

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

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Consolidated Financial Statements

MAN consolidated income statement

MAN consolidated income statement

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

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

Consolidated Financial Statements

MAN consolidated reconciliation of comprehensive income for the period

MAN consolidated reconciliation of comprehensive income for the period

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

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

Consolidated Financial Statements

MAN consolidated balance sheet

MAN consolidated balance sheet/assets

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

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

MAN consolidated balance sheet/equity and liabilities

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

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

Consolidated Financial Statements

MAN consolidated statement of cash flows

MAN consolidated statement of cash flows

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

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

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

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

Consolidated Financial Statements

MAN consolidated statement of changes in equity

MAN consolidated statement of changes in equity

€ million

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

See also Note (21) for additional information on equity

Consolidated Financial Statements

Notes to the consolidated financial statements

Basis of preparation

01 General principles

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

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

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

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

02 Consolidation and measurement of investments

a) Investments

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

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

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

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

b) Basis of consolidation

Consolidated subsidiaries

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

Number of companies consolidated*

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

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

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

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

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

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

Business combinations

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

c) Equity-method investments

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

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

d) Financial investments

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

e) Currency translation

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

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

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

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

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

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

03 Accounting policies

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

a) Revenue recognition

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

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

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

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

b) Operating expenses and income

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

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

c) Intangible assets

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

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

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

d) Property, plant, and equipment

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

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

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

e) Investment property

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

the disclosures on investment property are combined with the disclosures on property, plant, and equipment.

f) Leases, assets leased out

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

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

g) Impairment

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

smallest cash-generating unit to which the goodwill relates. If an asset's recoverable amount is less than its carrying amount, an impairment loss is recognized immediately in profit or loss and is either reported separately or in other operating expenses.

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

h) Inventories

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

i) Construction contracts

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

Expected losses from construction contracts are recognized immediately in full as expenses by recognizing impairment

losses on recognized contract assets, and additionally by recognizing provisions for amounts in excess of the impairment losses.

j) Nonderivative financial instruments

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

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

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

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

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

Assets held for trading are measured at fair value. If no price is available in an active market, fair value is estimated using

appropriate valuation techniques, such as discounted cash flow methods. Such nonderivative financial instruments are rarely used in the MAN Group.

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

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

k) Derivatives

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

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

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

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

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

A cash flow hedge is a hedge of the MAN Group's exposure to variability in the cash flows associated with recognized assets and liabilities, unrecognized firm commitments, and highly probable forecast transactions. In a cash flow hedge, the effective portion of the change in the fair value of the derivative is initially recognized in other comprehensive income and

reported in accumulated other comprehensive income, net of deferred taxes. As soon as the hedged item affects profit or loss, the gains or losses recognized in other comprehensive income are reclassified as revenue in the case of sale transactions. If the hedge subsequently results in the recognition of a nonfinancial asset (purchase transaction), the gains and losses recognized in other comprehensive income from measurement of the derivative are included in the carrying amount of the hedged nonfinancial asset. The ineffective portion of the change in fair value is recognized immediately in profit or loss.

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

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

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

l) Deferred taxes

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

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

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

m) Pension obligations

Pension obligations from defined benefit plans are determined using the projected unit credit method, under which the future

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

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

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

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

n) Other provisions

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

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

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

o) Noncurrent assets held for sale and discontinued operations

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

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

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

p) Financial statement presentation

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

q) Prior-period information

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

r) Estimates and management's judgment

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

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

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

Certain Group companies, especially the MAN Turbo and MAN Diesel segments, account for some of their construction contracts using the percentage of completion method, under which revenue is recognized by reference to the stage of completion. Application of this method depends critically on a careful analysis of the stage of completion. Depending on the methodology applied to measure the stage of completion, the key estimation parameters include contract revenue,

total contract costs, costs to complete the contract, contract risks, and other estimates. Management at the operating units continuously reviews the estimates relating to such construction contracts and adjusts them if required.

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

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

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

04 Statement of cash flows

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

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

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

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

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

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

05 New and revised accounting pronouncements

a) New accounting pronouncements applied

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

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

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

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

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

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

The IASB issued IFRS 3, Business Combinations (IFRS 3 (2008)), on January 10, 2008. This revision to IFRS 3 (2008) revises the application of the purchase method of accounting to business combinations. Significant amendments relate to the measurement of noncontrolling interests, recognition of step acquisitions, and accounting for contingent consideration and acquisition-related costs. In accordance with the revised IFRS 3, noncontrolling interests can be measured either at

fair value ("full goodwill method") or at the fair value of the proportionate interest of noncontrolling interests in the identified net assets. In the case of step acquisitions, interests held on the date that control is obtained are remeasured, with any adjustments to previously recognized assets and liabilities being recognized in profit or loss. In future, any adjustment to contingent consideration components recognized as liabilities at the date of acquisition is recognized in profit or loss. Acquisition-related costs are recognized as expenses in the period in which they are incurred. MAN will apply IFRS 3 (2008) starting in fiscal 2010.

