAN Group, MAN Finance primarily operates the sales financing business for MAN Truck & Bus and is presented under the “Financial Services” heading. To simplify presentation, the elimination of intragroup transactions between the Industrial Business and Financial Services is presented within the Industrial Business. The classification into Industrial Business and Financial Services merely represents additional information and is therefore unaudited.

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

2 Consolidation and measurement of investees

a) Investees

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

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

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

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

b) Basis of consolidation

Consolidated subsidiaries

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

Number of companies consolidated

	Germany	Abroad	Total
Consolidated as of Dec. 31, 2009	**31**	**74**	**105**
Initially consolidated in fiscal 2010	4	18	22
Deconsolidated in fiscal 2010	4	3	7
Consolidated as of Dec. 31, 2010	**31**	**89**	**120**

The interest in EURO-Leasing GmbH, Sittensen (EURO-Leasing) was consolidated as of January 1, 2010. See note (6) for further information. Further changes in the basis of consolidation resulted from the initial consolidation of newly formed companies and existing companies that have now started operating. Other deconsolidated companies relate mainly to intragroup mergers. The effects of the changes in the basis of consolidation on the consolidated financial statements are insignificant.

A list of the MAN Group's shareholdings in accordance with section 313 (2) of the HGB is provided on page 185 et seq.

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

Business combinations

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

c) Equity-method investments

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

Goodwill arising from the acquisition of an associate or joint venture is included in the carrying amounts of investees in associates or joint ventures.

d) Financial investments

Financial investments for which a quoted market price or a reliably determinable fair value is available are measured at that amount. Financial investments in equity instruments that are classified as available for sale but for which no quoted price is available in an active market and whose fair value cannot be measured reliably are exempt from measurement at fair value. Such financial investments are measured at cost. If there are indications that the carrying amount may be impaired, financial investments carried at cost are tested for impairment; any impairment loss is recognized in the income statement.

e) Currency translation

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

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

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

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

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

	Closing rate		Average rate	
	12/31/2010	12/31/2009	2010	2009
US dollar	1.3362	1.4406	1.3250	1.3943
UK pound sterling	0.8608	0.8881	0.8572	0.8927
Danish krone	7.4535	7.4418	7.4473	7.4465
Swiss franc	1.2504	1.4836	1.3797	1.5077
Swedish krona	8.9655	10.2520	9.5462	10.6132
Polish zloty	3.9750	4.1045	4.0103	4.3490
Russian ruble	40.8200	43.1540	40.3190	44.2226
Brazilian real	2.2177	2.5113	2.3357	2.7947
Chinese yuan renminbi	8.8220	9.8350	8.9699	9.5229
Indian rupee	59.7580	67.0400	60.5615	67.4032
Japanese yen	108.6500	133.1600	116.2804	130.3358
South African rand	8.8625	10.6660	9.7329	11.6207

3 Accounting policies

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

a) Revenue recognition

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

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

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

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

b) Operating expenses and income

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

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

c) Intangible assets

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

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

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

d) Property, plant, and equipment

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

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

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

e) Investment property

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

f) Leases, assets leased out

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

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

g) Impairment

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

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

h) Inventories

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

i) Construction contracts

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

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

j) Nonderivative financial instruments

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

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

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

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

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

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

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

k) Derivatives

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

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

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

Derivatives that do not form part of an effective hedging relationship in accordance with IAS 39 are classified as assets held for trading and are measured at fair value through profit or loss. If no price is available in an active market, fair value is estimated using appropriate valuation techniques, such as discounted cash flow methods.

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

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

A cash flow hedge is a hedge of the MAN Group's exposure to variability in the cash flows associated with recognized assets and liabilities, unrecognized firm commitments, and highly probable forecast transactions. In a cash flow hedge, the effective portion of the change in the fair value of the derivative is initially recognized in other comprehensive income and reported in accumulated other comprehensive income, net of deferred taxes. As soon as the hedged item affects profit or loss, the gains or losses recognized in other comprehensive income are reclassified as revenue in the case of sale transactions. If the hedge subsequently results in the recognition of a nonfinancial asset (purchase transaction), the gains and losses recognized in other comprehensive income from measurement of the derivative are included in the carrying amount of the hedged nonfinancial asset. The ineffective portion of the change in fair value is recognized immediately in profit or loss. If the hedging instrument expires, or is sold, terminated, or exercised or the hedging relationship no longer exists, but the forecast transaction is still expected to occur, the unrealized gains/losses accumulated from the hedging instrument until that point remain in other comprehensive income and are recognized in profit or loss as described above if the hedged forecast transaction affects the income statement. If the originally hedged forecast transaction is no longer expected to occur, the unrealized cumulative gains or losses recognized in other comprehensive income until that point are also recognized in profit or loss.

See note (31) for information on the MAN Group's hedging strategy and the related volumes at the end of the reporting period.

l) Deferred taxes

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

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

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

m) Pension obligations

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

Pension provisions are reduced by the fair value of plan assets used to cover benefit obligations; for information on measurement, see note (24). If plan assets exceed the defined benefit obligation, the excess is only recognized in other assets to the extent that it results in a refund from the plan or the reduction of future contributions.

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

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

n) Other provisions

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

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

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

o) Noncurrent assets held for sale and discontinued operations

These include both individual noncurrent assets and groups of assets, together with liabilities associated with those assets (disposal groups), if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Noncurrent assets classified as held for sale, either individually or as part of a disposal group, are presented in separate line items in the balance sheet. They are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated or amortized. If there is any subsequent increase in fair value less costs to sell, a remeasurement gain is recognized. The remeasurement gain may not exceed the cumulative impairment losses already recognized for that asset.

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

p) Financial statement presentation

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

q) Prior-period information

To enhance comparability, certain amounts relating to the previous fiscal year have been adjusted to conform to the current presentation.

r) Estimates and management’s judgment

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

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

Among other things, the goodwill impairment tests to be performed at least once a year require an estimation of future cash flows and their discounting. Such cash flows are based on forecasts contained in financial plans approved by management. Other material assumptions relate to the weighted average cost of capital and to tax rates. Equally, if intangible assets, items of property, plant, and equipment, equity-method investments, financial investments carried at cost, or assets leased out are tested for impairment, the measurement of the recoverable amount of the assets entails estimates by management. Any reversals of impairment losses in subsequent periods also require considerable forecasts and estimates. For further information on significant impairment losses and reversals of impairment losses in fiscal 2010 and 2009, see in particular note (16).

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

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

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

Depending on the underlying transaction, the measurement of other provisions and similar obligations may be complex and associated with a considerable degree of estimation uncertainty. Management's assumptions about the timing and amount of settlement are based on historical data, available technical data, estimates of cost trends and potential warranty claims, possible recoverable amounts, and other factors. Other provisions also include provisions for potential expenses from buyback obligations under which the MAN Group guarantees its customers certain buyback values. Depending on the extent to which buyback rights are exercised, and on the development of resale prices, the actual expenses incurred may differ from the carrying amounts of the recognized provisions. At the same time, litigation and other legal proceedings raise complex legal issues and entail numerous difficulties and uncertainties. A provision is recognized for these if it is probable that an obligation has arisen in connection with these proceedings that is likely to lead to a future outflow of resources and its amount can be estimated reliably. Assessing whether a present obligation exists at the reporting date as a result of a past event, whether a future outflow of resources is probable, and whether the obligation can be estimated reliably requires a substantial degree of judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions may lead to a different assessment at a future date. Additional expenses that could have a material effect on MAN's net assets, financial position, and results of operations therefore cannot be entirely ruled out. For further information, see notes (6) and (27).

4 Statement of cash flows

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

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

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

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

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

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

5 New and revised accounting pronouncements

a) New accounting pronouncements applied

The IASB issued IFRS 3, Business Combinations (IFRS 3 (2008)), on January 10, 2008. This amendment of IFRS 3 revises the application of the purchase method of accounting to business combinations. Significant amendments relate to the measurement of noncontrolling interests, recognition of step acquisitions, and accounting for contingent consideration and acquisition-related costs. In accordance with the revised IFRS 3, noncontrolling interests can be measured either at fair value (“full goodwill method”) or at the fair value of the proportionate interest of noncontrolling interests in the identified net assets. In the case of step acquisitions, interests held on the date that control is obtained are remeasured, with any adjustments to previously recognized assets and liabilities being recognized in profit or loss. In future, any adjustment to contingent consideration components recognized as liabilities at the date of acquisition is recognized in profit or loss. Acquisition-related costs are recognized as expenses in the period in which they are incurred. MAN has applied IFRS 3 (2008) since January 1, 2010.

Also on January 10, 2008, the IASB issued IAS 27, Consolidated and Separate Financial Statements (IAS 27 (2008)). The main changes in IAS 27 (2008) relate to accounting for transactions in which an entity retains control, and transactions that result in the loss of control. Transactions that do not result in a loss of control are accounted for in equity as transactions with owners. Any retained interest is measured at fair value at the date control is lost. A deficit balance may be reported for noncontrolling interests, i.e., losses are now attributed without limit in proportion to the ownership interest. MAN has applied IAS 27 (2008) since January 1, 2010.

The IASB issued further pronouncements that were required to be applied by MAN for the first time in fiscal 2010. These accounting pronouncements have been applied by the Group and do not have any material effect on MAN’s consolidated financial statements.

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

In November 2009, the IASB adopted amendments to IAS 24, Related Party Disclosures. First, the revised Standard exempts government-related entities from the requirement to disclose transactions with other government-related entities as related party transactions subject to certain conditions. Second, it revises the definition of a related party, thereby clarifying the intended meaning and removing existing inconsistencies in the previous version of IAS 24. For the MAN Group, the revised definition results in an increase in the number of related parties. In addition to Volkswagen Aktiengesellschaft (Volkswagen AG), which exercises significant influence over MAN SE by virtue of its interest, entities controlled and jointly controlled by Volkswagen AG are also related parties from MAN's perspective under the amended Standard. MAN will apply the amendments starting in fiscal 2011.

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

6 Acquisitions and divestments

a) Acquisitions

No acquisitions were made in fiscal 2010 that are material either individually or collectively.

In March 2009, MAN completed the acquisition of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., São Paulo/Brazil (VW Truck & Bus), from Volkswagen AG. This move gave MAN a leading position in the Brazilian commercial vehicles market. The company, which was consolidated as of March 31, 2009, is being managed as a separate division, "MAN Latin America." The cost of the acquisition (including cash acquired and liabilities assumed) amounts to €1,339 million. The company has been included in the consolidated income statement since April 1, 2009. Purchase price allocation has now been completed and remained almost unchanged as against December 31, 2009. Based on the final purchase price allocation, the acquisition resulted in finite-lived intangible assets of €625 million. In addition, goodwill of €497 million was recognized. Of the intangible assets amounting to €625 million, €189 million is attributable to marketing-related assets with a weighted average useful life of 5.0 years, and €436 million is attributable to customer-related assets with a weighted average useful life of 18.7 years. MAN expects to be able to utilize the goodwill resulting from the transaction for tax purposes. Two further payments of €39 million and €69 million were made to Volkswagen AG in June 2010 and October 2010 in connection with the acquisition of VW Truck & Bus in fiscal 2009. These payments represent contractually stipulated settlements for transactions related to the period before the acquisition date. For further information, see note (33).

The transaction to acquire 25% plus one share of the Chinese truck manufacturer Sinotruk Ltd., Hong Kong/China (Sinotruk), for €567 million was completed in October 2009. Purchase price allocation was completed in the third quarter of 2010. MAN is thus continuing to focus its international growth on the BRIC markets. As part of the agreement, MAN is licensing to Sinotruk its TGA truck technology, including engines, vehicle chassis, and axles. The common goal is to develop a new heavy truck series. MAN has significant influence over Sinotruk's operating and financial policies. The Group's interest in Sinotruk is accounted for using the equity method. See notes (16) and (33) for further information.

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

b) Divestments

On March 25, 2009, MAN transferred 70% of the shares of Ferrostaal AG, (Essen), (Ferrostaal) to International Petroleum Investment Company, Abu Dhabi/U.A.E. (IPIC). The price for 100% of the shares of Ferrostaal is approximately €700 million and is contingent on the option agreed by MAN and IPIC on the purchase and sale of the remaining shares. The contractually agreed put option for the remaining 30% interest in Ferrostaal was exercised by MAN at the beginning of January 2010. The purchaser refused to complete the transaction, referring among other things to the ongoing investigations by the German public prosecution authorities at Ferrostaal. In addition, IPIC notified MAN at the end of September 2010 that it had filed an arbitration action to unwind the Ferrostaal transaction, and additionally for compensation for damages incurred. The arbitration action was served on MAN on October 18, 2010. MAN is analyzing the precise content of the action and is preparing its defense against the arbitration action. For further information, see note (27).

The interest in Ferrostaal is reported as "held for sale" and not accounted for using the equity method until the transaction is completed.

Ferrostaal's profit and loss is presented in the consolidated income statement as "Income from discontinued operations, net of tax" for all reporting periods. The transaction in March 2009 resulted in a preliminary gain—net of transaction costs—of €105 million, which is reported in "Income from discontinued operations, net of tax." Following the arbitration action sought by IPIC in connection with the sale of Ferrostaal, the provision for warranties and guarantees was increased in the fourth quarter of 2010 to allow for the maximum contractually possible warranties and guarantees as of December 31, 2010. The additions to the provisions were not tax-effective and the expense was recognized in the amount of €76 million in "Income from discontinued operations, net of tax."

The consolidated income statement for the period January 1, 2010 to December 31, 2010 does not contain any other results for Ferrostaal.

Income from Ferrostaal that was reported in MAN's consolidated income statement in fiscal 2009 is composed of the following items:

Reporting period January 1 to December 31

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

Net cash used in investing activities in fiscal 2010 includes €–7 million in net cash flows from discontinued operations in connection with the Ferrostaal transaction. This amount was reported in "Proceeds from disposal of business activities, net of cash disposed."

The cash flows of discontinued operations were broken down as follows in fiscal 2009:

Reporting period January 1 to December 31

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

Income statement disclosures

7 Other operating income

€ million	2010	2009
Income from financial services	150	186
Gains on financial instruments	115	128
Other trade income	50	25
Gains on disposal of property, plant, and equipment, and intangible assets	10	21
Miscellaneous other income	191	172
	516	532

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

Gains on financial instruments result primarily from the remeasurement of foreign exchange positions and currency and interest rate hedges. To enable a better insight into the results of operations, gains and losses from currency translation are presented as net amounts.

8 Other operating expenses

€ million	2010	2009
Research and development	373	365
Expenses from financial services	100	114
Impairment losses on inventories	94	208
Bad debt allowances on receivables	84	113
Legal, audit, and consulting costs	70	14
Losses on financial instruments	39	81
Losses from nonrecurring items	–	274
Miscellaneous other expenses	382	196
	1,142	1,365

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

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

Losses from nonrecurring items in 2009 contain expenses in connection with the investigations by the public prosecution authorities due to suspected unlawful commission payments. At the beginning of December 2009, administrative fines totaling €150.6 million were imposed on MAN Nutzfahrzeuge AG (now MAN Truck & Bus AG) and the former MAN Turbo AG. The related internal investigations conducted by independent lawyers, auditors, and tax experts led to expenses of €50 million. Losses from nonrecurring items include termination benefits amounting to a total of €20 million for former Executive Board members and senior managers. Losses from nonrecurring items also include restructuring expenses of €23 million at the former MAN Diesel division as a consequence of the planned discontinuation of engine production at the Frederikshavn, Denmark, site as well as €30 million relating to the commercial vehicles market in Russia, which had come to almost a complete standstill at the time.

A significant volume of miscellaneous other expenses relates to cost overruns and provisions for projects in MAN Diesel & Turbo's Power Plants strategic business unit, as well as expenses for setting up the strategic business unit.

9 Net interest income/expense

€ million	2010	2009
Interest and similar income	59	49
Interest and similar expenses	–252	–213
Interest component of additions to pension provisions	–89	–87
Return on CTA plan assets	76	73
less: interest expenses reclassified as other operating expenses	48	61
	–158	–117

The deterioration of net interest expense by €41 million is due to the financing of the acquisition of MAN Latin America in the previous year and the transaction to acquire 25% plus one share of Sinotruk. Interest and similar expenses in fiscal 2010 also include tax interest expenses in the amount of €22 million.

The interest expenses of €48 million (previous year: €61 million) reclassified as other operating expenses relate to the refinancing of assets leased out by MAN Finance.

10 Income taxes

The reported tax expense is broken down as follows:

€ million	2010	2009
Current income taxes		
Germany	128	55
Abroad	208	155
Deferred taxes		
Germany	–28	–133
Abroad	30	–24
	338	53

The tax expense expected for fiscal 2010 is based on the application of the German tax rate applicable for the 2010 assessment period of 31.58% (as in the previous year) to earnings before tax. This tax rate includes municipal trade tax (15.75%), corporate income tax (15.0%), and the solidarity surcharge (5.5% of the corporate income tax liability). As in the previous year, tax rate changes outside Germany did not materially affect the total tax expense in fiscal 2010.

Deferred tax assets on corporate income tax and trade tax loss carryforwards of €193 million (previous year: €131 million including interest carried forward from nondeductible interest expenses in accordance with section 4 h of the *Einkommensteuergesetz* (EStG—German Income Tax Act) in conjunction with section 8 a of the *Körperschaftsteuergesetz* (KStG—German Corporate Income Tax Act)) are currently recognized at German companies. Deferred taxes of €33 million (previous year: €30 million) were recognized at foreign companies for their local taxes. €213 million (previous year: €190 million) of the recognized deferred taxes relates to companies that recorded tax losses in fiscal 2010 or in the previous year and that are expected to generate future profits exceeding the taxable income resulting from the reversal of taxable temporary differences. No deferred tax assets were recognized as of December 31, 2010 for existing tax loss carryforwards of €83 million and temporary differences of €36 million due to the low probability of such deferred tax assets being recoverable (in the previous year, €50 million was attributable to tax loss carryforwards and €58 million to temporary differences). Tax losses of €59 million for which no deferred tax assets have been recognized can only be carried forward for a limited period. The related expiration dates are between 2011 and 2020.

No deferred taxes were recognized in fiscal 2010 for accumulated earnings at subsidiaries and associates amounting to €48 million (previous year: €74 million).

Reconciliation of expected and actual tax expense
€ million

	2010	%	2009	%
Earnings before tax	1,125	100.0	–331	100.0
Expected tax expense	355	31.6	–104	31.6
Tax-exempt income	–5	–0.4	–6	1.8
Differences to foreign tax rates	–14	–1.2	–28	8.3
Equity-method investments	–145	–12.9	142	–42.9
Utilization of tax loss carryforwards and temporary differences not recognized in previous years, and reversal of valuation allowances on deferred tax assets	–2	–0.2	–	–
Valuation allowances on deferred tax assets	6	0.5	3	–0.9
Prior-period taxes	97	8.6	26	–7.8
Nondeductible expenses	46	4.0	18	–5.5
Other items	0	0	2	–0.6
Actual tax expense	**338**	**30.0**	**53**	**–16.0**

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

€ million

	Deferred tax assets		Deferred tax liabilities	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Intangible assets	15	32	219	155
Property, plant, and equipment	26	23	112	104
Inventories	88	62	107	75
Receivables and other assets	93	73	188	175
Pension obligations	77	56	10	17
Other provisions	401	301	58	14
Other liabilities	233	169	152	67
Tax loss carryforwards	226	161	–	–
Other items	–	–	3	15
	1,159	877	**849**	622

11 Earnings per share

€ million (unless otherwise indicated)	2010	2009
Net income/loss attributable to shareholders of MAN SE	713	–270
of which: income/loss from discontinued operations, net of tax	–65	126
Net income/loss from continuing operations attributable to shareholders of MAN SE	**778**	**–396**
Number of shares outstanding (weighted average, million)	147.0	147.0
Earnings/loss per share from continuing operations (diluted, basic) in €	**5.30**	**–2.69**

Earnings per share are calculated by dividing consolidated net income from continuing operations by the average number of shares outstanding in the year. The number of shares outstanding includes both common and preferred shares because, as in the previous year, both share classes carry the same dividend rights in 2010.