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

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

06 Acquisitions and divestments

a) Acquisitions

Acquisitions in 2009

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

a weighted average useful life of 5.0 years, and €436 million is attributable to customer-related assets with a weighted average useful life of 18.7 years. MAN expects to be able to utilize the goodwill resulting from the transaction for tax purposes.

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

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

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

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

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

Acquisitions in 2008

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

Interest in Scania AB, Södertälje/Sweden (Scania)

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

b) Divestments**Divestments in 2009**

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

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

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

Reporting period January 1 to December 31

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

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

Reporting period January 1 to December 31

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

Income statement disclosures**07 Other operating income**

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

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

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

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

08 Other operating expenses

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

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

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

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

09 Net interest income/(expense)

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

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

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

10 Taxes

The reported tax expense is broken down as follows:

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

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

Deferred tax assets on corporate income tax and trade tax loss carryforwards (including interest carried forward from nondeductible interest expenses in accordance with section 4 h of the *Einkommensteuergesetz* (EstG—German Income Tax Act) in conjunction with section 8 a of the *Körperschaftsteuergesetz* (KStG—German Corporate Income Tax Act) of €131

million (previous year: €0 million) are currently recognized at German companies. Deferred taxes of €30 million (previous year: €16 million) were recognized at foreign companies for their local taxes. No deferred tax assets were recognized as of December 31, 2009 for existing tax loss carryforwards of €50 million and temporary differences of €58 million due to the low probability of such deferred tax assets being recoverable (in the previous year, €43 million was attributable to tax loss carryforwards and €123 million to temporary differences). Tax losses of €30 million for which no deferred tax assets have been recognized can only be carried forward for a limited period. The related expiration dates are between 2011 and 2023.

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

Reconciliation of expected and actual tax expense

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

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

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

11 Earnings per share

€ million (unless otherwise indicated)

	2009	2008
Net income/(loss) attributable to shareholders of MAN SE	-270	1,233
of which: income from discontinued operations, net of tax	126	92
Net income/(loss) from continuing operations attributable to shareholders of MAN SE	-396	1,141
Number of shares outstanding (weighted average, million)	147,0	147,0
Earnings/(loss) per share from continuing operations in €	-2,69	7,76

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

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

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

12 Other income statement disclosures

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

Payments under operating leases		
€ million		
	2009	2008
	111	111

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

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

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

Depreciation and amortization expense		
€ million		
	2009	2008
Intangible assets	132	67
Property, plant, and equipment	282	254
	414	321

Impairment losses		
€ million		
	2009	2008
Goodwill	–	0
Property, plant, and equipment	7	3
Financial investments and equity-method investments ¹	383	0
	390	3

¹ See note (16) for further information.

13 Total remuneration of the auditors

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

The amount is composed of remuneration for the following services:

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

Balance sheet disclosures

14 Intangible assets

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

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

Analysis of goodwill

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

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

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

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

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

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

15 Property, plant, and equipment

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

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

Investment property

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

16 Equity-method investments

Associates

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

Scania

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

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

MAN's investment in Scania was tested for impairment in the fourth quarter of 2009. The impairment test was triggered mainly by the sharp decline in Scania's figures and earnings in 2009. At the same time, the recovery from the crisis is expected to be slow and weak. These factors mean that the cash flow forecasts, and in particular the expected cash flows from the investment, are currently subject to increased uncertainty. In December 2009, the value in use of the investment calculated on the basis of these expected cash flows did not exceed its fair value less costs to sell, which was determined on the basis of the quoted market price. This resulted in an impairment loss of €357 million in the fourth quarter of 2009, which was recognized under "Impairment losses on equity-method investments." As a result of the application of the equity method and the additional recognition of this impairment loss, the carrying amount of the investment in Scania

was €958 million as of December 31, 2009 (previous year: €1,349 million). The quoted market value of the 13.35% investment in Scania as of December 31, 2009 was also €958 million (previous year: €759 million). Summary financial information for Scania is shown in the following table (the amounts shown are the full amounts for Scania, and are thus not adjusted for the equity interest held by MAN).

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

¹ Amounts shown relate to the reporting period ended September 30.

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

Sinotruk

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

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

¹ Amounts shown relate to the reporting period ended June 30, 2009.

² Amounts shown relate to the period January 1 to June 30, 2009.

17 Assets leased out

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

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

Future revenue from noncancelable operating leases

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

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

18 Inventories

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

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

19 Trade receivables

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

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

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

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

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

Gross investment in finance leases

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

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

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

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

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

Bad debt allowances on finance lease receivables changed as follows:

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

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

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

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

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

Revenue from construction contracts amounted to €1,112 million (previous year: €915 million). Orders and part-orders billed to customers are reported in customer receivables.

20 Other assets

€ million	12/31/2009	12/31/2008
Derivatives and measurement of hedged items	294	538
VAT receivables	138	227
Prepaid expenses, prior-period payments	67	72
Loans and other third-party receivables	63	42
Other tax receivables	51	3
Reserve from pension liability insurance	23	26
Financing receivables from investments	21	26
Advances, clearing accounts	11	6
Miscellaneous other assets	200	146
	868	1,086

Other assets are reported in the following balance sheet items:

€ million	12/31/2009	12/31/2008
Other noncurrent assets	118	78
Other current assets	750	1,008

Derivatives are measured at fair value. They are mainly used to hedge currency risks in customer orders and other foreign currency positions.

Other assets amounting to €136 million (previous year: €80 million) are due after more than one year, including €33 million (previous year: €44 million) due after more than five years. The remaining €732 million (previous year: €1,006 million) is due in less than one year.

21 Equity

a) Share capital, rights to implement capitalization measures

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

All shares have the same dividend rights; however, a cumulative preferred dividend of €0.11 per preferred share is payable in advance from net retained profit to holders of preferred shares, as well 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 Incorporation/Bylaws. The holders of preferred shares also have voting rights in accordance with section 141(1) and (2) sentence 1 in conjunction with (3) of the AktG, under which a consenting resolution by the holders of preferred shares is required if the Annual General Meeting adopts a resolution to revoke or limit the preferred dividend or to issue preferred shares that would rank prior to or equal with the existing nonvoting preferred shares in the distribution of profit or the net assets of the Company.

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

Authorized Capital 2005

The Annual General Meeting on June 3, 2005, confirmed for MAN SE by the resolution of the Annual General Meeting on the change in legal form to an SE on April 3, 2009, resolved to authorize the Executive Board of the Company to increase

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

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

With regard to a partial amount of the Authorized Capital 2005 of up to €4,000,000, the Annual General Meeting on April 3, 2009, additionally authorized the Executive Board, with the consent of the Supervisory Board to disapply shareholders' preemptive rights and to issue new shares against cash contributions to employees with management responsibilities (managers) of the Company and/or of affiliated subordinated companies of the Company. The terms of issue may also stipulate that the contribution to be paid will be covered in accordance with section 204(3) of the AktG (Article 4(4) of the Articles of Association. This supplement to the authorization was also confirmed in the resolution on the change of legal form to an SE on April 3, 2009.

Authorization to issue convertible bonds and/or bonds with warrants; Contingent Capital 2005

By way of a resolution of the Annual General Meeting on June 3, 2005, supplemented by a resolution of the Annual General Meeting on May 10, 2007, and confirmed for MAN SE by the resolution of the Annual General Meeting on the change in legal form to an SE on April 3, 2009, the Company's Executive Board was authorized, with the consent of the Supervisory Board, to issue convertible bonds and/or bonds with warrants of MAN SE in the aggregate principal amount of up to €1.5 billion and an original maximum maturity of 20 years on one or more occasions until June 2, 2010, and to grant the bondholders options or conversion rights on new common bearer shares of MAN SE with a notional interest in the share capital of up to €76,800,000 (approximately 20%) as specified in greater detail by the option or conversion terms. The bonds are issuable against cash contributions.

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

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

Share repurchase

The resolution on April 25, 2008 authorizing the purchase of the Company's own shares was superseded when the authorizing resolution of the Annual General Meeting on April 3, 2009 to purchase the Company's own shares took effect, confirmed for MAN SE by the resolution of the Annual General Meeting on the change in legal form to an SE on April 3, 2009.

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

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

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

this provision during the term of this authorization shall count towards this limit until the time of utilization. Shares issued or issuable by virtue of convertible bonds or bonds with warrants issued at the time of utilization in accordance with this provision shall also count towards this limit.

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

b) Significant shareholdings in MAN SE

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

c) Reserves

MAN SE's capital reserves consist of premiums paid for capital increases and the conversion of preferred shares into common shares. The MAN Group's retained earnings contain the retained earnings of MAN SE amounting to €619 million (previous year: €914 million) and the net retained profit of MAN SE amounting to €37 million (previous year: €334 million). They also contain the retained profits and accumulated losses of

subsidiaries and differences arising between carrying amounts in the consolidated financial statements and carrying amounts in the local GAAP financial statements.

The Executive and Supervisory Boards of MAN SE will propose to the Annual General Meeting to pay a dividend of €0.25 (previous year: €2.00) per share carrying dividend rights. The proposed total dividend payout is therefore €37 million (previous year: €294 million).

d) Other comprehensive income

€ million	of which attributable to discontinued operations		of which attributable to discontinued operations	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Currency translation differences	227	-9	-105	-39
Derivatives	64	-	1	0
Actuarial gains/losses attributable to pensions	-232	-	-160	-26
Actuarial gains/losses attributable to provisions for termination benefits	-18	-	-26	-
Effect of asset ceiling in accordance with IAS 19.58	0	-	-	-
Other comprehensive income for the period from equity-method investments	22	-	0	-
Deferred taxes	29	-	27	3
	92	-9	-263	-62

Of the deferred taxes of €29 million (previous year: €27 million), €47 million is attributable to actuarial losses on pensions (previous year: €21 million), €-22 million (previous year: €0 million) is attributable to the measurement of derivatives, and €4 million (previous year: €6 million) is attributable to actuarial losses on provisions for termination benefits.

e) Noncontrolling interests

The noncontrolling interests are mainly attributable to Renk Aktiengesellschaft, Augsburg, in which MAN holds a 76% interest.

f) Capital management

The most important goals of MAN SE's capital management are to sustainably increase its enterprise value and to safeguard the Group's liquidity and creditworthiness. This is achieved not only by reducing the cost of capital and improving cash flow from financing activities, but also by optimizing the capital structure and implementing effective risk management.