72,472 MAN SE shares were contingently granted in April 2010 under the stock program for managers, which was launched in 2010. See note (32) for further information. The effects of 7,818 shares are therefore included in the calculation of diluted earnings per share for fiscal 2010. After taking the potential dilutive effect relating to the grant of these shares into consideration, diluted earnings per share correspond to basic earnings per share in the January 1 to December 31, 2010, reporting period.

There were no outstanding options on shares as of December 31, 2010, and December 31, 2009, that dilute earnings per share. Any exercise of MAN SE's contingent capital in future periods will be dilutive.

The loss per share from discontinued operations (diluted/basic) was €0.45 (previous year: earnings per share of €0.85).

12 Other income statement disclosures

Cost of materials
€ million

	2010	2009
Cost of raw materials, consumables, and supplies, and of purchased merchandise	7,076	5,411
Cost of purchased services	1,019	925
	8,095	**6,336**

Payments under operating leases
€ million

	2010	2009
	124	**103**

Personnel expenses
€ million

	2010	2009
Wages and salaries	2,187	2,010
Social security contributions, retirement and other employee benefit expenses	462	454
	2,649	**2,464**

Retirement benefit expenses amounted to €191 million (previous year: €193 million), of which €130 million (previous year: €124 million) was attributable to statutory pension insurance contributions. They are included in the relevant functional expenses. The expected return on plan assets and the interest component of additions to pension provisions are reported in net interest income/expense.

Annual average headcount

	2010	2009
Commercial Vehicles	32,077	33,244
Power Engineering	13,504	13,703
Other	304	418
	45,885	**47,365**

Depreciation and amortization expense
€ million

	2010	2009
Intangible assets	158	132
Property, plant, and equipment	298	282
	456	**414**

Impairment losses
€ million

	2010	2009
Intangible assets	2	–
Property, plant, and equipment	9	7
Financial investments and equity-method investments[1]	0	383
	11	**390**

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

13 Total remuneration of the auditors

In the reporting period, the Supervisory Board proposed electing PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich (PwC), as the auditors; the Annual General Meeting on April 1, 2010, concurred with this proposal. As a result, PwC replaced KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG).

The following table comprises the fee for the activities of PwC and companies in the international PwC network for fiscal 2010 and for KPMG and its affiliated companies in fiscal 2009:

€ million

	2010	2009
Audits	3.2	4.5
Other assurance and valuation services	0.1	2.8
Tax advisory services	0.4	0.8
Incidental costs	0.1	0.5
Reviews of interim financial statements	0.2	0.4
Other services	1.2	2.4
	5.2	**11.4**

The fee for the activities of PwC and its affiliated German companies totaled €2.6 million in fiscal 2010, of which €1.2 million relates to audits, €1.2 million to other services, and €0.2 million to reviews of interim financial statements.

Balance sheet disclosures

14 Intangible assets

€ million

	Licenses, software, similar rights, customer relationships, brands, and other assets	Capitalized devel-opment costs	Goodwill	Intangible assets
Gross carrying amount at January 1, 2009	158	502	165	825
Accumulated amortization and impairment losses	–76	–305	–93	–474
Balance at January 1, 2009	**82**	**197**	**72**	**351**
Change in consolidated Group structure/ acquisitions	629	30	473	1,132
Additions	16	68	–	84
Transfers	3	0	–	3
Disposals	–3	–1	0	–4
Amortization	–81	–51	–	–132
Currency translation differences	137	7	84	228
Balance at December 31, 2009	**783**	**250**	**629**	**1,662**
Gross carrying amount at December 31, 2009	917	605	722	2,244
Accumulated amortization and impairment losses	–134	–355	–93	–582
Balance at January 1, 2010	**783**	**250**	**629**	**1,662**
Change in consolidated Group structure/ acquisitions	14	–	74	88
Additions	16	140	–	156
Transfers	0	–	–	0
Disposals	–1	0	–	–1
Amortization	–114	–44	–	–158
Impairment losses	–2	–	–	–2
Currency translation differences	90	9	70	169
Balance at December 31, 2010	**786**	**355**	**773**	**1,914**
Gross carrying amount at December 31, 2010	1,034	749	868	2,651
Accumulated amortization and impairment losses	–248	–394	–95	–737

Purchased licenses, software, similar rights and assets, and capitalized development costs are finite-lived assets. Amortization of licenses, software, similar rights, customer relationships, brands, and other assets amounted to €114 million (previous year: €81 million) and is included in the functional expenses, in particular cost of goods sold and services rendered and selling expenses. Amortization of capitalized development costs amounted to €44 million (previous year: €51 million). For further information, see note (8).

Analysis of goodwill
€ million

	12/31/2010	12/31/2009
MAN Truck & Bus	44	4
MAN Latin America	647	548
MAN Diesel & Turbo	82	77
	773	**629**

Goodwill is allocated to the divisions as shown above.

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

The principal planning assumptions are expected market trends in relation to MAN's development, changes in material production and other costs, changes in the after-sales business, and the discount rate. Assumptions are based on general market forecasts, current developments, and past experience. The long-term growth rates reflect business- and country-specific circumstances. The long-term growth rates used in fiscal 2010 and 2009 are a maximum of 2%.

Cash flows are forecasted individually on the basis of revenue and cost projections for each division to which goodwill is allocated. The discount rate applied is MAN's pretax WACC of 10.0% (previous year: 10.5%). The assumptions and estimates used to calculate the cost of capital have been adjusted to reflect the risk exposure for MAN Latin America in particular. This risk adjustment, which relates predominantly to the inclusion of country risks, led to a WACC before taxes of 14.0% for MAN Latin America.

Goodwill is impaired if the division's value in use is less than its carrying amount. No impairment of recognized goodwill was identified for fiscal 2010 and 2009.

15 Property, plant, and equipment

€ million	Land and buildings	Production plant and machinery	Other plant, operating and office equipment	Prepayments and construction in progress	Property, plant, and equipment
Gross carrying amount at January 1, 2009	1,590	1,835	961	187	4,573
Accumulated depreciation and impairment losses	–752	–1,191	–716	–	–2,659
Balance at January 1, 2009	**838**	**644**	**245**	**187**	**1,914**
Change in consolidated Group structure/acquisitions	43	114	48	3	208
Additions	39	110	63	70	282
Transfers	82	74	20	–179	–3
Disposals	–13	–7	–32	–2	–54
Depreciation	–49	–155	–77	–1	–282
Impairment losses	–3	–2	–2	–	–7
Currency translation differences	15	24	11	2	52
Balance at December 31, 2009	**952**	**802**	**276**	**80**	**2,110**
Gross carrying amount at December 31, 2009	1,725	1,964	999	80	4,768
Accumulated depreciation and impairment losses	–773	–1,162	–723	–	–2,658
Balance at January 1, 2010	**952**	**802**	**276**	**80**	**2,110**
Change in consolidated Group structure/acquisitions	4	–4	0	1	1
Additions	23	74	65	73	235
Transfers	17	42	6	–65	0
Disposals	–7	–4	–7	0	–18
Depreciation	–52	–159	–87	–	–298
Impairment losses	–3	–6	–	–	–9
Currency translation differences	12	21	9	1	43
Balance at December 31, 2010	**946**	**766**	**262**	**90**	**2,064**
Gross carrying amount at December 31, 2010	1,765	2,029	1,038	90	4,922
Accumulated depreciation and impairment losses	–819	–1,263	–776	–	–2,858

Depreciation of items of property, plant, and equipment amounted to €298 million (previous year: €282 million) and is included in the functional expenses, in particular cost of goods sold and services rendered.

Investment property

The carrying amount of investment property amounted to €11 million as of December 31, 2010 (previous year: €15 million), compared with a fair value of €42 million (previous year: €48 million).

16 Equity-method investments

Associates

The most significant equity-method investments as of December 31, 2010, are the associates Scania AB (Scania) and Sinotruk. The shares in the associate Roland Holding GmbH, Munich, (Roland) and in the joint venture MAN FORCE TRUCKS are also accounted for using the equity method.

Scania

The purchase of a call option on 1.5% of the share capital and 2.8% of Scania's outstanding voting rights in December 2008 gave MAN access to more than 20% of Scania's voting rights. MAN was able to exercise the option until January 5, 2011. We have accounted for our investment in Scania using the equity method since December 31, 2008. See note (37) for further information in connection with the call option on 1.5% of the share capital and 2.8% of Scania's outstanding voting rights and the related accounting effect.

Our equity interest in Scania was 13.35% at December 31, 2010 (previous year: 13.35%), and we held 17.37% of the voting rights (previous year: 17.37%).

MAN's investment in Scania was tested for impairment in the fourth quarter of 2009. The impairment test was triggered mainly by the sharp decline in Scania's figures and earnings in 2009. At the same time, a slow and weak recovery from the crisis was expected. These factors meant that the cash flow forecasts, and in particular the expected cash flows from the investment, were subject to increased uncertainty at the time of the impairment test. In December 2009, the value in use of the investment calculated on the basis of these expected cash flows did not exceed its fair value less costs to sell, which was determined on the basis of the quoted market price. This resulted in an impairment loss of €357 million in the fourth quarter of 2009, which was recognized under "Reversals of impairment losses and impairment losses on equity-method investments." Economic developments in fiscal 2010 provided substantial indications that the impairment loss originally recognized no longer existed or could have declined. The significant increase in the investment's fair value and its considerably improved economic earnings power were particular factors. As both the value in use and the fair value of the investment exceeded the carrying amount that would have been determined if no impairment loss had been recognized in fiscal 2009, the amount of the original impairment loss of €357 million was reversed in the fourth quarter of 2010. This reversal of the impairment loss was recognized under "Reversals of impairment losses and impairment losses on equity-method investments."

As a result of the application of the equity method and the additional recognition of the impairment loss in fiscal 2009 and the reversal of the impairment loss in fiscal 2010, the carrying amount of the investment in Scania was €1,397 million as of December 31, 2010 (previous year: €958 million). The quoted market value of the 13.35% investment in Scania as of December 31, 2010 was €1,815 million (previous year: €958 million). Summarized financial information for Scania (on a 100% basis and thus not adjusted for the equity interest held by MAN) is presented in the following table.

€ million	2010	2009
Assets[1]	10,272	9,667
Liabilities[1]	7,276	7,511
Revenue[2]	7,802	5,611
Net income[2]	745	88

1 Amounts shown relate to the reporting period ended September 30

2 Fiscal 2010: Amounts shown relate to the period from October 1, 2009 to September 30, 2010.
Fiscal 2009: Amounts shown relate to the period from October 1, 2008 to September 30, 2009.

Sinotruk

MAN's interest in Sinotruk has been reported as an equity-method investment since October 2009. The consolidated income statement in fiscal 2010 contains MAN's share of Sinotruk's net income for the period October 2009 to June 30, 2010, as the equity method is applied in compliance with local capital market requirements with regard to the publication of financial information for the investee. The consolidated income statement in fiscal 2009 does not contain any share of Sinotruk's net income. Purchase price allocation was completed in the third quarter of 2010. The quoted market value of the 25% investment in Sinotruk as of December 31, 2010, was €532 million (previous year: €560 million). Summarized financial information for Sinotruk (on a 100% basis and thus not adjusted for the equity interest held by MAN) is shown in the following table for information purposes. See notes (6) and (33) for further information on Sinotruk.

€ million	2010	2009
Assets[1]	5,732	3,582
Liabilities[1]	3,453	2,245
Revenue[2]	3,818	1,551
Net income[2]	176	61

1 Fiscal 2010: Amounts shown relate to the reporting period ended June 30, 2010.
Fiscal 2009: Amounts shown relate to the reporting period ended June 30, 2009.

2 Fiscal 2010: Amounts shown relate to the period from July 1, 2009 to June 30, 2010.
Fiscal 2009: Amounts shown relate to the period from January 1, 2009 to June 30, 2009.

Roland

The unrecognized losses of Roland amount cumulatively to €35 million.

The following table contains summarized financial information on the other associates; the disclosures relate to the full amounts of the investees, and not just to the Group's share:

€ million	2010	2009
Assets	1,930	1,940
Liabilities	1,664	1,550
Revenue[1]	2,019	2,115
Net income[1]	–135	–174

1 12 months

17 Assets leased out

€ million	2010	2009
Gross carrying amount at January 1	1,976	2,197
Accumulated depreciation	–543	–634
Balance at January 1	**1,433**	**1,563**
Change in consolidated Group structure/acquisitions	180	–
Additions	833	440
Disposals	–197	–154
Depreciation	–509	–434
Currency translation differences	15	18
Balance at December 31	**1,755**	**1,433**
Gross carrying amount at December 31	2,699	1,976
Accumulated depreciation	–944	–543

Assets leased out relate to commercial vehicles that are leased to customers on the basis of operating leases or sold to customers with buyback options. The year-on-year increase in this item is due mainly to the initial consolidation of EURO-Leasing.

Future revenue from noncancelable operating leases
€ million

	12/31/2010	12/31/2009
Due within one year	406	309
Due between one and five years	569	438
Due after more than five years	34	41
	1,009	**788**

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

18 Finance lease receivables

€ million	12/31/2010	12/31/2009
Noncurrent finance lease receivables	703	738
Current finance lease receivables	347	358

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

Gross investment in finance leases
€ million

	12/31/2010	12/31/2009
Due within one year	465	457
Due between one and five years	784	828
Due after more than five years	22	28
	1,271	1,313

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

€ million

	12/31/2010	12/31/2009
Due within one year	343	347
Due between one and five years	673	714
Due after more than five years	18	24
	1,034	1,085

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

€ million

	12/31/2010	12/31/2009
Gross investment in finance leases	1,271	1,313
Discount	–133	–147
Bad debt allowances	–88	–70
Net investment in finance leases	**1,050**	**1,096**
of which unguaranteed residual value	–16	–11
Minimum lease payments	**1,034**	**1,085**

Bad debt allowances on finance lease receivables changed as follows:

€ million

	2010	2009
Balance at January 1	**70**	**28**
Additions	49	56
Utilization	–23	–9
Reversals	–11	–4
Exchange rate effects and other changes	3	–1
Balance at December 31	**88**	**70**

19 Inventories

€ million

	12/31/2010	12/31/2009
Raw materials, consumables, and supplies	470	515
Work in progress and finished products	1,823	2,089
Merchandise	419	280
Prepayments	140	153
	2,852	3,037

Consumption of inventories amounting to €7,076 million (previous year: €5,411 million) is recognized as cost of goods sold and services rendered in the reporting period. Inventories of €880 million (previous year: €1,116 million) were recognized at net realizable value. The impairment loss amounted to €94 million (previous year: €208 million).

20 Trade receivables

€ million

	12/31/2010	12/31/2009
Customer receivables	1,941	1,828
PoC receivables	138	214
Receivables from investees	186	160
	2,265	2,202

€171 million (previous year: €175 million) of the receivables is due after more than one year, including €1 million (previous year: €9 million) due after more than five years. The remaining €2,094 million (previous year: €2,027 million) is due in less than one year.

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

€ million

	2010	2009
Balance at January 1	**129**	**90**
Additions	46	70
Utilization	–13	–13
Reversals	–24	–20
Exchange rate effects and other changes	2	2
Balance at December 31	**140**	**129**

Certain volumes of receivables are sold, in particular to refinance financial services, depending on the market situation and liquidity requirements. Provided that the significant opportunities and risks associated with the receivables remain with the MAN Group, the receivables continue to be reported in our balance sheet. The carrying amount of such receivables at the end of the reporting period was €55 million (previous year: €103 million). The corresponding liabilities are contained in financial liabilities; see note (23).

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

€ million	12/31/2010	12/31/2009
Contract costs and proportionate contract profit/loss of construction contracts	1,959	1,880
of which billed to customers	–510	–689
PoC receivables, gross	**1,449**	**1,191**
Prepayments received	–1,311	–977
	138	**214**

Other prepayments of €463 million (previous year: €592 million) received on construction contracts for which no contract costs have yet been incurred are recognized as liabilities.

Revenue from construction contracts amounted to €1,139 million (previous year: €1,112 million). Orders and part-orders billed to customers are reported in customer receivables.

21 Other assets

€ million	12/31/2010	12/31/2009
Derivatives	257	284
VAT receivables	106	138
Other tax receivables	93	51
Prepaid expenses, prior-period payments	75	67
Loans and other third-party receivables	60	63
Other noncurrent receivables from investees	34	–
Financing receivables from investees	21	21
Advances, clearing accounts	20	11
Reserve from pension liability insurance	10	23
Miscellaneous other assets	217	210
	893	**868**

Other assets are reported as follows:

€ million	12/31/2010	12/31/2009
Other noncurrent assets	180	118
Other current assets	713	750

Derivatives are measured at fair value. They are mainly used to hedge currency risks in customer orders and other foreign currency positions.

Other assets amounting to €187 million (previous year: €136 million) are due after more than one year, including €24 million (previous year: €33 million) due after more than five years. The remaining €706 million (previous year: €732 million) is due in less than one year.

22 Equity

a) Share capital, rights to implement capitalization measures

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

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

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

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

Authorized Capital 2010

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

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

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

(i) to the extent necessary to grant the holders of convertible bonds or bonds with warrants that were or will be issued by the Company or its Group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their conversion rights or options if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation (antidilution provision); and/or
(ii) if the issue price of the new shares is not more than 5% lower than the quoted market price and the shares issued in accordance with section 186 (3) sentence 4 of the AktG do not in the aggregate exceed 10% of the share capital. Shares issued or sold by direct or indirect application of this provision on the basis of other authorizations during the term of these authorizations count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations issued at the time of utilization in accordance with this provision shall also count towards the above-mentioned 10% limit; and/or
(iii) to settle any fractions needed to round the share capital; and/or
(iv) to issue new shares against cash contributions to employees with managerial responsibility (managers) of the Company and/or of Group companies in respect of a proportion of Authorized Capital 2010 of up to €4,000,000. It may also be stipulated that the contribution to be paid is covered in accordance with section 204 (3) of the AktG.

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

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

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

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

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

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

(i) to the extent that the issue price of the bond is not materially lower than its theoretical market value calculated by recognized financial techniques. In addition, the disapplication of preemptive rights within the meaning of section 86 (3) sentence 4 of the AktG only applies to bonds with rights to shares with a notional interest in the share capital that does not in the aggregate exceed 10% of the share capital. Shares issued, sold, or issuable by direct or indirect application of this provision on the basis of other authorizations during the term of this authorization count towards this limit until the time of utilization;
(ii) to the extent that this is necessary to settle fractions that result from the subscription ratio;
(iii) to grant the bondholders with existing conversion rights/options on, or obligations to convert bonds to, shares of the Company, preemptive rights to the extent to which they would be entitled if they had previously exercised their conversion rights or options or if they had converted their rights in the case of a conversion obligation, in order to prevent dilution of the economic value of these rights.