MAN SE applies a value-driven approach, MAN value added, to measure and manage its business activities and to optimize capital allocation in the Group. MAN value added is calculated as the difference between operating profit and the cost of capital.

Despite the difficult economic environment, the ratings awarded at the beginning of 2008 by Standard & Poor's and Moody's remain unchanged at A- and A3 respectively. However, Standard & Poor's has placed its rating on the watch list since the beginning of December 2009 because of the ongoing difficulties experienced on the commercial vehicles market, the compliance investigations that were not yet completed at the time, as well as uncertainty caused at the time by unfilled Executive Board positions at MAN SE.

The Group's capital employed for capital management purposes comprises equity, pensions, and financial liabilities. Equity comprises subscribed capital, capital reserves, and retained earnings.

€ million	12/31/2009	12/31/2008
Equity	5,129	5,396
Pension obligations	160	74
Financial liabilities	3,270	1,736
Capital employed	8,559	7,206

Equity declined by 5% year-on-year in fiscal 2009. This was primarily a result of the net loss for the year. Pension obligations increased by 116% year-on-year because of the increase in actuarial losses attributable primarily to the use of a lower discount rate. Financial liabilities rose by 88% because of the acquisition of VW Truck & Bus in Brazil and Sinotruk in China. Overall, this resulted in a €1,353 million or 19% increase in capital employed in fiscal 2009.

MAN SE's Articles of Association do not stipulate any capital requirements.

22 Financial liabilities

€ million	12/31/2009	12/31/2008
Syndicated loan for Scania share purchase	–	400
Bonds	1,738	247
Structured finance	576	543
Bank borrowings and other liabilities	956	546
	3,270	1,736

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2009	12/31/2008
Noncurrent financial liabilities		
due after more than one year	2,230	684
of which: due after more than five years	520	4
Current financial liabilities		
due within one year	1,040	1,052

To finance the planned Scania acquisition, MAN SE entered into an agreement on an €11 billion credit facility on September 17, 2006 with a banking syndicate. A €1,170 million tranche of this credit facility had been drawn down by December 31, 2006 to purchase Scania shares. The unutilized portion of the credit facility expired following the withdrawal of the public offer to purchase Scania shares on January 23, 2007. As of September 17, 2009, the last tranche drawn down on this credit facility amounting to €400 million was repaid in full. It bore interest at an average variable rate of 1.53% p.a. in 2009. This credit facility has now been extinguished in full.

A credit line comprising three tranches totaling €2.0 billion was initially arranged with ten banks as bridge finance for the purchase of VW Truck & Bus in Brazil. €1.5 billion of this was drawn down in March 2009. At the end of March 2009, MAN SE placed a promissory note in the amount of €200 million maturing in 2012, which was used to partially repay the bridge loan. This promissory note comprises a fixed-interest component of €49 million and an interest rate of 5.056% and a variable-rate tranche of €151 million. The average interest rate for this tranche was 4.39% p.a. in 2009. €30 million of the variable-rate component was repaid in the course of 2009 and replaced by an additional promissory note in the amount of €30 million maturing (amortizing) in 2019 and bearing a fixed interest rate of 6.76%. The bridge loan was finally repaid in full in May 2009 using the proceeds of a eurobond that was issued by MAN SE in two tranches with terms of four and seven years and fixed interest rates of 5.375% and 7.25% respectively and a total volume of €1.5 billion. Prior to this, MAN SE launched an EMTN program that allows it to issue debt securities regularly and if necessary at short notice as long as it provides the necessary documentation. The proportion of the bridge loan that was not drawn down amounting to €500 million was then canceled in the course of 2009.

The carrying amount of the promissory notes amounted to €200 million as of December 31, 2009. The carrying amount of the eurobond tranche maturing on May 20, 2013 amounted to €996 million and its fair value was €1,060 million, while the carrying amount of the tranche maturing on May 20, 2016 amounted to €496 million and its fair value was €577 million.

In December 2003, MAN Financial Services plc, Swindon/United Kingdom, issued a €300 million bond with a 5.375% coupon. As of November 27, 2007, the issuer repurchased a notional €60 million of this bond. The outstanding principal amount is €240 million. As of December 31, 2009, the carrying amount, including fair value adjustments from hedge accounting for interest rate hedges, amounted to €246 million (previous year: €247 million) and the fair value was €250 million (previous year: €247 million). The bond matures on December 8, 2010. MAN SE has issued an irrevocable guarantee for this bond that covers the payment obligations under the terms and conditions of the bond.

Structured finance includes liabilities of €104 million (previous year: €179 million) relating to sales of receivables. The MAN Group also uses asset-backed financing arrangements, in particular to finance its financial services business.

Bank borrowings mostly bear variable rates of interest.

23 Pension obligations

Provisions for pensions are broken down as follows:

€ million	12/31/2009	12/31/2008
Pension obligations in Germany	107	39
Pension obligations abroad	53	35
	160	74

a) Pension plans

The MAN Group offers its German employees occupational pension benefits after they have retired. Occupational pensions provide additional retirement benefits as well as risk protection in the event of invalidity or death while the beneficiary is actively employed. The MAN Group's pension plans were and are aligned with statutory and economic requirements. In particular, they aim to offer an adequate level of benefits compared with the market and to limit the risks to the MAN Group associated with the benefit commitment to an acceptable level.

The launch of the MAN Profit-sharing and Pension Plan (MPP) in fiscal 2009 completed the switch of the pension plans for active employees of the MAN Group to defined contribution systems that provide benefits based on capital market investments. The structure of the separate pension plan for senior managers, directors, and Executive Board members was already finalized in 2007.

All active employees receive employer contributions that are tied to their remuneration and can make additional provision through deferred compensation—which is employer-subsidized for staff subject to collective bargaining agreements. The employer- and employee-funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement, or that can be annuitized in certain cases. The risk of the investments is gradually reduced as employees get older (lifecycle concept). The performance of the plan assets is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters.

Former employees, pensions, or employees with vested benefits who have left the MAN Group have benefit commitments from a variety of old pension plans, most of which are designed to provide lifelong pension payments.

Depending on the situation in specific countries, foreign employees receive pension benefits in the form of defined benefit or defined contribution pension plans. Employees in the United Kingdom, Switzerland, and Brazil receive pension benefits under defined-benefit funded pension plans. The pension plans in the United Kingdom have been closed to new entrants. There are defined benefit pension plans with a low level of obligations that are funded by provisions in France, Austria, and Poland. There are defined contribution pension plans in the United States, the United Kingdom, and certain other countries.

b) Funding

The MAN Group's German pension assets are managed by MAN Pension Trust e.V. and MAN Pensionsfonds AG. These assets are irrevocably protected from recourse by the Group companies and may only be used to fund current pension benefit payments or to settle claims by employees in the event of insolvency. Proper management and utilization of the trust assets are supervised by independent trustees. Additionally, MAN Pensionsfonds AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin—Federal Financial Supervisory Authority). The pension assets are invested by professional investment managers in accordance with investment rules laid down by MAN SE's investment committee. There is a prohibition on investing in securities issued by, and real estate used by, MAN SE or one of its Group companies.

The pension assets in the United Kingdom are managed in two pension funds belonging to the Group that are supervised by trustees. The pension assets in Switzerland are managed by multiple-employer pension institutions, while the pension assets in Brazil are managed in a pension plan maintained together with another group of companies. These pension assets are also invested by professional investment managers. The investment rules are laid down by boards of trustees or by the responsible committees in the case of multiple-employer pension plans.

As a general rule, the pension assets are endowed at the minimum amount required by national regulations. In Germany, there is no general obligation to make ongoing payments to the pension assets. However, the goal is to ensure endowments equal to the ongoing employer and employee contributions. The expected contributions to defined benefit plans for 2010 amount to €33 million for German pension plans and €12 million for non-German pension plans.

Plan asset portfolio structure

	Germany		Abroad	
	2009	2008	2009	2008
Bonds	1,035	1,200	196	172
Equities	162	137	128	105
Real estate	–	–	31	29
Other assets	–	–	27	9
Total plan assets	1,197	1,337	382	315

Of the non-German plan assets, €212 million was attributable to the United Kingdom, €146 million to Switzerland, and €24 million to Brazil. The return on plan assets was 7.9% in Germany, 11.7% in the United Kingdom, and 6.4% in Switzerland.

c) Funded status

Change in present value of defined benefit obligation

	Germany		Abroad	
	2009	2008	2009	2008
Present value of DBO at January 1	1,398	1,501	343	396
Change in consolidated Group structure	–255	–16	16	7
Current service cost	36	28	10	10
Interest cost	67	76	20	19
Past service cost	7	–	–4	–
Actuarial losses (+)/ gains (–)	117	–124	47	–36
Pension payments	–70	–83	–24	–20
Contributions by beneficiaries	4	2	6	5
Currency translation differences, other	0	14	20	–38
Present value of DBO at December 31	1,304	1,398	434	343

Change in plan assets

	Germany		Abroad	
	2009	2008	2009	2008
Plan assets at January 1	1,337	1,381	315	409
Change in consolidated Group structure	–206	–1	16	6
Expected return on plan assets	54	71	19	23
Difference between expected and actual return on plan assets	34	–66	18	–78
Current contributions by employers	10	9	12	9
Special endowment by employers	27	15	1	–
Contributions by beneficiaries	1	2	6	5
Pension payments	–60	–74	–24	–19
Currency translation differences, other	–	–	19	–40
Plan assets at December 31	1,197	1,337	382	315