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

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

Share repurchase

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

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

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

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

(i) if the purchased common shares are sold at a price that is not materially lower than the quoted market price; and/or
(ii) to the extent that they are used as consideration in a business combination or to acquire companies or investments in companies or assets of companies; and/or
(iii) to the extent that they are used to settle options or conversion rights or conversion obligations established by the Company or a Group company when bonds were issued. The shares transferred by virtue of this authorization may not in the aggregate exceed 10% of the share capital where they are used to settle conversion rights and options or conversion obligations established in corresponding application of section 186 (3) sentence 4 of the AktG. Shares issued or sold by direct or indirect application of this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants or with conversion obligations issued at the time of utilization in accordance with this provision shall also count towards this limit; and/or
(iv) to the extent that the common shares are used to settle stock bonus commitments to employees with managerial responsibility (managers) of the Company and/or of Group companies.

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

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

As described in note (23), MAN SE has entered into various material agreements that are subject to a change of control.

b) Significant shareholdings in MAN SE

Volkswagen Aktiengesellschaft notified MAN SE (MAN Aktiengesellschaft at the time) in February 2007 in accordance with section 21 (1) sentence 1 of the *Wertpapierhandelsgesetz* (WpHG—German Securities Trading Act) that the share of voting rights held by Volkswagen Aktiengesellschaft had exceeded the limit of 25% and amounted to 29.9% at that time. In addition, Porsche Automobil Holding SE and its controlling shareholders notified us in September 2008 in accordance with section 21 (1) of the WpHG that—because Porsche Automobil Holding SE had assumed control of Volkswagen AG—Volkswagen AG's 29.9% interest is also attributable to Porsche Automobil Holding SE and its controlling shareholders. In 2010, we also received notifications in accordance with section 21 (1) of the WpHG that the share of voting rights held by BlackRock, Inc. (and companies affiliated with it) exceeded the threshold of 3%. We have not been notified of, nor are we aware of, further existing direct or indirect interests in the capital of MAN SE that reach or exceed 10% of the voting rights or the relevant thresholds of the WpHG, or of any changes in the above-mentioned interests.

c) Reserves

MAN SE's capital reserves consist of premiums paid for capital increases and the conversion of preferred shares into common shares. The MAN Group's retained earnings contain the retained earnings of MAN SE amounting to €844 million (previous year: €619 million) and the net retained profits of MAN SE amounting to €296 million (previous year: €37 million). They also contain the retained profits and accumulated losses of subsidiaries and differences arising between carrying amounts in the consolidated financial statements and carrying amounts in the local GAAP financial statements.

The Executive and Supervisory Boards of MAN SE will propose to the Annual General Meeting to pay a dividend of €2.00 (previous year: €0.25) per share carrying dividend rights. The proposed total dividend payout is therefore €294 million (previous year: €37 million).

d) Other comprehensive income

€ million	12/31/2010	of which attributable to discontinued operations	12/31/2009	of which attributable to discontinued operations
Currency translation differences	484	–9	227	–9
Fair value of derivatives	10	–	64	–
Actuarial losses attributable to pensions	–282	–	–232	–
Actuarial losses attributable to provisions for termination benefits	–16	–	–18	–
Other comprehensive income for the period from equity-method investments	16	–	22	–
Deferred taxes	68	–	29	–
	280	**–9**	92	–9

Of the deferred taxes of €68 million (previous year: €29 million), €66 million is attributable to actuarial losses on pensions (previous year: €47 million), €–2 million (previous year: €–22 million) is attributable to the measurement of derivatives, and €4 million (previous year: €4 million) is attributable to actuarial losses on provisions for termination benefits.

e) Noncontrolling interests

The noncontrolling interests are mainly attributable to Renk Aktiengesellschaft, Augsburg, in which MAN holds a 76% interest.

f) Capital management

The most important goals of MAN SE's capital management are to sustainably increase its enterprise value and to safeguard the Group's liquidity and creditworthiness. This is achieved not only by reducing the cost of capital and improving cash flow from financing activities, but also by optimizing the capital structure and implementing effective risk management.

Previously, MAN SE used MAN value added to measure and manage its business activities and to optimize capital allocation in the Group. This will no longer be used for management purposes from fiscal 2010. Instead, the modified measure referred to as the “delta to the cost of capital” (ROCE—WACC) will be introduced. This corresponds to the difference between ROCE and the weighted average cost of capital (WACC).

In April 2010, Standard & Poor’s lowered MAN’s long-term rating from A– to BBB+ with a stable outlook and again confirmed this rating in December 2010. The A3 rating with a stable outlook awarded by Moody’s was confirmed in September 2010.

The Group’s capital employed for capital management purposes comprises equity, pensions, and financial liabilities.

€ million	12/31/2010	12/31/2009
Equity	5,990	5,129
Pension obligations	226	160
Financial liabilities	2,849	3,270
Capital employed	**9,065**	**8,559**

Equity increased by 17% year-on-year in fiscal 2010. This was primarily a result of the significant improvements in earnings for the year. Pension obligations rose by 41% year-on-year because of the increase in actuarial losses attributable primarily to the use of a lower discount rate. Financial liabilities declined by 13% due to the repayment of various financial liabilities. Overall, this resulted in a €506 million or 6% increase in capital employed in fiscal 2010.

MAN SE’s Articles of Association do not stipulate any capital requirements.

23 Financial liabilities

€ million	12/31/2010	12/31/2009
Bonds	1,494	1,738
Bank borrowings and other liabilities	721	956
Structured finance	634	576
	2,849	**3,270**

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2010	12/31/2009
Noncurrent financial liabilities due after more than one year	1,983	2,230
of which: due after more than five years	512	520
Current financial liabilities due within one year	866	1,040

To finance the planned Scania acquisition, MAN SE entered into an agreement on an €11 billion credit facility on September 17, 2006 with a banking syndicate. A €1,170 million tranche of this credit facility had been drawn down by December 31, 2006 to purchase Scania shares. The unutilized portion of the credit facility expired following the withdrawal of the public offer to purchase Scania shares on January 23, 2007. As of September 17, 2009, the last tranche drawn down on this credit facility amounting to €400 million was repaid in full. It bore interest at an average variable rate of 1.53% p.a. in 2009. This credit facility had therefore already been extinguished in full as of December 31, 2009.

A credit line comprising three tranches totaling €2.0 billion was initially arranged with ten banks as bridge finance for the purchase of VW Truck & Bus in Brazil. €1.5 billion of this was drawn down in March 2009. At the end of March 2009, MAN SE placed a promissory note loan in the amount of €200 million maturing in 2012, which was used to partially repay the bridge loan. This promissory note loan comprised a fixed-interest component of €49 million and an interest rate of 5.056% and a variable-rate tranche of €151 million. €30 million of the variable-rate component was repaid in the course of 2009 and replaced by an additional promissory note in the amount of €30 million maturing (amortizing) in 2019 and bearing a fixed interest rate of 6.76%. The bridge loan was finally repaid in full in May 2009 using the proceeds of a eurobond that was issued by MAN SE in two tranches with terms of four and seven years and fixed interest rates of 5.375% and 7.25% respectively and a total volume of €1.5 billion. Prior to this, MAN SE launched an EMTN program that allows it to issue debt securities regularly and if necessary at short notice as long as it provides the necessary documentation. The proportion of the bridge loan that was not drawn down amounting to €500 million was then canceled in the course of 2009. In addition, the remaining portion of the variable-rate promissory note loan in the amount of €121 million was repaid prior to maturity in October 2010. Until repayment, this tranche bore an average interest rate of 3.92% p.a.

The carrying amount of the promissory note loans amounted to €79 million as of December 31, 2010. The carrying amount of the eurobond tranche maturing on May 20, 2013 amounted to €997 million and its fair value was €1,068 million, while the carrying amount of the tranche maturing on May 20, 2016 amounted to €497 million and its fair value was €590 million.

In December 2003, MAN Financial Services plc, Swindon/United Kingdom, issued a €300 million bond with a 5.375% coupon. As of November 27, 2007, the issuer repurchased a notional €60 million of this bond. In December 2010, the remaining bond in the amount of €240 million was repaid at maturity.

Structured finance includes liabilities of €55 million (previous year: €104 million) relating to sales of receivables. The MAN Group also uses asset-backed financing arrangements, in particular to finance its financial services business. Current financial liabilities include asset-backed financing arrangements in the amount of €411 million (previous year: €235 million) for which the financing of the amortizing portfolio is assured until the end of the term.

Bank borrowings mostly bear variable rates of interest.

Liabilities are not generally collateralized in the MAN Group.

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

MAN SE has agreed a syndicated credit line amounting to €1.5 billion with a banking syndicate. Each syndicate member can demand immediate repayment of its portion if one or more natural or legal persons (with the exception of Volkswagen AG or a majority held direct or indirect subsidiary of Volkswagen AG) either individually or collectively obtain control of MAN SE or acquire the majority of voting rights in MAN SE.

The promissory note loans issued in the amount of €79 million can be terminated with immediate effect if one or more persons acting in concert acquire the majority of voting rights in MAN SE.

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

24 Pension obligations

Provisions for pensions are broken down as follows:

Composition of funded status and pension provisions
€ million

	12/31/ 2010	12/31/ 2009	12/31/ 2008	12/31/ 2007	12/31/ 2006
Unfunded defined benefit obligation	14	22	46	69	319
Funded defined benefit obligation	1,859	1,716	1,695	1,828	1,705
Total defined benefit obligation	**1,873**	**1,738**	**1,741**	**1,897**	**2,024**
Fair value of plan assets	–1,647	–1,579	–1,652	–1,790	–1,079
Funded status at December 31	**226**	**159**	**89**	**107**	**945**
Effect of asset ceiling in accordance with IAS 19.58	0	1	19	18	–
Unrecognized plan assets	–	–	–	7	1
Reclassified as liabilities associated with assets held for sale	–	–	–34	–	–
Pension provisions at December 31	**226**	**160**	**74**	**132**	**946**
of which: Germany	173	107	39	120	929
of which: Other countries	53	53	35	12	17

a) Pension plans

The MAN Group offers its German employees occupational pension benefits after they have retired. Occupational pensions provide additional retirement benefits as well as risk protection in the event of invalidity or death while the beneficiary is actively employed.

Under the MAN Group's current pension plans, the MAN Profit-Sharing and Pension Plan, and the separate pension plan for senior managers, directors, and Executive Board members, all active employees receive employer contributions that are tied to their remuneration and can make additional provision through deferred compensation—which is employer-subsidized for staff subject to collective bargaining agreements. The employer- and employee-funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement, or that can be annuitized in certain cases. The risk of the investments is gradually reduced as employees get older (lifecycle concept). The performance of the plan assets is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters.

Former employees, pensioners, or employees with vested benefits who have left the MAN Group have benefit commitments from a variety of old pension plans, most of which are designed to provide lifelong pension payments. Depending on the situation in specific countries, foreign employees receive pension benefits in the form of defined benefit or defined contribution pension plans. Employees in the United Kingdom, Switzerland, and Brazil receive pension benefits under defined-benefit funded pension plans. The pension plans in the United Kingdom have been closed to new entrants. There are defined benefit pension plans with a low level of obligations that are funded by provisions in France, Austria, and Poland.

There are defined contribution pension plans in the United States, the United Kingdom, and certain other countries.

b) Funding

The MAN Group's German pension assets are managed by MAN Pension Trust e.V. and MAN Pensionsfonds AG. These assets are irrevocably protected from recourse by the Group companies and may only be used to fund current pension benefit payments or to settle claims by employees in the event of insolvency. Proper management and utilization of the trust assets are supervised by independent trustees. Additionally, MAN Pensionsfonds AG is regulated by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin—Federal Financial Supervisory Authority). The pension assets are invested by professional investment managers in accordance with investment rules laid down by MAN SE's investment committee. There is a prohibition on investing in securities issued by, and real estate used by, MAN SE or one of its Group companies. The pension assets in the United Kingdom are managed in two pension funds belonging to the Group that are supervised by trustees. The pension assets in Switzerland are managed by multiple-employer pension institutions, while the pension assets in Brazil are managed in a pension plan maintained together with another group of companies. These pension assets are also invested by professional investment managers. The investment rules are laid down by boards of trustees or by the responsible committees in the case of multiple-employer pension plans.

As a general rule, the pension assets are endowed at the minimum amount required by national regulations. In Germany, there is no general obligation to make ongoing payments to the pension assets. However, the goal is to ensure endowments equal to the ongoing employer and employee contributions. The expected employer contributions to defined benefit plans for 2011 amount to €52 million for German pension plans and €14 million for non-German pension plans.

Plan asset portfolio structure
€ million

	Germany		Abroad		Total	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Bonds	1,021	1,035	209	196	1,230	1,231
Equities	197	162	146	128	343	290
Real estate	–	–	33	31	33	31
Other assets	–	–	41	27	41	27
Total plan assets	**1,218**	1,197	**429**	382	**1,647**	1,579

Of the non-German plan assets, €230 million was attributable to the United Kingdom, €168 million to Switzerland, and €31 million to Brazil. The return on plan assets was 4.6% in Germany, 8.3% in the United Kingdom, 2.5% in Switzerland, and 10.3% in Brazil.

c) Funded status

Change in present value of defined benefit obligation
€ million

	Germany		Abroad		Total	
	2010	2009	2010	2009	2010	2009
Present value of DBO at January 1	1,304	1,398	434	343	1,738	1,741
Change in consolidated Group structure	–1	–255	0	16	–1	–239
Current service cost	38	36	12	10	50	46
Interest cost	66	67	23	20	89	87
Past service cost	–	7	0	–4	0	3
Actuarial losses (+)/ gains (–)	53	117	–2	47	51	164
Pension payments	–71	–70	–33	–24	–104	–94
Contributions by beneficiaries	2	4	7	6	9	10
Currency translation differences, other	–	0	41	20	41	20
Present value of DBO at December 31	**1,391**	1,304	**482**	434	**1,873**	1,738

Change in plan assets
€ million

	Germany		Abroad		Total	
	2010	2009	2010	2009	2010	2009
Plan assets at January 1	1,197	1,337	382	315	1,579	1,652
Change in consolidated Group structure	–	–206	–	16	–	–190
Expected return on plan assets	55	54	21	19	76	73
Difference between expected and actual return on plan assets	–1	34	2	18	1	52
Current contributions by employers	28	10	13	12	41	22
Special endowment by employers	–	27	–	1	–	28
Contributions by beneficiaries	2	1	7	6	9	7
Pension payments	–63	–60	–33	–24	–96	–84
Currency translation differences, other	–	–	37	19	37	19
Plan assets at December 31	**1,218**	**1,197**	**429**	**382**	**1,647**	**1,579**

Measurement of the present value of the defined benefit obligation and of plan assets is based on the following parameters:

%	Germany		Abroad	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Discount rate	5.0	5.25	2.4–10.2	3.0–10.6
Pension trend	2.0	2.0	0.0–4.25	0.25–4.0
Pay trend	2.75	2.75	0.5–6.45	1.5–5.6
Expected return on plan assets	4.15–5.25	4.52–5.02	3.0–9.69	3.0–11.3

The discount rates reflect the yields at the reporting date on prime-rated corporate bonds or government bonds with matching maturities and denominated in the relevant currencies. The biometric parameters for pensions in Germany continue to be based on the 2005 G mortality tables issued by Prof. Klaus Heubeck.

The expected return on plan assets in Germany is based on the interest rate for Bunds with matching maturities plus standard risk premiums based on the corresponding portfolio structure. The expected return on plan assets for plans outside Germany is calculated by the responsible actuaries.

d) Pension expense

The pension expense is composed of the following items:

€ million	2010	2009
Current service cost	50	46
Past service cost	0	3
Interest cost	89	87
Expected return on plan assets	–76	–73
	63	**63**

e) Gains and losses eliminated in other comprehensive income

€ million	2010	2009
Actuarial gains (-)/losses (+) at January 1	**232**	**160**
Change in consolidated Group structure	–	–40
Change in fiscal year	50	112
Currency translation differences, other	3	–
Actuarial gains (-)/losses (+) at December 31	**285**	**232**

f) Experience adjustments

The experience adjustments, meaning differences between changes in assets and obligations expected on the basis of actuarial assumptions calculated and actual changes in those assets and obligations, are as follows:

	2010	2009	2008	2007	2006
Differences between expected and actual developments					
as % of present value	0.64%	0.46%	0.11%	–0.95%	–0.25%
as % of fair value of plan assets	0.06%	3.29%	–8.72%	–0.84%	–0.28%

25 Other provisions

€ million	As of 12/31/2009	Change in consolidated Group structure, currency translation	Utilization	Additions	Reversals	Interest unwinding	12/31/2010
Warranties	636	20	–154	327	–85	7	**751**
Outstanding costs	185	2	–81	108	–18	0	**196**
Other business-related obligations	344	14	–111	421	–43	–	**625**
Obligations to employees	223	2	–47	54	–4	3	**231**
Miscellaneous other provisions	472	28	–241	107	–51	–	**315**
	1,860	**66**	**–634**	**1,017**	**–201**	**10**	**2,118**

Other provisions are reported in the following balance sheet items:

€ million	12/31/2010		12/31/2009	
	Noncurrent	**Current**	Noncurrent	Current
Warranties	428	323	326	310
Outstanding costs	32	164	32	153
Other business-related obligations	5	620	5	339
Obligations to employees	208	23	177	46
Miscellaneous other provisions	2	313	7	465
	675	**1,443**	547	1,313

Provisions for warranty obligations are recognized for statutory and contractual guarantee obligations and for ex gratia settlements with customers. The timing of settlement of provisions for warranties depends on the occurrence of the warranty claim and may extend to the entire warranty and ex gratia settlement period. Provisions for outstanding costs are recognized for services still to be provided for customer contracts and contract elements already billed, and for obligations under maintenance and service contracts. Miscellaneous other provisions for business risks relate to provisions for expected losses from executory contracts as well as other obligations.

Obligations to employees relate to anniversary payments, termination benefits, and partial retirement obligations, as well as to statutory termination benefits.

The risk provisions recognized in the Power Engineering business area are also reflected in the additions to provisions for warranty risks and in the additions to provisions for miscellaneous other provisions for business risks.

26 Other liabilities

€ million	12/31/2010	12/31/2009
Deferred purchase price payments for assets leased out	1,138	1,136
Employee-related liabilities	331	276
Miscellaneous other tax payables	176	168
Derivatives	139	151
Financing liabilities to investees	60	56
Deferred income	44	43
Miscellaneous other liabilities	234	249
	2,122	**2,079**

Deferred purchase price payments for assets leased out originate from sales of commercial vehicles accounted for as operating leases because of a buyback obligation.

Employee-related liabilities relate to wages, salaries, and social security contributions outstanding at the end of the reporting period, accrued vacation pay, and annual bonuses.

Other liabilities include the negative fair value of derivatives. Because these instruments are predominantly used to hedge currency risks in customer orders, they are matched in this respect by offsetting effects in the balance sheet items of the underlyings.

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2010	12/31/2009
Other noncurrent liabilities	722	714
Other current liabilities	1,400	1,365

Of the other noncurrent liabilities, €56 million (previous year: €69 million) is due in more than five years.