Composition of funded status and pension provisions				
€ million				
	Germany		Abroad	
	2009	2008	2009	2008
Unfunded defined benefit obligation	13	38	9	8
Funded defined benefit obligation	1,291	1,360	425	335
Total defined benefit obligation	1,304	1,398	434	343
Fair value of plan assets	-1,197	-1,337	-382	-315
Funded status at December 31	107	61	52	28
Effect of asset ceiling in accordance with IAS 19.58	-	12	1	7
Unrecognized plan assets	-	-	0	0
Reclassified as liabilities associated with assets held for sale	-	-34	-	0
Pension provisions at December 31	107	39	53	35

Measurement of the present value of the defined benefit obligation and of plan assets is based on the following parameters:

%				
	Germany		Abroad	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Discount rate	5.25	6.0	3.0–10.6	3.25–7.0
Pension trend	2.0	2.0	0.25–4.0	0.25–3.2
Pay trend	2.75	2.5	1.5–5.6	2.0–3.8
Expected return on plan assets	4.52–5.02	4.8–5.31	3.0–11.3	3.0–6.25

The discount rates reflect the yields at the reporting date on prime-rated corporate bonds or government bonds with matching maturities and denominated in the relevant currencies. The biometric parameters for pensions in Germany continue to be based on the 2005 G mortality tables issued by Prof. Klaus Heubeck.

The expected return on plan assets in Germany is based on the interest rate for Bunds with matching maturities plus standard risk premiums based on the corresponding port-

folio structure. The expected return on plan assets for plans outside Germany is calculated by the responsible actuaries.

The fair value of plan assets, the present value of the defined benefit obligation, and the funded status as of December 31, 2007 amounted to €1,790 million, €1,897 million, and €107 million respectively. The fair value of plan assets, the present value of the defined benefit obligation, and the funded status as of December 31, 2006 amounted to €1,079 million, €2,024 million, and €-945 million respectively. The fair value of plan assets, the present value of the defined benefit obligation, and the funded status as of December 31, 2005 amounted to €802 million, €2,301 million, and €-1,499 million respectively.

d) Pension expense

The pension expense is composed of the following items:

€ million		
	2009	2008
Current service cost	46	38
Past service cost	3	-
Interest cost	87	95
Expected return on plan assets	-73	-94
	63	39

e) Gains and losses eliminated in other comprehensive income

€ million		
	2009	2008
Actuarial gains (-)/losses (+) at January 1	160	176
Change in consolidated Group structure	-40	-
Change in fiscal year	112	-16
Actuarial gains/losses at December 31	232	160

24 Other provisions

€ million

	12/31/2008	Change in consolidated Group structure, currency translation	Utilization	Additions	Reversals	Interest unwinding	12/31/2009
Warranties	569	113	-211	229	-72	8	636
Outstanding costs	218	1	-119	99	-14	-	185
Other business-related obligations	178	92	-96	235	-65	-	344
Obligations to employees	213	12	-56	58	-7	3	223
Miscellaneous other provisions	230	245	-123	134	-14	-	472
	1,408	463	-605	755	-172	11	1,860

Other provisions are reported in the following balance sheet items:

€ million	12/31/2009		12/31/2008	
	Noncurrent	Current	Noncurrent	Current
Warranties	326	310	249	320
Outstanding costs	32	153	58	160
Other business-related obligations	5	339	15	163
Obligations to employees	177	46	188	25
Miscellaneous other provisions	7	465	0	230
	547	1,313	510	898

Provisions for warranty obligations are recognized for statutory and contractual guarantee obligations and for ex gratia settlements with customers. The timing of settlement of provisions for warranties depends on the occurrence of the warranty claim and may extend to the entire warranty and ex gratia settlement period. Provisions for outstanding costs are recognized for services still to be provided for customer contracts and contract elements already billed, and for obligations under maintenance and service contracts. Miscellaneous other provisions for business risks relate to provisions for expected losses from executory contracts as well as other obligations. Obligations to employees relate to anniversary payments, termination benefits, and partial retirement obligations, as well as to statutory termination benefits.

Miscellaneous other provisions include €43 million (previous year: €107 million) relating to restructurings at MAN Nutzfahrzeuge, of which €4 million (previous year: €30 million) related to the Buses restructuring program.

25 Other liabilities

€ million	12/31/2009	12/31/2008
	Deferred purchase price payments for assets leased out	1,136
Employee-related liabilities	276	411
Derivatives and measurement of hedged items	225	475
Miscellaneous other tax payables	168	122
Financing liabilities to investments	56	34
Deferred income	43	41
Miscellaneous other liabilities	175	154
	2,079	2,532

Deferred purchase price payments for assets leased out originate from sales of commercial vehicles accounted for as operating leases because of a buyback obligation.

Employee-related liabilities relate to wages, salaries, and social security contributions outstanding at the end of the reporting period, accrued vacation pay, and annual bonuses.