Other disclosures

27 Litigation/legal proceedings

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

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

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

The internal inquiries revealed that employees of the MAN Truck & Bus and the former MAN Turbo subgroups (see note (38)) had breached statutory and internal regulations by making suspicious payments to consultants and agents. In MAN Truck & Bus's German sales operations, the opportunity to pay "referral commissions" was abused. The number of suspicious payments fell sharply after 2006. The large majority of employees acted compliantly.

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

There were no significant developments for MAN in fiscal 2010. For information relating to Ferrostaal, please also refer to the section entitled "Acquisitions and divestments."

Other proceedings

The British antitrust authorities (Office of Fair Trading) have launched an investigation into possible price–fixing/antitrust violations at a number of companies active in the UK commercial vehicles market. MAN received a request for information in September 2010 in connection with this investigation. MAN is cooperating with the UK antitrust authorities.

In addition to the issues described above, MAN is involved in various legal disputes and legal proceedings in connection with its Group-wide business activities. Although any negative decisions in such cases could have a material effect on the Company's results in a reporting period, MAN does not believe that they could have a material adverse effect on its net assets, financial position, and results of operations.

See note (37) for information on the searches conducted by the European Commission due to a suspected possible antitrust violation in the commercial vehicles segment.

Disclosures in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, are not made about specific litigation if the company comes to the conclusion that such disclosures could seriously undermine the outcome of the respective legal proceedings.

28 Contingent liabilities

€ million	12/31/2010	12/31/2009
Contingent liabilities under guarantees	218	483
Contingent liabilities under buyback guarantees	216	191

The contingent liabilities under guarantees relate mainly to guarantees issued for trade obligations of investees, former investees, and other companies. The year-on-year decrease is attributable to the planned reduction of guarantees for legacy transactions due to the expiry of the warranty periods. The maximum total potential contingent liability for Ferrostaal under MAN's obligations from guarantees is €189 million (previous year: €408 million). MAN's guarantees for Ferrostaal are largely covered by indemnities issued by IPIC, depending on the origination date of the guarantee.

Customer liabilities to financing companies that finance the purchase of the Group's products by third parties are covered by standard industry buyback guarantees. These relate to commercial vehicles and amount to €216 million (previous year: €191 million).

The contingent liabilities disclosed are generally measured in the maximum amount of any claim that may be asserted against MAN. Any recourse claims are not offset.

MAN Finance has proportionate additional payment obligations in the event of losses at an associate.

Purchase commitments for items of property, plant, and equipment amounted to €108 million at the end of the reporting period (previous year: €81 million).

29 Other financial obligations

Other financial obligations comprise rental and lease obligations. The future rental and lease obligations under operating leases are due as follows until expiration of the lease terms:

€ million	12/31/2010	12/31/2009
Investment leases		
Due within one year	29	22
Due between one and five years	44	38
Due after more than five years	4	6
	77	**66**
Rental and lease obligations		
Due within one year	108	136
Due between one and five years	243	240
Due after more than five years	308	283
	659	**659**

The rental and lease obligations contain the sale of leased vehicles held by MAN Finance to Hannover Mobilien Leasing GmbH. These obligations are partly offset by future income from subleases amounting to €20 million (previous year: €62 million).

Individual prior-year figures were adjusted in the above table.

30 Additional disclosures on financial instruments

The following section contains supplemental disclosures on the significance of financial instruments and on individual balance sheet and income statement line items relating to financial instruments.

The following table shows the carrying amounts, the measurement categories by class, the fair values, and the fair value hierarchy classifications under IFRS 7 as of December 31, 2010.

€ million

	Carrying amount	Of which within the scope of IFRS 7	IAS 39 measurement category*	Fair value	Fair value hierarchy classification
Assets					
Financial investments	51	51	AfS	51	n/a
Noncurrent and current finance lease receivables	1,050	1,050	n/a	1,040	–
Other noncurrent and current assets	893	440			–
Other financial assets	450	440		440	–
Available for sale	9	9	AfS	9	n/a
At fair value through profit or loss	160	160	aFV	160	Level 2
Derivatives in hedging relationships	97	97	n/a	97	Level 2
Other assets	174	174	LaR	174	–
Assets not within the scope of IFRS 7	453	–	n/a	–	–
Trade receivables	2,265	2,265	LaR	2,264	–
Marketable securities	14	14	AfS	14	n/a
Cash and cash equivalents	1,057	1,057	n/a	1,057	–
Liabilities					
Noncurrent and current financial liabilities	2,849	2,849	OL	3,013	–
Other noncurrent and current liabilities	2,122	268			–
Other financial liabilities	268	268		268	–
At fair value through profit or loss	110	110	aFV	110	Level 2
Derivatives in hedging relationships	29	29	n/a	29	Level 2
Other liabilities	129	129	OL	129	–
Liabilities not within the scope of IFRS 7	1,854	–	n/a	–	–
Trade payables	1,981	1,981	OL	1,981	–

* AfS: available-for-sale financial assets;
LaR: loans and receivables;
aFV: at fair value through profit or loss;
OL: other financial liabilities measured at amortized cost;
n/a: not applicable

The following table shows the carrying amounts, the measurement categories by class, the fair values, and the fair value hierarchy classifications under IFRS 7 as of December 31, 2009.

€ million	Carrying amount	Of which within the scope of IFRS 7	IAS 39 measurement category*	Fair value	Fair value hierarchy classification
Assets					
Financial investments	93	93	AfS	93	n/a
Noncurrent and current finance lease receivables	1,096	1,096	n/a	1,073	–
Other noncurrent and current assets	868	455			–
Other financial assets	455	455		455	–
Available for sale	15	15	AfS	15	n/a
At fair value through profit or loss	149	149	aFV	149	Level 2
Derivatives in hedging relationships	135	135	n/a	135	Level 2
Other assets	156	156	LaR	156	–
Assets not within the scope of IFRS 7	413	–	n/a	–	–
Trade receivables	2,202	2,202	LaR	2,200	–
Marketable securities	134	134	AfS	134	n/a
Cash and cash equivalents	502	502	n/a	502	–
Liabilities					
Noncurrent and current financial liabilities	3,270	3,270	OL	3,419	–
Other noncurrent and current liabilities	2,079	286			–
Other financial liabilities	286	286		286	–
At fair value through profit or loss	138	138	aFV	138	Level 2
Derivatives in hedging relationships	13	13	n/a	13	Level 2
Other liabilities	135	135	OL	135	–
Liabilities not within the scope of IFRS 7	1,793	–	n/a	–	–
Trade payables	1,368	1,368	OL	1,368	–

* AfS: available-for-sale financial assets;
LaR: loans and receivables;
aFV: at fair value through profit or loss;
OL: other financial liabilities measured at amortized cost;
n/a: not applicable

The cumulative carrying amounts of the financial instruments classified by IAS 39 measurement category are as follows:

IAS 39 measurement category
€ million

	12/31/2010		12/31/2009	
	Assets	Liabilities	Assets	Liabilities
AfS	74	–	242	–
aFV	160	110	149	138
LaR	2,439	–	2,358	–
OL	–	4,959	–	4,773

Fair values were measured on the basis of the market prices available at the end of the reporting period or using the valuation techniques described in the following, and reflect the prices at which one party would assume the rights and/or obligations under these financial instruments from another party in an arm's length transaction. There were no material changes in the valuation techniques applied as against those applied in the previous year.

Cash and cash equivalents, trade receivables, other financial assets, trade payables, and other financial liabilities mostly have short remaining maturities. For this reason, their carrying amounts at the end of the reporting periods are approximately the same as their fair values. In addition, an appropriate impairment loss is recognized for trade receivables if there are objective indications of impairment.

The fair value of finance lease receivables corresponds to the present value of the cash flows expected to be received for the assets, discounted using current interest rate parameters that reflect changes in market and counterparty-related conditions and expectations.

The fair values of listed bonds are based on the quoted prices at the end of the reporting period. The fair value of OTC bonds, fixed-rate bank borrowings, and other financial liabilities is measured as the present value of the cash flows expected to be required to settle the liabilities, discounted using standard market rates of interest for matching maturities.

Available-for-sale financial assets include equity instruments and term deposits of €74 million (previous year: €242 million) measured at cost. These are investments and shares of unlisted entities that were not measured using a discounted cash flow method because the related cash flows could not be reliably measured. No quoted market prices are available for the shares of unlisted entities as no active market exists for these shares. The Company currently has no intention to sell these shares.

For derivative financial instruments without option components, particularly currency forwards and interest rate swaps, future cash flows are estimated using forward curves. The fair value of these instruments corresponds to the discounted cash flows. Options on currency pairs or interest rates are measured on the basis of standard option pricing models, i.e., generalized Black Scholes formulas.

Fair value hierarchy:
Measurement and presentation of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is classified as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In fiscal 2010 and 2009, there were no reclassifications between level 1 and level 2 in fair value measurement, and there were no reclassifications to or from level 3 in relation to fair value measurement.

Net gains and losses on financial instruments are presented in the following table:

€ million		
	2010	2009
Loans and receivables	–101	–120
Available-for-sale financial assets	1	–4
Financial liabilities at cost	–2	14
Financial assets and liabilities at fair value through profit or loss	104	61

Net gains and losses on loans and receivables primarily contain changes in valuation allowances, income from payments received on loans and receivables written off, currency translation differences, and reversals of impairment losses.

Net gains and losses on available-for-sale financial assets relate primarily to net gains and losses from the measurement of financial investments. In fiscal 2010, no unrealized gains and losses on available-for-sale financial assets were recognized in other comprehensive income, and no amounts were withdrawn from other comprehensive income and transferred to profit or loss.

Net gains and losses on financial liabilities at cost are principally composed of currency translation differences and income from the derecognition of liabilities.

Net currency expenses on the items mentioned above amounted to €26 million (previous year: €32 million).

Net gains and losses on financial assets and liabilities at fair value through profit or loss contain changes in the fair value of derivative financial instruments for which hedge accounting is not used.

The interest income and expenses relating to financial assets and liabilities are as follows:

€ million		
	2010	2009
Interest income	252	296
Interest expenses	–325	–327

Interest income on impaired financial assets is insignificant because receipt of payment is expected in the short term in most cases. Interest income of €242 million (previous year: €286 million) and interest expenses of €280 million (previous year: €282 million) relate to items that are not measured at fair value through profit or loss.

31 Derivatives and hedging strategies

The MAN Group is exposed to currency and interest rate risks to a not inconsiderable extent. It has in place a Group-wide risk management system to identify, quantify, and mitigate these risks.

a) Risk management

MAN Group companies generally hedge their interest rate and currency risks through MAN SE's Group Treasury on an arm's length basis using derivative and nonderivative financial instruments. Financial instruments are accounted for at the trade date.

Group Treasury's risk positions are hedged externally with banks within defined risk limits. Hedging transactions are entered into on the basis of standard guidelines that adequately reflect the *Gesetz zur Kontrolle und Transparenz im Unternehmensbereich* (KonTraG—German Act on Control and Transparency in Business) and the risk management requirements applicable to banks. They are subject to rigorous oversight, which is ensured in particular by the strict separation of trading, settlement, and supervision functions.

The MAN Group's interest rate and currency positions are reported regularly to the Executive Board and the Supervisory Board. Compliance with the guidelines is reviewed by the Internal Audit function.

b) Currency risk

The international nature of the MAN Group's business activities entails a significant volume of cash flows in a variety of currencies. A currency risk arises for each MAN company if it enters into transactions with international contractual partners resulting in future cash flows that are not denominated in that MAN company's functional currency. To mitigate the effects of exchange rate movements, MAN SE continuously quantifies the currency risk and hedges all material risks, primarily through the use of currency forwards and currency options. In countries whose exchange controls do not permit direct hedging by MAN SE—especially Brazil—currency derivatives are entered into by MAN SE on behalf of and for the account of the Group company concerned.

In the MAN Group, all firm customer orders (firm commitments), the Group's own purchases, receivables, and liabilities denominated in foreign currencies are hedged as a matter of principle. We also enter into hedges for forecasted foreign currency revenue from the series production business within defined hedging limits, and for highly probable customer projects.

There were currency hedges in all major European currencies at the end of the reporting period, as well as in U.S. dollars, Canadian dollars, Japanese yen, and in further currencies in the Latin America, Asia, and Africa regions. Both cash flow hedges and fair value hedges are used for hedge accounting. Currencies that are highly correlated with the euro, such as the Danish krone, are only hedged in individual instances. Equity investments or equity-equivalent loans in foreign currencies are hedged in specific cases.

If the sensitivity analysis is conducted including firm commitments and forecast transactions (economic perspective) and if all foreign currencies were to appreciate or decline by 10% against the euro, the following opportunities (positive values) and risks (negative values) would arise. The forecast transactions aim to hedge revenue in foreign currency that the Company expects is highly likely to be recognized. Assumptions by management relating to the probability of revenue recognition are based on historical data among other things, and the scope of the hedges is typical for MAN's business.

€ million	12/31/2010		12/31/2009	
	+10%	–10%	+10%	–10%
Firm commitments	+2	–2	+2	–2
Forecast transactions	+4	–4	+1	–1

Although we endeavor to fully hedge all foreign currency positions, open foreign currency positions do arise at the end of the reporting period, for example in sterling.

If the transactions included in the sensitivity analysis in accordance with IFRS 7 are limited to derivative and nonderivative financial instruments, the currency positions no longer appear to be largely closed as described above. A hypothetical appreciation/decline of the relevant functional currencies by 10% against the other currencies would lead to the following effects on other comprehensive income and net income for the period.

€ million								
				12/31/2010				12/31/2009
		Other comprehensive income		Net income for the period		Other comprehensive income		Net income for the period
Exchange rate	**+10%**	**–10%**	**+10%**	**–10%**	+10%	–10%	+10%	–10%
Euro/UK pound sterling	8	–8	52	–52	10	–10	56	–56
Euro/US dollar	18	–15	18	–18	20	–19	39	–39
Euro/Swiss franc	–15	15	2	–2	–8	8	–20	20
Euro/Danish krone	0	0	–10	10	0	0	–25	25
Euro/Japanese yen	0	0	–5	5	0	0	–8	8
Brazilian real/US dollar	5	–5	–2	2	19	–19	–2	2
Euro/Russian ruble	0	0	–3	3	0	0	–18	18
Swiss franc/US dollar	1	–1	0	0	3	–3	–20	20

In the course of the year, losses of €16 million (previous year: gains of €21 million) from cash flow hedges were reclassified from other comprehensive income to net income. In addition, a loss totaling €1 million (previous year: loss of €13 million) was transferred to other operating income and other operating expenses because the underlying did not reach the volume originally planned. In fiscal 2010, net unrealized losses (before taxes) from the measurement of derivatives amounting to €40 million (previous year: gains of €49 million) were recognized in other comprehensive income.

If the results of the retrospective effectiveness test applied to cash flow hedge accounting indicate that effectiveness is not 100% but still within the effectiveness range of 80 to 125%, the resulting hedge ineffectiveness is recognized in other operating expenses and other operating income. For fiscal 2010, this related to total hedge ineffectiveness of €–1,506 thousand (previous year: €355 thousand).

The maximum remaining term of cash flow hedges of forecast transactions was 47 months at the end of fiscal 2010. 34% of the hedged forecast transactions are expected to occur and thus affect net income in the first quarter of 2011. A further 48% of the forecast transactions are expected to be implemented by the end of 2011.

Early termination of cash flow hedges resulted in gains of €3 million (previous year: gains of €8 million) in fiscal 2010, as the hedged transactions are no longer expected to occur (e.g., because of order cancellations by customers).

Losses on hedging instruments used in fair value hedges amounted to €44 million (previous year: losses of €56 million). Gains on the related underlyings amounted to €40 million (previous year: gains of €57 million).

c) Interest rate risk

The MAN Group holds assets and liabilities that are sensitive to interest rate movements because of its cash generation and investment activities. Interest rate-sensitive assets result primarily from customer financing, especially leases, which are mainly entered into at fixed rates of interest. Interest rate-sensitive financial liabilities at the end of the reporting period related in particular to fixed-rate euro bond issues and other fixed and variable-rate financial liabilities.

Interest rate-sensitive financial instruments are exposed to interest rate risk in the form of a fair value risk or a cash flow risk. Fair value risk is a measure of the sensitivity of the carrying amount of a financial instrument to changes in market rates of interest. By contrast, cash flow risk describes the exposure to variability in future interest payments in response to interest rate movements.

The goal of interest rate risk management is to largely eliminate interest rate risk from operating business. MAN enters into hedges to mitigate risk resulting from nonderivative financial instruments, including in certain cases for highly probable forecast customer transactions. Interest rate risk is analyzed and managed centrally in the MAN Group using sensitivity analyses. These sensitivity analyses are based on the following assumptions:

In the case of nonderivative financial instruments bearing variable rates of interest and interest rate derivatives that do not form part of a hedging relationship in accordance with IAS 39, changes in market rates of interest affect future interest payments and are therefore included in the calculation of cash flow and fair value risk.

Fixed-rate nonderivative financial instruments measured at amortized cost and fixed-rate financial instruments and hedging instruments included in a fair value hedge are not exposed to any interest rate risk, because interest rate-related changes in the value of the hedged item and the hedging instrument offset each other almost entirely in profit or loss in the same period.

A 100 basis point (bp) parallel shift in the yield curve is assumed to calculate interest rate sensitivity. This would produce the following opportunities (positive values) and risks (negative values):

€ million	12/31/2010		12/31/2009	
	+100 bp	**–100 bp**	+100 bp	–100 bp
Variable-rate nonderivative financial instruments (cash flow risk)	–3	+3	–15	+15
Derivatives (fair value risk)	+26	–26	+14	–14

The earnings effects of the interest rate sensitivity analysis would be recognized in full in net income for the period.

We use derivatives such as interest rate swaps, forward swaps, and, if appropriate, caps and floors etc. to limit the interest rate risk resulting from nonderivative financial instruments; the volumes and maturities are based on the redemption structure of the defined customer portfolios or of the financial liability, and on the target hedging level.

If the derivatives employed are designed not to hedge the risk of individual financial instruments, but of a portfolio, this hedging strategy does not meet the criteria for hedge accounting in accordance with IAS 39. However, the interest rate risk is still economically hedged.

d) Commodity price risk

MAN is exposed to the risk of changes in the price and availability of commodities, i.e., procurement risk, in procuring both production materials and energy (electricity, gas, oil, etc.).

In addition to fixed-price agreements with suppliers or price escalation clauses on customer contracts, the ability to hedge price risks using suitable financial instruments is becoming ever more important. One advantage of this price hedging in the financial markets is that the timing, scope, and volume of the hedges are at MAN's discretion rather than dependent on supplier contracts. MAN did not enter into any commodities derivatives in 2010. However, it plans to use these instruments in fiscal 2011.

e) Credit risk

From the MAN Group's perspective, credit risk defines the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the MAN Group. Credit risk comprises both the direct default risk and the risk that the creditworthiness of a counterparty will deteriorate, as well as any clustering of individual risks.

The MAN Group is exposed to credit risk because of its business operations and its financing and leasing activities. The maximum credit risk is reflected by the carrying amount of the financial assets recognized in the balance sheet (see note (30)). The following measures in particular are used to minimize credit risk and measure risk provisions:

Liquidity management and investment is handled by the central Cash Management function. This carefully selects the financial institutions and investment forms when investing cash funds, focusing on a conservative investment strategy.

To reduce the default risk of derivatives, we only enter into derivatives transactions with prominent, prime-rated banks (investment grade institutions).

In the operating business, country and counterparty risks are continuously assessed locally; risks are classified and profiled on this basis. Outstanding balances are continuously monitored locally. Valuation allowances are recognized to reflect default risks. Credit risk is mitigated by various forms of protection, which may also be country-specific if appropriate. Examples include documentary credits, credit insurance, sureties, guarantees, and retention of title, as well as customer prepayments. In the project business, the default risk is minimized by requiring prepayments and obtaining collateral.

The MAN Group recognizes adequate risk provisions for the credit risk resulting from the operating business. This is achieved by continuously monitoring all receivables and by recognizing bad debt allowances if there is objective evidence of default or other breach of contract. Material individual receivables, as well as receivables whose collectibility is in doubt, are measured on an item-by-item basis. In 2010, the contract terms of receivables amounting to €1 million were renegotiated (e.g., by prolonging payment periods). The remaining receivables are combined into groups of similar contracts and then tested for impairment, reflecting country-specific risks and any collateral received.

Credit risk from financing and lease activities is monitored on the basis of the portfolio at risk. Customer creditworthiness is continuously monitored by assigning customers to risk classes, based on information from the local MAN Finance companies as well as from standard external sources. Nonrecourse factoring of parts of the receivables portfolio additionally limits the maximum credit risk. As a rule, additional collateral is provided by assignment of the financed vehicle as security, as well as by customer prepayments if appropriate.

The MAN Group recognizes adequate risk provisions for the credit risk from financing and leasing activities. If individual contracts are breached, measures are taken to renegotiate the existing contract terms in line with the customer's economic situation or to recover the financed asset. As of December 31, 2010, the payment terms of a total of 2,357 contracts with an outstanding volume of receivables of €107 million were renegotiated. Contract terms are renegotiated only if the customer's liquidity problems are deemed to be no more than temporary and MAN Finance's long-term risk assessment indicates an improvement. Additionally, customer-specific risk provisions are recognized to reflect certain criteria. These provisions cover expected losses due to the uncollectibility of installments, potential realization losses from marketing the financed assets, as well as other expenses expected to be incurred if the contract is terminated prematurely. Measurement of the risk provision reflects the estimated fair value of the financed assets serving as collateral, as well as repayments received and other collateral. In addition, collective risk provisions are recognized depending on certain indicators. The amount of these provisions is measured in particular on the basis of actual credit losses in the recent past.

The following table presents information on financial assets that are past due but not individually impaired:

€ million			12/31/2010			12/31/2009
	Trade receivables	Finance lease receivables	Other financial assets	Trade receivables and receivables from investees	Finance lease receivables	Other financial assets
30 days or less	212	5	0	250	6	0
31–90 days	116	4	–	160	8	0
91–180 days	69	2	–	101	9	–
181 days–1 year	50	3	–	47	3	–
More than 1 year	34	7	–	30	1	0
Total financial assets past due but not individually impaired	481	21	0	588	27	0
Financial assets neither individually impaired nor past due	1,784	1,029	440	1,614	1,069	455
Carrying amounts	2,265	1,050	440	2,202	1,096	455

Collective impairment losses are recognized for groups of financial assets on the basis of past experience to cover the credit risk from these receivables and from receivables not past due.

In the case of receivables and other financial assets that are neither individually impaired nor past due, there are no indications at the end of the reporting period that their credit quality is impaired.

f) Liquidity risk

Liquidity risk describes the risk that difficulty will be encountered in meeting obligations associated with financial liabilities.

To counter this risk, the MAN Group has an effective financial management system that continuously monitors and manages cash inflows and outflows and due dates. Cash funds are primarily generated by our operating business and by external financing arrangements. Financial management for the operating units is implemented centrally using a cash pooling process. Daily pooling of cash funds manages liquidity surpluses and requirements both at individual Group companies and in the MAN Group to ensure that all of their needs are met. For external financing purposes, the opportunities available on the financial market are tracked continuously to ensure the MAN Group's financial flexibility and limit inappropriate refinancing risks. Further information on existing short- and long-term external financing arrangements and further information on material agreements regarding a change of control can be found in note (23). Cash outflows result mainly from financing working capital, investments, and cover for financing requirements in the leasing and sales financing business. Management is informed regularly about cash inflows and outflows, as well as sources of finance.

In accordance with the requirements of IFRS 7, the information presented in the following table is restricted to undiscounted cash outflows attributable to contractual interest and principal payments for nonderivative financial liabilities and to derivatives with a negative fair value. In the case of derivatives that are settled gross, the analysis includes not only the cash outflow, but also the cash inflow from the settlement of the derivative to prevent distortions in the presentation. If no contractual maturity has been agreed, the liability refers to the earliest maturity date. Variable-rate interest payments reflect the conditions at the end of the reporting period. It is generally assumed that the cash outflows will not occur earlier than shown below.

€ million						
			12/31/2010			12/31/2009
	Due within one year	**Due between one and five years**	**Due after more than five years**	Due within one year	Due between one and five years	Due after more than five years
Cash outflows from nonderivative financial liabilities	3,096	1,707	541	2,757	2,009	579
of which: financial liabilities	997	1,700	537	1,266	2,002	574
of which: trade payables	1,978	3	0	1,365	3	0
of which: other financial liabilities	121	4	4	126	4	5
Cash outflows from derivative financial instruments with a negative fair value	90	41	12	93	57	8
of which: settled gross	61	23	4	54	33	–
of which: settled net	29	18	8	39	24	8
Potential cash outflows from contingent liabilities[1]	434	–	–	674	–	–
of which: for contingent liabilities under guarantees	218	–	–	483	–	–
of which: for contingent liabilities under buyback guarantees	216	–	–	191	–	–

1 Contingent liabilities under guarantees relate to guarantees issued for trade obligations. Contingent liabilities under standard industry buyback guarantees exist in respect of financing companies that finance the purchase of the Group's products by third parties. The maximum possible cash outflows are presented. The amounts are assumed to be due in the first year.

The Group has a committed syndicated credit line with banks in the amount of €1.5 billion (previous year: €2.0 billion) that had not been drawn down as of the reporting date. In addition, MAN has bilateral credit lines with financial institutions in the amount of €1.2 billion (previous year: €1.4 billion), of which €430 million (previous year: €578 million) has been utilized.

g) Classification of hedging instruments by type of hedge

The following table shows the fair values of hedging instruments. These relate mainly to currency forwards:

€ million	12/31/2010		12/31/2009	
	with a positive fair value	with a negative fair value	with a positive fair value	with a negative fair value
Fair value hedges	46	2	81	1
Cash flow hedges	51	27	54	12
	97	**29**	**135**	**13**

32 Share-based payment

Share-based payment for members of MAN SE's Executive Board and the directors and other beneficiaries of MAN companies is based on the MAN Stock Program (MSP) established in 2005. Under the MSP, the beneficiaries receive taxable cash payments on condition that they use 50% of the payment amount to purchase MAN SE common shares. Purchase and safekeeping of the shares is undertaken centrally by MAN SE on behalf and for the account of the beneficiaries. The MSP participants may freely dispose of the purchased shares after a four-year vesting period (three years for share purchases up to and including 2009). During the vesting period, the shares may not be sold, pledged, or hedged. If the beneficiary retires or leaves the MAN Group for other reasons, the vesting period is reduced to one year from the date the beneficiary leaves the MAN Group.

In addition, starting in fiscal 2010 the members of MAN SE's Executive Board are required to use 25% of their variable remuneration based on ROE (return on equity before tax) to purchase MAN SE common shares (share bonus) under the terms of the MSP; the vesting period for shares purchased in this way is four years. In fiscal 2009, all beneficiaries were additionally required to use 16.67% of their annual variable remuneration (bonus) to purchase MAN SE common shares (share bonus) under the terms of the MSP; the vesting period for shares purchased in this way was two years.

In fiscal 2010, the beneficiaries received a total of 18,541 (previous year: 39,947) MAN common shares under the MSP 2010 at an average price of €69.53 (previous year: €43.26). Payments for these shares amounted to €1,289 thousand (previous year: €1,728 thousand). The part of the variable remuneration required to be used to purchase MAN common shares amounted to €833 thousand (previous year: €437 thousand). Based on the closing price of €88.99 at December 31, 2010 (previous year: €54.44), this corresponds to 9,354 (previous year: 8,031) MAN common shares. The total expense from the MSP 2010 and the variable remuneration to be used for share purchases under the MSP was €4,242 thousand (previous year: €4,343 thousand). Corresponding provisions were recognized for the share purchases to be made in 2011.

In fiscal 2010, the members of the Executive Board received a total of 7,987 (previous year: 15,883) MAN common shares under the MSP 2010 at an average price of €69.53 (previous year: €42.96). Payments for these shares amounted to €555 thousand (previous year: €682 thousand). The part of the variable remuneration required to be used to purchase MAN common shares for fiscal 2010 amounted to €833 thousand. Based on the closing price of €88.99 at December 31, 2010, this corresponds to 9,354 MAN common shares. The members of the Executive Board did not receive any variable share bonus for fiscal 2009 (see note (34) for further information). The total expense from the MSP 2010 and the variable remuneration to be used for share purchases under the MSP was €2,775 thousand (previous year: €1,365 thousand).

72,472 MAN SE shares were contingently granted in April 2010 under the stock program for managers (MSP M), which was launched in 2010. On a discretionary basis, the Executive Board of MAN SE contingently grants managers shares of MAN SE, which they are eligible to receive at a later date without themselves making a significant additional contribution. The Executive Board of MAN SE decides each year anew whether to implement MSP M and thus contingently grant shares of MAN SE. Implementation of MSP M is usually linked to targets and conditions defined in advance by the Executive Board of MAN SE. At the end of a lock-up period, MAN SE transfers the granted shares of MAN SE to a securities account designated by the beneficiary. The lock-up period for granted shares is four years. In fiscal 2010, the expense from MSP M was €0.8 million.

33 Related party disclosures

In accordance with the notification pursuant to section 21 (1) sentence 1 of the WpHG received in February 2007, Volkswagen AG holds a 29.9% interest in MAN SE. Goods and services amounting to €26 million (previous year: €21 million) were purchased from Volkswagen AG in fiscal 2010. These resulted in liabilities to Volkswagen AG of €5 million (previous year: €4 million) as of December 31, 2010.

In addition, the Company purchased a call option on Scania shares from Volkswagen AG in 2008; see notes (16) and (37). For information on the purchase of VW Truck & Bus from Volkswagen AG in fiscal 2009, see note (6).

Related party entities that are significant for the MAN Group are the associates and joint ventures with which it exchanges goods and services as part of normal business transactions. The following table shows the volume of such relationships.

€ million	12/31/2010	12/31/2009
Revenue	536	512
Other income	4	33
Purchased services	161	106
Receivables	171	109
Liabilities	35	41

€43 million of the Company's revenue relates to income received in connection with the licensing agreement with Sinotruk governing TGA truck technology, including engines, vehicle chassis, and axles. Any intercompany profits arising were eliminated. Please see notes (6) and (16) for further information.

€43 million of the Company's revenue relates to deliveries of goods and services from transactions with Ferrostaal. Please see note (6) for further information.

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to notes (34) and (35) below.

34 Remuneration of the Executive Board

The remuneration of the members of the Executive Board was as follows:

€ thousand	2010	2009
Executive Board members in office as of December 31, 2010[1]		
Fixed remuneration	2,355	863
Variable cash bonus	5,482	0
Variable stock bonus and MSP[3]	2,712	405
Pension expense	656	339
Former Executive Board members[2]		
Fixed remuneration	–	2,042
Variable cash bonus	–	0
Variable stock bonus and MSP[3]	–	960
Pension expense	–	1,098
Total	**11,205**	**5,707**

1 Dr.-Ing. Georg Pachta-Reyhofen (Chief Executive Officer),
Frank H. Lutz since December 11, 2009,
Jörg Schwitalla since May 19, 2009,
Klaus Stahlmann since January 1, 2010

2 Dipl.-Ing. Håkan Samuelsson (former Executive Board Chairman) until November 23, 2009,
Prof. Dr. h.c. Karlheinz Hornung until December 11, 2009,
Dr. jur. Matthias Mitscherlich until March 25, 2009,
Dipl.-Ökonom Anton Weinmann until November 30, 2009

3 2009: MSP only (see note (32) for further information)

The variable cash bonus in fiscal 2010 includes a special payment for Dr.-Ing. Georg Pachta-Reyhofen in the amount of €400 thousand and for Jörg Schwitalla in the amount of €150 thousand.

In addition, severance payments amounting to a total of €21,064 thousand (including €2,541 thousand for pensions) were attributable to the four Executive Board members who left in fiscal 2009. These termination benefits relate to Dipl.-Ing. Håkan Samuelsson (total of €7,323 thousand), Prof. Dr. h.c. Karlheinz Hornung (total of €4,494 thousand), Dipl.-Ökonom Anton Weinmann (total of €4,839 thousand) and Dr. jur. Matthias Mitscherlich (€4,408 thousand). €4,408 thousand had already been paid in fiscal 2009 for Dr. jur. Matthias Mitscherlich and €604 thousand for the other three former Executive Board members. An additional €7,142 thousand was paid to these three former Executive Board members in fiscal 2010. Appropriate provisions were recognized for the committed termination benefits in excess of these amounts.

The present value of pension obligations as of December 31, 2010, to members of the Executive Board in office as of the end of the year amounted to €3,222 thousand (previous year: €2,008 thousand). The total expense from the addition to the provision amounted to €656 thousand in 2010 (previous year: €1,997 thousand), of which €536 thousand (previous year: €1,437 thousand) related to current service and €120 thousand (previous year: €560 thousand) to interest. The expense from the addition to the provision for fiscal 2009 includes both the current service and the interest cost for the Executive Board members who left in 2009 on a pro rata basis until the date they left the Executive Board. The pension expense includes the service cost resulting from pension provisions.

Pension payments to former Executive Board members, including amounts paid in the first year after termination of contract and retirement, and to their surviving dependents amounted to €3,181 thousand as of December 31, 2010 (previous year: €3,367 thousand). A total of €47,130 thousand (previous year: €47,792 thousand) was recognized as of December 31, 2010 for provisions for pension obligations to former Executive Board members and their surviving dependents.

The members of the Executive Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on pages 189 et seq., and more detailed information on the remuneration structure and its components is disclosed on pages 21 et seq. of this Annual Report.

The individual remuneration of the members of the Executive Board is shown in the following table:

Executive Board remuneration 2010 (2009)
€ thousand

	Fixed remuneration	Variable cash bonus	Variable stock bonus and MSP[1]	Pension expense	Total	No. of shares vested in fiscal year
Executive Board members in office as of December 31, 2010						
Dr.-Ing. Georg Pachta-Reyhofen (Chief Executive Officer)	734 (548)	1,955 (0)	855 (257)	321 (241)	3,856 (1,046)	2,518 (2,995)
Frank H. Lutz (since December 11, 2009)	529 (–)	1,111 (0)	611 (–)	88 (67)	2,339 (67)	1,799 (–)
Jörg Schwitalla (since May 19, 2009)	551 (315)	1,305 (0)	635 (148)	146 (31)	2,637 (494)	1,871 (1,721[2])
Klaus Stahlmann (since January 1, 2010)	541 (–)	1,111 (–)	611 (–)	110 (–)	2,373 (–)	1,799 (–)
Former Executive Board members						
Dipl.-Ing. Håkan Samuelsson (former Executive Board Chairman) (until November, 23, 2009)	– (795)	– (0)	– (425)	– (402)	– (1,622)	– (4,944)
Prof. Dr. h.c. Karlheinz Hornung (until December 11, 2009)	– (533)	– (0)	– (257)	– (239)	– (1,029)	– (2,995)
Dr. jur. Matthias Mitscherlich (until March 25, 2009)	– (137)	– (0)	– (0)	– (229)	– (366)	– (0)
Dipl.-Ökonom Anton Weinmann (until November 30, 2009)	– (577)	– (0)	– (278)	– (228)	– (1,083)	– (3,228)
Total	**2,355** **(2,905)**	**5,482** **(0)**	**2,712** **(1,365)**	**656** **(1,437)**	**11,205** **(5,707)**	**7,987** **(15,883)**

1 2009: MSP only (see note (32) for further information)

2 Pro rata corresponding to membership of the Executive Board

The cost of the shares purchased in the fiscal year is contained in the amounts shown for the variable stock bonus and MSP.

35 Remuneration of the Supervisory Board

The components of the remuneration of the Supervisory Board are as follows:

€ thousand	2010	2009
Fixed remuneration	630	675
Variable remuneration	1,260	0
Remuneration for committee membership	245	266
Attendance fees	48	–
Total	**2,183**	**941**

The members of the Supervisory Board are listed on pages 189 et seq. The list includes their memberships of other statutory supervisory boards and comparable supervisory bodies; additional information on the remuneration structure and its components is disclosed on pages 23 et seq. of this Annual Report.

The individual remuneration of the active members of the Supervisory Board is shown in the following table:

Supervisory Board remuneration
€ thousand

Name	Period of membership	Fixed remuneration	Variable remuneration	Remuneration for committee membership	Attendance fees	Total 2010	Total 2009
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman	Full-year	70	140	35	0	245	118
Thomas Otto, Deputy Chairman	Full-year	53	105	35	6	199	90
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz, Deputy Chairman	Full-year	53	105	30	4	192	77
Michael Behrendt	Full-year	35	70	35	4	144	77
Marek Berdychowski	Full-year	35	70	0	2	107	22
Ulf Berkenhagen	Apr. 1, 2010 to Dec. 31, 2010	26	52	0	2	80	0
Detlef Dirks	Full-year	35	70	0	2	107	35
Jürgen Dorn	Full-year	35	70	35	6	146	72
Dr. jur. Heiner Hasford	Full-year	35	70	0	2	107	35
Jürgen Kerner	Full-year	35	70	0	2	107	35
Prof. Dr. rer. pol. Renate Köcher	Full-year	35	70	0	2	107	35
Gerhard Kreutzer	Full-year	35	70	35	6	146	57
Nicola Lopopolo	Full-year	35	70	0	2	107	35
Dipl.-Kfm. Stefan W. Ropers	until Apr. 1, 2010	8	18	5	0	31	53
Dr.-Ing. E.h. Rudolf Rupprecht	Full-year	35	70	0	2	107	35
Erich Schwarz	Full-year	35	70	0	2	107	22
Rupert Stadler	Full-year	35	70	35	4	144	70
Members who left the Supervisory Board in 2009							73
Total 2010		**630**	**1,260**	**245**	**48**	**2,183**	–
Total 2009		675	0	266	–	–	941

For their membership of supervisory boards of other companies in the MAN Group, Mr. Dorn received €10 thousand (previous year: €10 thousand), Mr. Kerner received €8 thousand (previous year: €5 thousand), Mr. Kreutzer received €8 thousand (previous year: €0 thousand), Mr. Loos received €0 thousand (previous year: €3 thousand), Mr. Otto received €21 thousand (previous year: €21 thousand), and Mr. Stadler received €21 thousand (previous year: €0 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €35 thousand in fiscal 2010 (previous year: €111 thousand).

36 Corporate Governance Code

The Executive Board and Supervisory Board of MAN SE issued their annual declaration of conformity in accordance with section 161 of the AktG in December 2010. The joint declaration of conformity by the Executive Board and the Supervisory Board has been published on the MAN Group's website at www.man.eu.