Other liabilities include the negative fair value of derivatives. Because these instruments are predominantly used to hedge currency risks in customer orders, they are matched in this respect by offsetting effects in the balance sheet items of the underlyings.

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2009	12/31/2008
Other noncurrent liabilities	714	1,064
Other current liabilities	1,365	1,468

Of the other noncurrent liabilities, €69 million (previous year: €17 million) is due in more than five years.

Other disclosures

26 Investigations by the public prosecution authorities

As part of a preliminary investigation (case no. 570 Js 43151/08) against MAN SE, MAN Nutzfahrzeuge AG, MAN Turbo AG, and several current and former employees, the Munich Public Prosecution Office (I) searched offices of MAN SE and MAN Nutzfahrzeuge AG in Munich, and branch offices of MAN Truck & Bus Deutschland GmbH and MAN Turbo AG on May 5, 2009 on suspicion of bribery and other criminal offenses. Seven private residences of employees and recipients of payments were also searched. The public prosecution authorities suspected that hidden commissions in the total amount of approximately €1 million were paid in Germany, and several million euros abroad, in connection with the sale of commercial vehicles between 2002 and 2005. The foreign payments are alleged to have been paid as commissions and consultants' fees in other countries, to domiciliary companies, or to shell corporations. The Munich Public Prosecution Office (I) subsequently extended its investigations to include transactions occurring up to and including 2009. It was announced on July 8, 2009 that the Munich Public Prosecution Office (I) had also commenced investigations against responsible managers of MAN Ferrostaal AG (now Ferrostaal AG) on suspicion of bribery, breach of trust, and tax evasion, although the precise scope of the allegations made against this former subsidiary were not made known. The tax investigation department of the Munich Tax Office (I) notified the Company on July 21, 2009 that it had also instituted criminal investigation proceedings for tax fraud against persons unknown for the years 2002 and 2003 in connection with the investigations by the public prosecution authorities that are ongoing at MAN Turbo.

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

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

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

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

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

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

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

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

27 Contingent liabilities

€ million	12/31/2009	12/31/2008
Contingent liabilities under guarantees	483	155
Contingent liabilities under buyback guarantees	191	193

The contingent liabilities under guarantees relate mainly to guarantees issued for trade obligations of investments, former investments, and other companies. €408 million of the year-on-year increase is attributable to the sale of the 70% interest in Ferrostaal (see Note (6)), less the planned reduction in the liability for non-Group third parties and former investments. MAN's guarantees for Ferrostaal are largely covered by indemnities issued by IPIC, depending on the origination date of the guarantee.

Customer liabilities to financing companies that finance the purchase of the Group's products by third parties are covered by standard industry buyback guarantees. These relate to commercial vehicles and amount to €191 million (previous year: €193 million).

The contingent liabilities disclosed are generally measured in the maximum amount of any claim that may be asserted against MAN. Any recourse claims are not offset.

MAN Nutzfahrzeuge AG and MAN Finance have incurred an obligation to guarantee minimum returns and proportionate

additional payment obligations in the event of losses at certain associates.

Purchase commitments for items of property, plant, and equipment amounted to €81 million at the end of the reporting period (previous year: €207 million).

28 Other financial obligations

Other financial obligations comprise rental and lease obligations. The future rental and lease obligations under operating leases are due as follows until expiration of the lease terms:

€ million	12/31/2009	12/31/2008
Investment leases		
Due within one year	19	20
Due between one and five years	38	43
Due after more than five years	10	12
	67	75
Rental and lease obligations		
Due within one year	156	213
Due between one and five years	325	388
Due after more than five years	425	387
	906	988

The rental and lease obligations contain the sale of leased vehicles held by MAN Finance to Hannover Mobilien Leasing GmbH. These obligations are partly offset by future income from subleases amounting to €62 million (previous year: €152 million).

29 Additional disclosures on nonderivative financial instruments

The following section contains supplemental disclosures on the significance of nonderivative financial instruments and on individual balance sheet and income statement line items relating to financial instruments.

The following table compares the carrying amounts and fair values of the financial instruments.

€ million	12/31/2009		12/31/2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Trade receivables	2,202	2,200	3,015	3,015
Finance lease receivables	1,096	1,073	1,240	1,334
Cash and cash equivalents	502	502	105	105
Other financial assets	692	692	749	749
Available for sale	242	242	80	80
At fair value through profit or loss	159	159	274	274
Derivatives in hedging relationships	135	135	264	264
Other assets	156	156	131	131
Liabilities				
Trade payables	1,368	1,368	1,548	1,548
Financial liabilities	3,270	3,419	1,736	1,736
Other financial liabilities	360	360	595	595
At fair value through profit or loss	138	138	375	375
Derivatives in hedging relationships	87	87	100	100
Other liabilities	135	135	120	120

Fair values were measured on the basis of the market prices available at the end of the reporting period or using the valuation techniques described in the following, and reflect the prices at which one party would assume the rights/and or obligations under these financial instruments from another party in an arm's length transaction. There were no material changes in the valuation techniques applied as against those applied in the previous year.