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

37 Events after the reporting period

On January 5, 2011, MAN exercised its right to cash settlement in connection with the call option on 1.5% of the equity and 2.8% of the outstanding voting rights of Scania. The transaction led to a cash settlement of €29 million, which MAN received on January 7, 2011. At the same time, MAN lost access to more than 20% of the voting rights of Scania, with the result that, after January 5, 2011, the investment in Scania is no longer accounted for using the equity method in accordance with IAS 28, but as an available-for-sale financial asset in accordance with IAS 39. This financial investment was initially recognized at fair value on January 5, 2011 and amounted to €1,815 million. The reclassification resulted in a gain of approximately €455 million in the first quarter of 2011.

From January 18 to 20, 2011, the European Commission conducted a search at MAN due to a suspected possible antitrust violation in the commercial vehicles business. MAN has assured the European Commission comprehensive cooperation in order to thoroughly clarify the allegations. MAN does not tolerate compliance violations. Neither corruption nor breaches of competition law are tolerated, encouraged, or accepted by MAN.

38 Segment reporting

In fiscal 2010, the former MAN Diesel and MAN Turbo divisions were merged to form the MAN Diesel & Turbo division. The Renk industrial subsidiary is also managed as a separate division from the first quarter of 2010. The activities of the MAN Group are therefore classified into the following reportable segments effective Q1/2010: MAN Truck & Bus, MAN Latin America, MAN Diesel & Turbo, and the Renk industrial subsidiary. The prior-year figures were adjusted to reflect the new reporting format. In order to make decisions about the allocation of resources and the assessment of performance, the results of these segments are regularly reviewed by MAN SE's Executive Board in its role as chief operating decision–maker. "Others/Consolidation and Reconciliation" mainly comprises MAN's Corporate Center. Companies with no operating activities and the equity-method investments Scania, Sinotruk, and Roland are allocated to the Corporate Center.

Description of the reportable segments:
MAN Truck & Bus is expanding from its core Western European market into the growth markets of Eastern Europe and Asia.
As the market leader in Brazil, **MAN Latin America** has an extensive sales and service network in the emerging Latin American markets.
MAN Diesel & Turbo is a global leader in large marine diesel engines and stationary engines, as well as having a substantial product range for turbomachinery.
Renk is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems.

MAN's business activities focus on two business areas: **Commercial Vehicles**, comprising MAN Truck & Bus and MAN Latin America, and **Power Engineering**, featuring MAN Diesel & Turbo and Renk. MAN is a leading provider in the international commercial vehicles industry and offers customer-focused products and services worldwide. Power Engineering is MAN's second strategic business area and provides a suitable counterbalance to Commercial Vehicles.

The segment information represents continuing operations. The segment disclosures for the current and the previous period therefore do not include the corresponding information for discontinued operations, although it is contained in the consolidated financial statements. For further information on discontinued operations, see note (6).

The earnings measure used to assess the performance of a segment is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). To enhance the long-term assessment of operating activities, the effects of tangible and intangible assets resulting from business combinations and acquisitions of equity-method investments are eliminated from operating profit. In individual cases, an adjustment is made for nonrecurring items, which represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business.

Segment assets and liabilities correspond to the total assets and liabilities of the individual business areas. "Net liquidity/net financial debt" is a financial control measure and is calculated as cash and cash equivalents and marketable securities, less financial liabilities.

Segment financial information is presented in accordance with the disclosure and measurement policies applied to preparation of the consolidated financial statements. Revenues between the segments are transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to the intangible assets, property, plant, and equipment, investment property, and investees (excluding assets leased out) allocated to the individual divisions. Please see "Financial control system and value management" in the Group management report for information on the key performance indicator ROS.

The following table contains segment-related information and a reconciliation from operating profit to net income, and from net liquidity/net financial debt to free cash flow.

Segment information

€ million						
	Commercial Vehicles					
	MAN Truck & Bus incl. MAN Finance		MAN Latin America		Commercial Vehicles[2]	
	2010	2009	2010	2009	2010	2009
Segment order intake[1]	**8,023**	**5,224**	**3,140**	**1,412**	**11,163**	**6,636**
of which: Germany	2,864	2,043	–	–	2,864	2,043
of which: Other countries	5,159	3,181	3,140	1,412	8,299	4,593
Intersegment order intake	–61	–5	–6	–	–67	–5
Group order intake	7,962	5,219	3,134	1,412	11,096	6,631
Segment revenue	**7,446**	**6,395**	**3,140**	**1,412**	**10,586**	**7,807**
of which: Germany	2,566	2,175	–	–	2,566	2,175
of which: Other countries	4,880	4,220	3,140	1,412	8,020	5,632
Intersegment revenue	–53	–11	–6	–	–59	–11
Group revenue	7,393	6,384	3,134	1,412	10,527	7,796
Order backlog at December 31, 2010, and December 31, 2009	**2,742**	**2,603**	**–**	**–**	**2,742**	**2,603**
Total assets at December 31, 2010, and December 31, 2009	**8,188**	**7,967**	**3,201**	**2,556**	**11,389**	**10,523**
of which: inventories	1,395	1,600	316	133	1,711	1,733
of which: trade and finance lease receivables	2,371	2,273	238	199	2,609	2,472
of which: cash and cash equivalents, marketable securities	89	87	492	399	581	486
Segment liabilities at December 31, 2010, and December 31, 2009	**5,706**	**5,676**	**1,456**	**1,104**	**7,162**	**6,780**
of which: trade payables	964	588	393	203	1,357	791
Operating profit/loss	**158**	**–91**	**370**	**142**	**528**	**51**
Earnings effects from purchase price allocations	–	–	–99	–62	–99	–62
Losses from nonrecurring items	–	–111	–	–	–	–111
Earnings before interest and taxes (EBIT)	**158**	**–202**	**271**	**80**	**429**	**–122**
Net interest income/expense	–32	–56	–17	8	–49	–48
Earnings before tax (EBT) of continuing operations	**126**	**–258**	**254**	**88**	**380**	**–170**
Earnings before interest, taxes, depreciation, and amortization (EBITDA) of continuing operations	**375**	**23**	**409**	**168**	**784**	**191**
of which: depreciation and amortization	–216	–225	–138	–88	–354	–313
of which: impairment losses	–1	0	–	–	–1	0
of which: reversals of impairment losses on equity-method investments	–	–	–	–	–	–
Net liquidity/net financial debt	**–1,618**	**–2,001**	**254**	**181**	**–1,364**	**–1,820**
Reconciliation to free cash flow	–2,041	–2,675	125	63	–1,916	–2,612
Free cash flow	**423**	**674**	**129**	**118**	**552**	**792**
of which: net cash flows from operating activities	622	849	201	140	823	989
of which: net cash flows from investing activities	–199	–175	–72	–22	–271	–197
Capital expenditures	**207**	**205**	**76**	**24**	**283**	**229**
Additional information by segment:						
Headcount including subcontracted employees at December 31, 2010 and December 31, 2009 (no.)	**31,284**	**31,519**	**1,736**	**1,510**	**33,020**	**33,029**
of which: Germany	18,616	18,309	–	–	18,616	18,309
of which: Other countries	12,668	13,210	1,736	1,510	14,404	14,720
Headcount at December 31, 2010, and December 31, 2009 (no.)	**30,460**	**30,782**	**1,736**	**1,510**	**32,196**	**32,292**
Key performance indicators						
ROS (%)	2.1	–1.4	11.8	10.1	5.0	0.7

1 This supplementary information on order intake is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

2 Gross presentation excluding consolidation effects

3 Corporate Center: MAN SE, Shared Services, and holding companies

Power Engineering						Others/Consolidation and Reconciliation						Group	
MAN Diesel & Turbo		Renk		Power Engineering[2]		Corporate Center[3]		Cons./ Reconcil.		Total			
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
3,475	2,936	525	294	4,000	3,230	42	122	–133	–128	–91	–6	15,072	9,860
393	247	262	97	655	344	42	122	–72	–121	–30	1	3,489	2,388
3,082	2,689	263	197	3,345	2,886	–	–	–61	–7	–61	–7	11,583	7,472
–10	–4	–20	–11	–30	–15	–36	–108	133	128	97	20	–	–
3,465	2,932	505	283	3,970	3,215	6	14	–	–	6	14	15,072	9,860
3,766	3,796	403	474	4,169	4,270	42	122	–122	–173	–80	–51	14,675	12,026
397	432	120	173	517	605	42	122	–67	–151	–25	–29	3,058	2,751
3,369	3,364	283	301	3,652	3,665	–	–	–55	–22	–55	–22	11,617	9,275
–10	–20	–17	–32	–27	–52	–36	–108	122	171	86	63	–	–
3,756	3,776	386	442	4,142	4,218	6	14	–	–2	6	12	14,675	12,026
3,793	4,422	522	415	4,315	4,837	–	–	–32	–18	–32	–18	7,025	7,422
3,428	3,008	419	393	3,847	3,401	5,225	4,696	–3,030	–2,725	2,195	1,971	17,431	15,895
1,038	1,187	110	121	1,148	1,308	–	0	–7	–4	–7	–4	2,852	3,037
678	744	73	93	751	837	4	6	–49	–17	–45	–11	3,315	3,298
867	350	100	53	967	403	2,293	2,238	–2,770	–2,491	–477	–253	1,071	636
2,241	2,001	202	201	2,443	2,202	4,806	4,429	–2,970	–2,645	1,836	1,784	11,441	10,766
611	534	35	38	646	572	19	14	–41	–9	–22	5	1,981	1,368
439	500	52	66	491	566	32	–112	–16	–1	16	–113	1,035	504
–	–	–	–	–	–	–10	–	–	–	–10	–	–109	–62
–	–100	–	–	–	–100	357	–445	–	–	357	–445	357	–656
439	400	52	66	491	466	379	–557	–16	–1	363	–558	1,283	–214
0	0	0	–1	0	–1	–109	–68	0	–	–109	–68	–158	–117
439	400	52	65	491	465	270	–625	–16	–1	254	–626	1,125	–331
522	474	65	77	587	551	38	–151	–16	–1	22	–152	1,393	590
–76	–67	–13	–11	–89	–78	–13	–23	–	–	–13	–23	–456	–414
–7	–7	–	–	–7	–7	–3	–383	–	–	–3	–383	–11	–390
–	–	–	–	–	–	357	–	–	–	357	–	357	–
845	334	99	53	944	387	–1,358	–1,201	–	0	–1,358	–1,201	–1,778	–2,634
141	238	40	11	181	249	–1,237	1,155	141	–304	–1,096	851	–2,831	–1,512
704	96	59	42	763	138	–121	–2,356	–141	304	–262	–2,052	1,053	–1,122
779	229	81	62	860	291	–118	–272	–138	454	–256	182	1,427	1,462
–75	–133	–22	–20	–97	–153	–3	–2,084	–3	–150	–6	–2,234	–374	–2,584
85	141	23	20	108	161	5	1,916	0	–3	5	1,913	396	2,303
12,455	12,511	1,882	1,903	14,337	14,414	312	300	–	–	312	300	47,669	47,743
6,709	6,415	1,720	1,747	8,429	8,162	309	297	–	–	309	297	27,354	26,768
5,746	6,096	162	156	5,908	6,252	3	3	–	–	3	3	20,315	20,975
11,373	11,641	1,814	1,868	13,187	13,509	310	299	–	–	310	299	45,693	46,100
11.7	13.2	12.9	13.9	11.8	13.3	–	–	–	–	–	–	7.1	4.2

Segment information by region

€ million	Germany	Rest of Europe	Rest of World[1]	Total
2010				
Non-current assets (excl. financial instruments and deferred taxes) at December 31	3,060	1,698	1,858	6,616
Capital expenditures	264	58	74	396
Revenue	3,058	4,869	6,748	14,675
Headcount at December 31 (no.)	26,046	15,407	4,240	45,693
Headcount including subcontracted employees at December 31	27,354	15,757	4,558	47,669
2009				
Non-current assets (excl. financial instruments and deferred taxes) at December 31	2,709	1,683	1,669	6,061
Capital expenditures	280	87	1,936	2,303
Revenue	2,751	4,666	4,609	12,026
Headcount at December 31 (no.)	25,962	16,433	3,705	46,100
Headcount including subcontracted employees at December 31	26,768	16,891	4,084	47,743

[1] Detailed segment information relating to MAN Latin America is contained in the “Segment information” table.

List of shareholdings as of December 31, 2010

	Equity interest
1. Consolidated companies with an exemption under section 264 (3) of the HGB and section 264b of the HGB	
MAN Truck & Bus AG, Munich, Germany	100.00%
MAN Vermietungs GmbH, Munich, Germany	100.00%
MAN Leasing GmbH & Co. Epsilon KG, Munich, Germany	100.00%
MAN Truck & Bus Deutschland GmbH, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Beta KG, Munich, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Alpha KG, Munich, Germany	100.00%
MAN Logistik GmbH, Salzgitter, Germany	100.00%
NEOPLAN Bus GmbH, Plauen, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal, Germany	100.00%
MAN Diesel & Turbo SE, Augsburg, Germany	100.00%
Rostock Diesel Service GmbH, Rostock, Germany	100.00%
MAN Grundstücksges.mbH & Co. Werk Deggendorf DWE KG, Deggendorf, Germany	100.00%
MAN HR Services GmbH, Munich, Germany	100.00%
MAN Versicherungsvermittlung GmbH, Munich, Germany	100.00%
MAN Roland Beteiligungs GmbH, Munich, Germany	100.00%
MAN IT Services GmbH, Munich, Germany	100.00%
MAN Immobilien GmbH, Munich, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal, Germany	100.00%
GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal, Germany	100.00%
MAN Ferrostaal Beteiligungs GmbH, Munich, Germany	100.00%
MAN GHH Immobilien GmbH, Oberhausen, Germany	100.00%
MAN Financial Services GmbH, Munich, Germany	100.00%
MAN Finance International GmbH, Munich, Germany	100.00%
MAN Asset Finance GmbH, Munich, Germany	100.00%
2. Other consolidated companies	
MAN Trucks Sp. z o.o., Niepolomice, Poland	100.00%
MAN Accounting Center Sp. z o.o., Poznan, Poland	100.00%
MAN Nutzfahrzeuge Vertrieb Süd AG, Vienna, Austria	100.00%
MAN Bus Sp. z o.o., Tarnowo Podgórne, Poland	100.00%
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn, Poland	100.00%
ERF Limited, Middlewich, UK	100.00%
MAN Iberia S.A.U., Coslada (Madrid), Spain	100.00%
EURO-Leasing GmbH, Sittensen, Germany	50.13%
Euro-Leasing A/S, Padborg, Denmark	100.00%
EURO-LEASING Sp. z o.o., Szczecin, Poland	100.00%
EURO-Leasing Hellas E.P.E. Thessaloniki, Greece	90.00%
Oy Klappstein AB, Helsinki, Finland	100.00%
Klappstein Nutzfahrzeuge Verwaltungs GmbH, Sittensen, Germany	100.00%
Truck Rental Solutions GmbH, Sittensen, Germany	100.00%
Truck Rental Solutions Hungaria Kft., Budapest, Hungary	100.00%
Truck Rental Solutions Cesko, spol.sr.o., Prague, Czech Republic	100.00%
Truck Rental Solutions Slovensko, Spol.sr.o., Dolná Poruba, Slovakia	100.00%
Truck Rental Solutions Polska Sp. z o.o., Kolbaskowo, Poland	100.00%
Truck Rental Solutions Austria GmbH, Vienna, Austria	100.00%
MAN Last og Bus A/S, Glostrup, Denmark	100.00%
TOV MAN Truck & Bus Ukraine, Kiev, Ukraine	100.00%
MAN Automotive (South Africa) (Pty.) Ltd., Johannesburg, South Africa	100.00%
MAN Truck & Bus (S.A.) (Pty.) Ltd., Johannesburg, South Africa	100.00%
MAN Centurion Truck & Bus (Pty) Ltd t/a, Centurion, South Africa	70.00%
MAN Bus & Coach (Pty.) Ltd., Olifantsfontein, South Africa	100.00%
MAN Nutzfahrzeuge Immobilien GesmbH, Vienna, Austria	100.00%
MAN Hellas Truck & Bus S.A., Peristeri-Athens, Greece	100.00%
MAN Engines & Components Inc., Pompano Beach, U.S.A.	100.00%
MAN Nutzfahrzeuge (Schweiz) AG, Otelfingen, Switzerland	100.00%
MAN Nutzfahrzeuge Österreich AG, Steyr, Austria	100.00%
MAN Vehiculos Industriales (España) S.A.U., Coslada (Madrid), Spain	100.00%
MAN Truck & Bus UK Limited, Swindon (Wiltshire), UK	100.00%

	Equity interest
SA Trucks Ltd., Bristol, UK	100.00%
MAN Last og Buss A/S, Lorenskog, Norway	100.00%
MAN Nutzfahrzeuge Österreich Holding, Steyr, Austria	99.99%
MAN užitková vozidla Česká republika spol. s r.o., Cestlice, Czech Republic	100.00%
MAN Gospodarska vozila Slovenija d.o.o., Ljubljana, Slovenia	100.00%
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100.00%
MAN Türkiye A.S., Akyurt Ankara, Turkey	99.99%
MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey	100.00%
MAN Veiculos Industriais (Portugal) S.U. Lda., Algés (Lisbon), Portugal	100.00%
IPECAS-Gestao de Imoveis S.A., Algés (Lisbon), Portugal	100.00%
MANPorto – Comércio de Veículos, S.A., Porto, Portugal	76.00%
MAN úžitkové vozidlá Slovakia, s.r.o., Bratislava, Slovakia	100.00%
MAN Avtomobili Rossiya, Moscow, Russian Federation	100.00%
MAN Turbo (UK) Limited, London, UK	100.00%
MAN Diesel & Turbo Schweiz AG, Zurich, Switzerland	100.00%
MAN Diesel & Turbo South Africa (Pty) Ltd., Elandsfontein, South Africa	100.00%
MAN Turbo (Changzhou) Co. Ltd., Changzhou, China	100.00%
MAN Diesel & Turbo Australia Pty. Ltd., North Ryde, Australia	100.00%
MAN Diesel & Turbo UK Ltd., Stockport, UK	100.00%
MAN Diesel India Ltd., Aurangabad, India	73.44%
MAN Diesel & Turbo Canada Ltd., Oakville, Canada	100.00%
MAN Diesel & Turbo Pakistan (Private) Limited, Lahore, Pakistan	100.00%
MAN Diesel & Turbo Operations Pakistan (Private) Ltd., Lahore, Pakistan	100.00%
MAN Diesel & Turbo France SAS, St. Nazaire (Villepinte), France	100.00%
MAN Diesel & Turbo Singapore Pte. Ltd., Singapore, Singapore	100.00%
MAN Diesel & Turbo Hong Kong Ltd., Hong Kong, China	100.00%
MAN Diesel & Turbo Benelux B.V., Schiedam, Netherlands	100.00%
MAN Diesel & Turbo Benelux N.V., Antwerp, Belgium	100.00%
MAN Diesel & Turbo North America Inc., Woodbridge, U.S.A.	100.00%
MAN Diesel & Turbo Korea Ltd., Pusan, Korea	100.00%
PBS Turbo s.r.o., Velká Bíteš, Czech Republic	100.00%
MAN Diesel & Turbo Middle East (LLC), Dubai, United Arab Emirates	100.00%
Société de Mécanique de Précision de l'Aubois, Jouet, France	100.00%
MAN Diesel Shanghai Co. Ltd., Shanghai, China	100.00%
MAN Turbo India Pvt. Ltd., Baroda (Vadodara), India	100.00%
MAN Turbo Trading (Shanghai) Co., Ltd., Shanghai, China	100.00%
Renk Aktiengesellschaft, Augsburg, Germany	76.00%
RENK Corporation, Duncan, U.S.A.	100.00%
RENK-MAAG GmbH, Winterthur, Switzerland	100.00%
RENK Test System GmbH, Augsburg, Germany	100.00%
RENK LABECO Test Systems Corporation, Mooresville, U.S.A.	100.00%
Société d'Equipements Systèmes et Mécanismes, Saint-Ouen-l'Aumône, France	100.00%
MAN Finance and Holding S.à r.l., Luxembourg, Luxembourg	100.00%
MAN Capital Corporation, New Jersey, U.S.A.	100.00%
MAN Financial Services SpA, Dossobuono di Villafranca VR, Italy	100.00%
MAN Financial Services SAS, Evry Cedex, France	100.00%
MAN Financial Services España S.L., Coslada (Madrid), Spain	100,00%
MAN Financial Services Tüketici Finansmani A.S., Ankara, Turkey	99.99%
MAN Financial Services GesmbH, Eugendorf, Austria	100.00%
MAN Financial Services OOO, Moscow, Russian Federation	100.00%
MAN Financial Services Portugal, Unipessoal, Lda, Lisbon, Portugal	100.00%
MAN Credit società finanziaria S.r.l., Dossobuono di Villafranca VR, Italy	100.00%
MAN Financial Services Poland Sp. z o.o., Nadarzyn, Poland	100.00%
MAN Location & Services S.A.S., Evry Cedex, France	100.00%
Trucknology S.A., Luxembourg, Luxembourg	0.00% [1]
MANTAB Holdings, London, UK	0.00% [1]
MANTAB Funding Limited, London, UK	0.00% [1]
MANTAB Assets Limited, London, UK	0.00% [1]
MANTAB Trucks Limited, London, UK	0.00% [1]
MAN Financial Services plc, Swindon (Wiltshire), UK	100.00%
MAN Truck&Bus Mexico S.A. de C.V., El Marques, Mexico	100.00%
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	100.00%

	Equity interest
3. Unconsolidated companies (section 296 (2) of the HGB)	
MAN Personal Services GmbH, Dachau, Germany	100.00%
MAN Verwaltungs-Gesellschaft mbH, Munich, Germany	100.00%
MAN Service und Support GmbH, Munich, Germany	100.00%
MAN Truck & Bus Asia Pacific Co., Ltd., Bangkok, Thailand	99.99%
MAN Truck and Bus pvt. Ltd., Mumbai, India	99.00%
MAN Truck & Bus Sdn. Bhd., Rawang, Malaysia	70.00%
MAN Truck & Bus (Korea) Limited, Seoul, South Korea	100.00%
MAN ERF Ireland Properties Limited, Dublin, Ireland	100.00%
ERF (Holdings) plc, Swindon, UK	100.00%
MAN Truck & Bus (China), Beijing, China	100.00%
MAN Truck & Bus Kasakhstan LLP, Almaty, Kazakhstan	100.00%
MAN Properties (Pinetown) (Pty.) Ltd., Pinetown, South Africa	100.00%
MAN Properties (Midrand) (Pty.) Ltd., Midrand, South Africa	100.00%
MAN Properties (Pty.) Ltd., Johannesburg, South Africa	100.00%
LKW Komponenten s.r.o., Bánovce nad Bebravou, Slovakia	100.00%
MAN IT Services Österreich GesmbH, Steyr, Austria	100.00%
MAN Lastbilar och Bussar AB, Kungens Kurva, Sweden	100.00%
MAN Middle East FZCO - MN-Subdivision, Dubai, United Arab Emirates	50.00%
Railway Mine & Plantation Equipment Ltd., London, UK	100.00%
MAN International Limited, London, UK	100.00%
MAN Turbo (UK) Ltd., London, UK	100.00%
tcu Turbo Charger GmbH, Augsburg, Germany	100.00%
Aumonta GmbH, Augsburg, Germany	100.00%
MAN Diesel Turbochargers Shanghai Co. Ltd., Shanghai, China	100.00%
Mirrlees Blackstone Ltd., Stockport, UK	100.00%
MAN Diesel Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100.00%
Fifty Two Ltd., Stockport, UK	100.00%
Ruston & Hornsby Ltd., Stockport, UK	100.00%
Paxman Diesels Ltd., Stockport, UK	100.00%
MAN B&W Diesel Services Ltd., Stockport, UK	100.00%
MAN B&W Diesel Electrical Services Ltd., Essex, UK	100.00%
Ruston Diesels Ltd., Stockport, UK	100.00%
MAN Diesel Power India Pvt. Ltd., Navi Mumbai, India	50.00%
MAN Diesel ve Turbo Satis Servis Limited Sirketi, Istanbul, Turkey	100.00%
MAN Diesel South Africa (Proprietary) Limited, Cape Town, South Africa	100.00%
MAN Diesel & Turbo Kenya Ltd., Nairobi, Kenya	100.00%
Metalock Denmark A/S, Copenhagen, Denmark	100.00%
MAN Diesel & Turbo Poland Sp. z o.o., Gdansk, Poland	100.00%
MAN Diesel & Turbo Sverige AB, Gothenburg, Sweden	100.00%
MAN Diesel & Turbo España S.A.U., Madrid, Spain	100.00%
Caribbean Power Application, S.L., Madrid, Spain	100.00%
MAN Diesel & Turbo Brasil Ltda., Rio de Janeiro, Brazil	100.00%
MAN Diesel & Turbo Italia s.r.l., Genoa, Italy	100.00%
MAN Diesel & Turbo Chile Limitada, Valparaíso, Chile	100.00%
XESTORMAN, Unipessoal, Lda, Lisbon, Portugal	100.00%
MAN Diesel & Turbo Bulgaria EOOD, Varna, Bulgaria	100.00%
MAN Diesel & Turbo Costa Rica Limitada, San Jose, Costa Rica	100.00%
MAN Diesel & Turbo Japan Ltd., Kobe, Japan	100.00%
MAN Diesel & Turbo Norge A/S, Oslo, Norway	100.00%
MAN Iran Power Sherkate Sahami Khass, Tehran, Iran	96.00%
MAN Diesel & Turbo Hellas Ltd., Piraeus, Greece	100.00%
MAN Diesel & Turbo Panama Enterprises Inc., Panama City, Panama	100.00%
MAN Diesel & Turbo Russia Ltd., Moscow, Russian Federation	100.00%

	Equity interest
MAN Diesel & Turbo Latvia SIA, Riga, Latvia	100.00%
MAN Diesel Saudi Arabia L. L. C., Jeddah, Saudi Arabia	90.00%
Centrales Diesel Export, Villepinte, France	100.00%
MAN Diesel & Turbo Philippines Inc., Manila, Philippines	100.00%
MAN Diesel & Turbo Canarias S.L., Las Palmas (Canary Island), Spain	100.00%
MAN Diesel & Turbo Guatemala Ltda., Guatemala City, Guatemala	100.00%
MAN Diesel & Turbo Argentina S.A., Buenos Aires, Argentina	100.00%
PT MAN Diesel & Turbo Indonesia, Jakarta, Indonesia	92.62%
MAN Diesel & Turbo Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	49.00%
Gulf Turbo Services LLC, Doha, Qatar	55.00%
RENK (UK) Ltd., London, UK	100.00%
COFICAL RENK Mancais do Brasil LTDA, Guaramirim, Brazil	98.00%
RENK Transmisyon Sanayi A.S., Istanbul, Turkey	55.00%
MAN Grundstücksgesellschaft mbH, Oberhausen, Germany	100.00%
MAN Unterstützungskasse GmbH, Munich, Germany	100.00%
MAN Leasing GmbH & Co. Gamma KG, Munich, Germany	100.00%
MBC Mobile Bridges Corp., Houston, Texas, U.S.A.	100.00%
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pöcking, Germany	100.00%
MAN Grundstücksgesellschaft mbH & Co. Objekt Heilbronn KG, Oberhausen, Germany	100.00%
4. Other companies	
A. Equity-method investments	
A1. Joint ventures	
MAN FORCE TRUCKS Private Limited, Akurdi, India	50.00%
MAN Financial Services SA (Pty) Ltd, Johannesburg, South Africa	50.00%
A2. Associates	
Hörmann Automotive Components GmbH & Co. KG, Gustavsburg, Germany	40.00%
OOO EURO-Leasing RUS, Rjasan, Russian Federation	60.00%
MAN Region West B.V., Vianen, Netherlands	50.00%
JV MAN AUTO - Uzbekistan Limited Liability Company, Samarkand City, Uzbekistan	49.00%
Rheinmetall MAN Military Vehicles GmbH, Munich, Germany	49.00%
Atlas Power Ltd., Karachi, Pakistan	33.54%
Roland Holding GmbH, Munich, Germany	22.83% [2]
Scania AB, Södertälje, Sweden	13.35% [3]
Sinotruk (Hong Kong) Limited, Hong Kong, China	25.00%
Ferrostaal Aktiengesellschaft, Essen, Germany	30.00% [4]
B. Companies carried at cost	
Kosiga KG, Pullach i. Isartal, Germany	47.50%
FFK Fahrzeugservice Förtsch GmbH, Kronach, Germany	30.00%
Coburger Nutzfahrzeuge Service GmbH, Coburg, Germany	30.00%
MAN VW Truck en Bus (Nederland) B.V., Leusden, Netherlands	26.00%
Neoplan Ghana Ltd., Kumasi, Ghana	45.00%
Obermeier Trailertechnik GmbH, Egeln-Nord, Germany	24.00%
PosernConnect GmbH, Sittensen, Germany	49.00%
Grundstücksverwaltungsgesellschaft EURO-Leasing GmbH, Matthias Hinners und Helge Richter GbR, Sittensen, Germany	50.00%
Scavino S.r.l., Alba, Italy	30.00%
De Pretto Industrie S.r.l., Schio, Italy	51.00%
MTC Marine Training Center Hamburg, Germany GmbH, Hamburg, Germany	24.80%
RENK U.A.E. LLC, Abu Dhabi, United Arab Emirates	49.00%
Verwaltungsgesellschaft Wasseralfingen mbH, Aalen, Germany	50.00%

[1] Consolidated special purpose entity with an equity interest of 0.00%

[2] Share of voting rights: 32.82%

[3] Share of voting rights: 17.37%

[4] Reported as held for sale

Supervisory Board—memberships in other governing bodies

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

[1] Volkswagen AG (Chairman)
AUDI AG
Dr. Ing. h.c. F. Porsche AG
Porsche Automobil Holding SE

[3] Porsche Austria GmbH
Porsche Ges.m.b.H.
Porsche Holding GmbH
Porsche Retail GmbH

Thomas Otto*
Ottweiler,
Labor Union Secretary of IG Metall
Deputy Chairman of the Supervisory Board

[1] MAN Diesel & Turbo SE
MAN Truck & Bus AG
MAN Truck & Bus Deutschland GmbH

Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Düsseldorf,
Former Chief Executive Officer of ThyssenKrupp AG
Deputy Chairman of the Supervisory Board

[1] AXA Konzern AG
Bayer AG
RWE AG
ThyssenKrupp AG

Michael Behrendt
Hamburg,
Chief Executive Officer of Hapag-Lloyd AG

[1] Barmenia Allgemeine Versicherungs-AG
Barmenia Krankenversicherung a. G. (Deputy Chairman)
Barmenia Lebensversicherung a. G. (Deputy Chairman)
Esso Deutschland GmbH
ExxonMobil C. E. Holding GmbH
Hamburgische Staatsoper GmbH

Marek Berdychowski*
Tarnovo, Podgórne, Poland,
Deputy Chairman of the Metalowcy labor union at MAN Bus Sp.z o.o., Tarnowo plant, Podgórne and member of the Works Council at MAN Bus Sp.z o.o., Tarnowo plant, Podgórne

Ulf Berkenhagen
Wolfsburg,
Member of the Board of Management of AUDI AG
(Member of the Supervisory Board from April 1, 2010)

[2] quattro GmbH

[4] AUDI HUNGARIA MOTOR Kft., Györ (Deputy Chairman)

Detlef Dirks*
Augsburg,
Works Council Chairman of MAN Diesel & Turbo SE, Augsburg plant

Jürgen Dorn*
Munich,
Chairman of the Group Works Council of MAN SE, as well as the SE Works Council

[1] MAN Truck & Bus AG (Deputy Chairman)

Dr. jur. Heiner Hasford
Munich,
Former Executive Board member of Münchener Rückversicherungs-Gesellschaft AG

[1] D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-AG
ERGO Versicherungsgruppe AG
Nürnberger Beteiligungs-AG

Jürgen Kerner*
Augsburg,
1st Delegate of IG Metall Augsburg

[1] Eurocopter Deutschland GmbH
KUKA AG
MAN Diesel & Turbo SE
manroland AG
Premium Aerotec GmbH

Prof. Dr. rer. pol. Renate Köcher
Constance,
General Manager of the Institut für Demoskopie Allensbach

[1] Allianz SE
BMW AG
Infineon Technologies AG

Gerhard Kreutzer*
Oberhausen,
Deputy Chairman of the Group Works Council of MAN SE, as well as the SE Works Council

[1] MAN Diesel & Turbo SE

Nicola Lopopolo*
Hanover,
Works Council Chairman of Renk AG, Hanover plant

Dipl.-Kfm. Stefan W. Ropers
Munich,
Executive Board member of Bayerische Landesbank
(Member of the Supervisory Board until April 1, 2010)

[1] KG Allgemeine Leasing GmbH & Co. KG (Deputy Chairman)

[2] BayernInvest Kapitalanlagegesellschaft mbH (Deputy Chairman)
BayernLB Equity Management GmbH (Deputy Chairman)

Dr.-Ing. E.h. Rudolf Rupprecht
Augsburg,
Former Chief Executive Officer of MAN AG

[1] Demag Cranes AG
Salzgitter AG

Erich Schwarz*
Steyr, Austria,
Central Works Council Chairman of MAN Nutzfahrzeuge Österreich AG and Deputy Chairman of the SE Works Council

[3] MAN Nutzfahrzeuge Österreich AG

Rupert Stadler
Ingolstadt,
Chief Executive Officer of AUDI AG

[1] FC Bayern München AG
MAN Truck & Bus AG (Chairman)

[4] Automobili Lamborghini Holding S.p.A. (Chairman)
Italdesign Giugiaro S.p.A.
VOLKSWAGEN GROUP ITALIA S.P.A. (Chairman)

Supervisory Board committees of MAN SE

Presiding Committee
Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Michael Behrendt
Jürgen Dorn
Gerhard Kreutzer
Thomas Otto
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Audit Committee
Rupert Stadler (Chairman)
Thomas Otto (Deputy Chairman)
Michael Behrendt
Jürgen Dorn
Gerhard Kreutzer
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Nomination Committee
Hon.-Prof. Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand K. Piëch
Michael Behrendt
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Executive Board—memberships in other governing bodies

Dr.-Ing. Georg Pachta-Reyhofen
Niederpöcking,
Chief Executive Officer

[1] Rheinmetall MAN Military Vehicles GmbH

[2] MAN Diesel & Turbo SE (Chairman)

[3] Sinotruk (Hong Kong) Ltd.

[4] MAN Latin America Indústria e Comércio de Veículos Ltda. (Chairman)

Frank H. Lutz
Munich

[1] Ferrostaal AG
manroland AG

[2] MAN Diesel & Turbo SE
MAN Pensionsfonds AG (Chairman)
MAN Truck & Bus AG
Renk AG (Chairman)

[3] Börse München

[4] MAN Capital Corporation, USA (Chairman)
MAN Latin America Indústria e Comércio de Veículos Ltda.

Jörg Schwitalla
Besigheim

[2] MAN Diesel & Turbo SE
MAN Pensionsfonds AG
MAN Truck & Bus AG

[3] Sinotruk (Hong Kong) Ltd.

[4] MAN Latin America Indústria e Comércio de Veículos Ltda.

Dipl.-Wirtsch.-Ing. Klaus Stahlmann
Kempen

[1] manroland AG

[2] Renk AG (Deputy Chairman)

Executive and management boards of Group companies

MAN Truck & Bus AG
Munich

Dr.-Ing. Georg Pachta-Reyhofen
Chief Executive Officer

Karl Gadesmann

Dr. Frank Hiller

Dipl.-Ing. Bernd Maierhofer

Dipl.-Ing. Lars Wrebo

MAN Latin America Indústria e Comércio de Veículos Ltda.
São Paulo

Antonio Roberto Cortes
Chairman

Helmut Dieter Hümmerich

MAN Diesel & Turbo SE
Augsburg

Dipl.-Wirtsch.-Ing. Klaus Stahlmann
Chief Executive Officer

Jan Gurander

Dr.-Ing. Hans-O. Jeske

Dr.-Ing. Stephan Timmermann

Renk AG
Augsburg

Dipl.-Ing. (FH) Florian Hofbauer
Spokesman of the Executive Board

Ulrich Sauter

* Elected by the workforce
As of January 27, 2011, or date of departure

[1] Membership of supervisory boards of German companies
[2] Membership of supervisory boards of German companies, Group appointments
[3] Membership of comparable German or foreign governing bodies
[4] Membership of comparable German or foreign governing bodies, Group appointments

Further Information
Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, January 27, 2011

MAN SE

The Executive Board

Dr. Georg Pachta-Reyhofen
Chief Executive Officer

Frank H. Lutz
Chief Financial Officer

Jörg Schwitalla
Member of the Executive Board

Klaus Stahlmann
Member of the Executive Board

Further Information
Auditors' Report

We have audited the consolidated financial statements—comprising the income statement, reconciliation of comprehensive income for the period, balance sheet, statement of cash flows, statement of changes in equity, and the notes—and the group management report prepared by MAN SE, Munich, for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the *Handelsgesetzbuch* (HGB—German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Munich, January 28, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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Further Information
Unaudited Additional Information: Overview by Quarter

Unaudited additional information: overview by quarter (1/3)

€ million										
					2010					2009
	Total 2010	Q 4	Q 3	Q 2	Q 1	Total 2009	Q 4	Q 3	Q 2	Q 1
Order intake by division										
MAN Truck & Bus	8,023	2,351	2,018	1,961	1,693	5,224	1,360	1,203	1,296	1,365
MAN Latin America	3,140	768	840	816	716	1,412	571	453	388	–
Commercial Vehicles	11,163	3,119	2,858	2,777	2,409	6,636	1,931	1,656	1,684	1,365
MAN Diesel & Turbo	3,475	911	797	735	1,032	2,936	632	918	523	863
Renk	525	86	87	242	110	294	70	84	72	68
Power Engineering	4,000	997	884	977	1,142	3,230	702	1,002	595	931
Others/Consolidation	–91	–28	–26	–9	–28	–6	2	–1	–1	–6
Order intake	**15,072**	**4,088**	**3,716**	**3,745**	**3,523**	**9,860**	**2,635**	**2,657**	**2,278**	**2,290**
Commercial Vehicles order intake (units)	**133,023**	**35,611**	**34,207**	**33,426**	**29,779**	**73,826**	**22,479**	**20,468**	**20,179**	**10,700**
of which: MAN Truck & Bus	67,393	20,445	16,731	16,678	13,539	37,984	9,601	8,443	9,240	10,700
of which: MAN Latin America	65,630	15,166	17,476	16,748	16,240	35,842	12,878	12,025	10,939	–
Revenue by division										
MAN Truck & Bus	7,446	2,255	1,903	1,834	1,454	6,395	1,574	1,565	1,641	1,615
MAN Latin America	3,140	768	840	816	716	1,412	571	453	388	–
Commercial Vehicles	10,586	3,023	2,743	2,650	2,170	7,807	2,145	2,018	2,029	1,615
MAN Diesel & Turbo	3,766	1,073	935	894	864	3,796	989	984	962	861
Renk	403	115	100	78	110	474	126	106	131	111
Power Engineering	4,169	1,188	1,035	972	974	4,270	1,115	1,090	1,093	972
Others/Consolidation	–80	–27	–21	–10	–22	–51	–4	–4	–12	–31
Revenue	**14,675**	**4,184**	**3,757**	**3,612**	**3,122**	**12,026**	**3,256**	**3,104**	**3,110**	**2,556**
Commercial Vehicles unit sales (units)	**126,279**	**35,124**	**33,681**	**31,479**	**25,995**	**82,609**	**24,165**	**23,159**	**23,078**	**12,207**
of which: MAN Truck & Bus	60,649	19,958	16,205	14,731	9,755	46,767	11,287	11,134	12,139	12,207
of which: MAN Latin America	65,630	15,166	17,476	16,748	16,240	35,842	12,878	12,025	10,939	–
Order backlog[1]	**7,025**	**7,025**	**7,371**	**7,706**	**7,720**	**7,422**	**7,422**	**8,160**	**8,661**	**9,662**

[1] As of the reporting date

This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Unaudited additional information: overview by quarter (2/3)

€ million

	2010					2009				
	Total 2010	Q 4	Q 3	Q 2	Q 1	Total 2009	Q 4	Q 3	Q 2	Q 1
Operating profit/loss by division										
MAN Truck & Bus	158	85	59	71	–57	–91	–32	–42	–22	5
MAN Latin America	370	112	92	96	70	142	65	42	35	–
Commercial Vehicles	528	197	151	167	13	51	33	0	13	5
MAN Diesel & Turbo	439	107	112	118	102	500	126	129	128	117
Renk	52	10	17	9	16	66	19	14	18	15
Power Engineering	491	117	129	127	118	566	145	143	146	132
Others/Consolidation	16	–7	44	–18	–3	–113	–52	–9	–15	–37
Operating profit	**1,035**	**307**	**324**	**276**	**128**	**504**	**126**	**134**	**144**	**100**
Earnings effects from purchase price allocations	–109	–26	–35	–25	–23	–62	–22	–40	–	–
Losses from nonrecurring items	357	357	–	–	–	–656	–563	–22	–61	–10
Earnings before interest and taxes (EBIT)	**1,283**	**638**	**289**	**251**	**105**	**–214**	**–459**	**72**	**83**	**90**
Depreciation, amortization, and impairment losses of noncurrent assets	467	135	110	113	109	804	509	129	88	78
Reversals of impairment losses on equity-method investments	–357	–357	–	–	–	–	–	–	–	–
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**1,393**	**416**	**399**	**364**	**214**	**590**	**50**	**201**	**171**	**168**
Earnings before tax (EBT)	**1,125**	**584**	**256**	**216**	**69**	**–331**	**–486**	**37**	**38**	**80**
Income taxes	–338	–177	–76	–65	–20	–53	13	–31	–11	–24
Income from discontinued operations, net of tax	–65	–65	–	–	–	126	1	–	–	125
Net income/loss	**722**	**342**	**180**	**151**	**49**	**–258**	**–472**	**6**	**27**	**181**
ROS (%)	**7.1**	**7.3**	**8.6**	**7.7**	**4.1**	**4.2**	**3.9**	**4.3**	**4.6**	**3.9**
MAN Truck & Bus	2.1	3.8	3.1	3.9	–3.9	–1.4	–2.0	–2.7	–1.3	0.3
MAN Latin America	11.8	14.6	11.0	11.8	9.7	10.1	11.5	9.1	9.1	–
Commercial Vehicles	5.0	6.5	5.5	6.3	0.6	0.7	1.6	–0.1	0.7	0.3
MAN Diesel & Turbo	11.7	10.0	11.9	13.3	11.8	13.2	12.8	13.1	13.4	13.5
Renk	12.9	8.7	16.9	11.5	14.5	13.9	15.2	13.1	13.8	13.5
Power Engineering	11.8	9.9	12.4	13.1	12.1	13.3	13.1	13.1	13.5	13.5
Cash earnings	815	182	239	304	90	396	–28	91	175	158
Net cash provided by operating activities	1,427	475	242	211	499	1,462	504	559	258	141
Net cash used in investing activities	–374	–176	–77	–79	–42	–2,584	–709	–25	–76	–1,774
Free cash flow	**1,053**	**299**	**165**	**132**	**457**	**–1,122**	**–205**	**534**	**182**	**–1,633**
Net financial debt[1]	**–1,778**	**–1,778**	**–2,083**	**–2,252**	**–2,345**	**–2,634**	**–2,634**	**–2,385**	**–2,955**	**–2,831**

[1] As of the reporting date

This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Unaudited additional information: overview by quarter (3/3)

€ million										
					2010					2009
	Total 2010	Q 4	Q 3	Q 2	Q 1	Total 2009	Q 4	Q 3	Q 2	Q 1
ROCE (%)[2]	**17.4**	**20.7**	**21.6**	**18.6**	**8.7**	8.8	8.5	8.8	9.3	8.7
ROE (%)[3]	**19.4**	**36.1**	**18.6**	**16.1**	**5.3**	–3.6	–36.4	2.8	2.8	16.2
Headcount[1/4]	**47,669**	**47,669**	**47,787**	**47,559**	**47,750**	47,743	47,743	48,621	49,472	50,722
of which: subcontracted employees	1,976	1,976	2,225	2,099	1,864	1,643	1,643	1,734	1,738	1,925
Capital markets information										
Earnings/loss per share from continuing operations (in €)	**5.30**	**2.72**	**1.21**	**1.05**	**0.32**	–2.69	–3.23	0.02	0.15	0.37
Earnings per share from continuing operations excl. effects from purchase price allocations and nonrecurring items (in €)	**3.38**	**0.40**	**1.40**	**1.15**	**0.43**	1.47	0.30	0.32	0.44	0.41
MAN share price[5]										
High	96.44	96.44	81.10	72.81	63.45	61.23	60.96	61.23	50.29	41.78
Low	47.99	77.21	65.39	62.35	47.99	30.31	52.10	40.47	35.10	30.31
Quarter-end	88.99	88.99	79.96	67.95	61.98	54.44	54.44	56.40	43.70	32.80
MAN share performance (%)										
Performance of MAN shares[6]	63.5	63.5	46.9	24.8	13.9	40.6	40.6	45.7	12.9	–15.3
DAX® performance[6]	16.1	16.1	4.6	0.1	3.3	23.9	23.9	18.0	0.0	–15.1

1 As of the reporting date

2 CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made to previous year)

3 ROE including earnings effects of discontinued operations

4 Including subcontracted employees

5 Xetra closing prices, Frankfurt

6 Cumulative compared with prior-year closing price

This information is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Further Information
Glossary

Capital employed (CE)
The MAN Group's CE is derived from the capital side. It comprises the Group's total equity, pension provisions, and financial liabilities, less marketable securities, cash and cash equivalents, and the financing business (leasing) not covered by the equity of MAN Finance. The earnings measure also includes the operating profit or loss of discontinued operations up to the date of disposal because these activities are also funded using Group capital. The divisions' CE is derived from the asset side. For the Industrial Business it comprises total assets excluding certain liquid assets and tax assets, less all provisions and liabilities with the exception of financial liabilities, pension provisions, and income taxes. Effects from acquisitions relating to finite-lived tangible and intangible assets are also eliminated when calculating CE. Prepayments received are only deducted if they have already been used in order processing.

Cash earnings
Cash earnings reflect the net cash provided by or used in operating activities. They are the net amount of operating profit, interest, taxes (excl. deferred taxes), depreciation, amortization, impairment losses and reversals of impairment losses, and other noncash income and expense.

Contractual trust arrangement (CTA)
Trust arrangement for funding pension provisions under which a company assigns assets to an autonomous and legally independent trustee as security that it will meet its pension funding obligations.

COSO
Framework for Enterprise Risk Management and Internal Control (Committee of Sponsoring Organizations of the Treadway Commission)

Derivatives / derivative financial instruments
Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e.g., stocks, foreign currency, interest-bearing securities).

Equity method
Method of including investments that are not consolidated in the investor‘s consolidated financial statements in cases where the investor has significant influence over the investment's financial and operating policy decisions. The carrying amount of the investment is adjusted for any changes in the investor's share of the investment's equity. These changes are usually reported in the owner‘s income statement.

Equity ratio
Indicates the ratio of total equity to total capital.

Equity-to-assets ratio
Indicates the extent to which noncurrent assets (intangible assets, property, plant and equipment, and investments) are covered by equity.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm‘s length transaction.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow reflects the funds generated by a company during the fiscal year.

Functional expenses
Functional expenses comprise the cost of goods sold and services rendered, selling expenses, and general and administrative expenses.

International Financial Reporting Standards (IFRSs)
Internationally applicable accounting standards that are designed to ensure comparability of financial accounting and reporting. They are issued by the International Accounting Standards Board (IASB), an international private body. IFRSs also comprise those International Accounting Standards (IASs) that are still effective.

Net liquidity/net financial debt
Net liquidity/net financial debt is a financial control measure comprising cash and cash equivalents and marketable securities, less financial liabilities.

Other comprehensive income (OCI)
OCI is a separate category within total equity. It comprises gains and losses that are recognized in the balance sheet but not in the income statement, in particular from the fair value measurement of marketable securities and hedges (marking to market) and changes in actuarial gains and losses on pensions, after adjustment for deferred taxes.

Operating profit
Earnings measure for calculating ROS and thus for assessing and measuring the performance of MAN Group divisions. As a rule, it corresponds to earnings before interest and taxes (EBIT). An adjustment is made for earnings effects from purchase price allocation and, in individual cases, for nonrecurring items. These items represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. *Operating profit = EBIT ± Nonrecurring items + Earnings effects of purchase price allocation*

Option
Agreement under which the purchaser is entitled, but not obligated, to acquire (call option) or sell (put option) the underlying asset at a future date for a predefined price. By contrast, the seller of the option is obligated to sell or purchase the asset and usually receives a premium for granting the option rights.

Percentage of completion (PoC) method
Revenue and profit recognition method that is based on the stage of completion in accordance with IAS 11. This method is applicable to dedicated construction contracts for which the total revenue, total costs, and stage of completion can be reliably determined. Earnings contributions are recognized in accordance with the stage of completion even if the contract has not yet been completed in full and invoiced to the customer.

Projected unit credit method
Method used to measure pension obligations in accordance with IAS 19 that reflects expected future pay and pension increases in addition to the vested pension rights and entitlements existing at the end of the reporting period.

Rating
Assessment of a company's creditworthiness issued by independent rating agencies on the basis of a thorough analysis. Ratings are expressed by means of rating classes, which are defined differently by individual rating agencies.

ROCE
Return on capital employed. Ratio of operating profit to annual average capital employed.

$$ROCE = \frac{\text{Operating profit}}{CE}$$

ROE
Return on equity. Ratio of earnings before tax to annual average equity.

$$ROE = \frac{\text{Earnings before tax}}{\text{Annual average MAN Group equity}}$$

ROS
Return on sales. Ratio of operating profit to revenue.

$$ROS = \frac{\text{Operating profit}}{\text{Revenue}}$$

Swap
Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

Syndicated credit line
Committed credit line granted by a banking syndicate.

WACC
Weighted average cost of capital. For management purposes, the MAN Group's WACC is fixed for the long term at 10% before tax.

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Further Information
Financial Diary

Financial diary (expected dates*)	
Annual General Meeting for fiscal 2010	June 27, 2011
Report on Q1/2011	May 3, 2011
Half-yearly report	July 28, 2011
Report on Q3/2011	November 2, 2011
Report on Q1/2012	May 3, 2012
Half-yearly report	July 31, 2012

* The latest information can be found on MAN's website at www.man.eu/MAN/en/Investor_Relations/

Publication date
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MAN Group: Six-Year Overview

€ million	2010	2009	2008	2007	2006	2005
Order intake	**15,072**	**9,860**	**14,033**	**17,818**	**16,567**	**14,338**
of which: Germany	3,489	2,388	3,306	4,549	4,151	3,373
of which: Other countries	11,583	7,472	10,727	13,269	12,416	10,965
Order intake by division						
MAN Truck & Bus	8,023	5,224	9,130	12,684	10,103	9,434
MAN Latin America	3,140	1,412	–	–	–	–
MAN Diesel & Turbo	3,475	2,936	4,515	4,825	4,117	3,053
Renk	525	294	443	439	417	314
Others/Consolidation	– 91	– 6	– 55	–130	1,930	1,537
Revenue	**14,675**	**12,026**	**14,945**	**14,063**	**13,049**	**11,379**
of which: Germany	3,058	2,751	3,704	4,073	3,394	3,103
of which: Other countries	11,617	9,275	11,241	9,990	9,655	8,276
Revenue by division						
MAN Truck & Bus	7,446	6,395	10,610	10,410	8,685	7,377
MAN Latin America	3,140	1,412	–	–	–	–
MAN Diesel & Turbo	3,766	3,796	3,870	3,286	2,709	2,360
Renk	403	474	527	430	356	307
Others/Consolidation	– 80	– 51	– 62	– 63	1,299	1,335
Order backlog [1]	**7,025**	**7,422**	**10,416**	**12,335**	**11,298**	**8,496**
of which: Germany	1,264	1,107	1,626	2,331	1,820	1,422
of which: Other countries	5,761	6,315	8,790	10,004	9,478	7,074
Headcount including subcontracted employees [1]	**47,669**	**47,743**	**51,321**	**50,399**	**53,715**	**51,412**
of which: Companies within Germany	27,354	26,768	28,753	28,963	31,368	30,275
of which: Companies outside Germany	20,315	20,975	22,568	21,436	22,347	21,137
Subcontracted employees [1]	**1,976**	**1,643**	**2,197**	**3,519**	**3,425**	**2,251**
Headcount [1]	**45,693**	**46,100**	**49,124**	**46,880**	**50,290**	**49,161**
Annual average headcount	**45,885**	**47,365**	**48,787**	**47,128**	**49,994**	**49,770**
MAN share data						
Common shares (in €) [1]	88.99	54.44	38.72	113.80	68.46	45.08
Common shares, high (in €)	96.44	61.23	110.91	123.73	74.00	45.24
Common shares, low (in €)	47.99	30.31	27.78	68.46	44.36	29.00
Common shares, price/earnings ratio [1, 2]	16.8	–	5.0	15.7	13.6	16.4
Preferred shares (in €) [1]	58.21	41.00	43.05	108.65	63.35	41.00
Preferred shares, high (in €)	62.24	49.95	110.00	117.39	69.78	41.00
Preferred shares, low (in €)	38.02	35.45	32.56	62.69	40.35	25.44
Preferred shares, price/earnings ratio [1,2]	11.0	–	5.5	14.9	12.5	14.9
Dividend per share (in €)	2.00	0.25	2.00	3.15	2.00	1.35
Earnings per share (IAS 33) (in €) [2]	5.30	– 2.69	7.76	7.27	5.05	2.75
Cash earnings per share (in €)	5.46	2.52	10.43	10.52	6.40	5.90
Equity per share (in €)	37.60	35.50	35.70	30.30	22.90	19.50

Information on comparability:
The Others data includes Industrial Services up to 2006.

[1] Number at December 31

[2] For continuing operations

€ million	2010	2009	2008	2007	2006	2005
Noncurrent assets [1]	9,911	8,661	6,010	6,891	6,998	5,689
Inventories	2,852	3,037	3,275	3,279	3,032	3,453
Other current assets [1]	3,597	3,561	7,140	4,471	4,054	3,819
Marketable securities and cash and cash equivalents	1,071	636	105	1,520	1,162	1,191
Equity	5,990	5,129	5,396	5,177	3,779	3,025
Pension obligations	226	160	74	132	946	1,499
Noncurrent and current financial liabilities	2,849	3,270	1,736	1,967	2,108	1,018
Prepayments received	762	913	1,099	2,031	1,557	1,740
Other liabilities and provisions	7,604	6,423	8,225	6,854	6,856	6,870
Total assets/total capital	**17,431**	**15,895**	**16,530**	**16,161**	**15,246**	**14,152**
Revenue	**14,675**	**12,026**	**14,945**	**14,063**	**13,049**	**11,379**
Cost of goods sold and services rendered [2]	– 11,400	– 9,455	– 11,243	– 10,722	– 10,161	– 8,943
Gross margin	**3,275**	**2,571**	**3,702**	**3,341**	**2,888**	**2,436**
Other income and expenses [3]	– 2,240	– 2,067	– 1,973	– 1,790	– 1,783	– 1,762
Operating profit [4]	**1,035**	**504**	**1,729**	**1,551**	**1,105**	**674**
Earnings effects from purchase price allocations	– 109	– 62	–	–	–	–
Gains/losses from nonrecurring items	357	– 656	– 106	183	–	– 37
Net interest income/expense	– 158	– 117	20	– 55	– 82	– 62
Earnings before tax (EBT)	**1,125**	**– 331**	**1,643**	**1,679**	**1,023**	**575**
Income taxes	– 338	– 53	– 488	– 600	– 273	– 160
Income/loss from discontinued operations, net of tax	– 65	126	92	146	175	57
Net income/loss	**722**	**– 258**	**1,247**	**1,225**	**925**	**472**
Noncontrolling interests	– 9	– 12	– 14	– 9	– 7	– 10
Withdrawals from/transfer to reserves	– 419	307	– 939	– 753	– 624	– 263
Total dividend paid by MAN SE	**294**	**37**	**294**	**463**	**294**	**199**
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**1,393**	**590**	**1,947**	**2,131**	**1,433**	**972**
Depreciation, amortization, and impairment of noncurrent assets	– 467	– 804	– 324	– 397	– 328	– 335
Reversals of impairment losses on equity-method investments	357	–	–	–	–	–
Earnings before interest and taxes (EBIT)	**1,283**	**– 214**	**1,623**	**1,734**	**1,105**	**637**
Capital expenditures and financing						
Property, plant, and equipment and intangible assets	391	366	603	459	446	376
Investments	5	1,937	270	259	1,214	28
Research and development expenditures	626	504	493	433	396	385
Cash earnings	815	396	1,619	1,661	963	876
Net cash provided by operating activities	1,427	1,462	137	2,109	777	1,267
Net cash used in investing activities	– 374	– 2,584	– 707	– 426	– 1,329	– 378
Free cash flow	1,053	– 1,122	– 570	1,683	– 552	889
Key performance indicators						
ROS (%)	7.1	4.2	11.6	11.0	8.5	5.9
ROCE (%) [5]	17.4	8.8	40.2	31.9	28.0	19.1

Information on comparability:
The data includes Industrial Services up to 2006.

[1] Change in presentation of finance lease receivables from 2009

[2] 2008 figure after reclassification of €–61 million (2007: €–35 million) of cost of goods sold and services rendered to gains/losses from nonrecurring items

[3] Including net interest income of Financial Services

[4] Printing Systems and Steel Trade reported as discontinued operations from 2005 and Industrial Services reported as discontinued operations from 2007

[5] CE definition adjusted in 2010; marketable securities and cash and cash equivalents also deducted (similar adjustment made to previous year)

← Six-Year Overview

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