Cash and cash equivalents, trade receivables, other financial assets, trade payables, and other financial liabilities mostly have short remaining maturities. For this reason, their carrying

amounts at the end of the reporting periods are approximately the same as their fair values.

The fair value of finance lease receivables corresponds to the present value of the cash flows expected to be received for the assets, discounted using current interest rate parameters that reflect changes in market and counterparty-related conditions and expectations.

The fair values of listed bonds are based on the quoted prices at the end of the reporting period. The fair value of OTC bonds, fixed-rate bank borrowings, and other financial liabilities is measured as the present value of the cash flows expected to be required to settle the liabilities, discounted using standard market rates of interest for matching maturities.

Available-for-sale financial assets include shares of €242 million (previous year: €80 million) measured at cost. These are securities and shares of unlisted entities that were not measured using a discounted cash flow method because the related cash flows could not be reliably measured.

The carrying amounts of the financial instruments classified by the IAS 39 measurement categories are as follows:

€ million	12/31/2009	12/31/2008
Financial assets		
Loans and receivables	2,358	3,146
Trade receivables	2,202	3,015
Other assets	156	131
Available for sale	242	80
Financial investments and marketable securities	227	70
Other assets	15	10
At fair value through profit or loss	294	538
Financial liabilities		
Financial liabilities at cost	4,773	3,404
Trade payables	1,368	1,548
Financial liabilities	3,270	1,736
Other liabilities	135	120
At fair value through profit or loss	225	475

Fair value hierarchy

The financial assets and liabilities measured at fair value that are presented in the following table were held as of December 31, 2009.

Measurement and presentation of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is classified as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

€ million	Level 1	Level 2	Level 3	12/31/2009
Financial assets				
At fair value through profit or loss				
Other financial assets	0	159	0	159
Derivatives in hedging relationships	0	135	0	135
Financial liabilities				
At fair value through profit or loss				
Other financial liabilities	0	138	0	138
Derivatives in hedging relationships	0	87	0	87

In fiscal 2009, there were no reclassifications between Level 1 and Level 2 in fair value measurement, and there were no reclassifications to or from Level 3 in relation to fair value measurement.

Net gains and losses on financial instruments are presented in the following table:

€ million	2009	2008
Loans and receivables	-120	-66
Available-for-sale financial assets	-4	151
Financial liabilities at cost	14	-11
Financial assets and liabilities at fair value through profit or loss	61	-54

Net gains and losses on loans and receivables primarily contain changes in valuation allowances, income from payments received on loans and receivables written off, currency translation differences, and reversals of impairment losses.

Net gains and losses on available-for-sale financial assets relate primarily to net gains and losses from the measurement of financial investments. In fiscal 2009, no unrealized gains and losses on available-for-sale financial assets were recognized in other comprehensive income, and no amounts were withdrawn from other comprehensive income and transferred to profit or loss.

Net gains and losses on financial liabilities at cost are principally composed of currency translation differences and income from the derecognition of liabilities.

Net currency expenses on the items mentioned above amounted to €32 million (previous year: €8 million).

Net gains and losses on financial assets and liabilities at fair value through profit or loss contain changes in the fair value of derivative financial instruments for which hedge accounting is not used.

The interest income and expenses relating to financial assets and liabilities are as follows:

€ million	2009	2008
Interest income	296	240
Interest expenses	-327	-185

Interest income on impaired financial assets is insignificant because receipt of payment is expected in the short term in most cases. Interest income of €286 million and interest expenses of €282 million are attributable to items that are not measured at fair value through profit or loss.

30 Derivatives and hedging strategies

The MAN Group is exposed to currency and interest rate risks to a not inconsiderable extent. A Group-wide risk management system has been established to identify, quantify, and mitigate these risks.

a) Risk management

MAN Group companies generally hedge their interest rate and currency risks through MAN SE's Group Treasury on an arm's length basis using derivative and nonderivative financial instruments. Financial instruments are accounted for at the trade date.

Group Treasury's risk positions are hedged externally with banks within defined risk limits. Hedging transactions are entered into on the basis of standard guidelines that adequately reflect the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG—German Act on Control and Transparency in Business) and the risk management requirements applicable to banks. They are subject to rigorous oversight, which is ensured in particular by the strict separation of trading, settlement, and supervision functions.

The MAN Group's interest rate and currency positions are reported regularly to the Executive Board and the Supervisory Board. Compliance with the guidelines is reviewed by the internal audit function.

b) Currency risk

The international nature of the MAN Group's business activities entails a significant volume of cash flows in a variety of currencies. A currency risk arises for each MAN company if it enters into transactions with international contractual partners resulting in future cash flows that are not denominated in that MAN company's functional currency. To mitigate the effects of exchange rate movements, MAN SE continuously quantifies the currency risk and hedges all material risks, primarily through the use of currency forwards and currency options. In countries whose exchange controls do not permit direct hedging by MAN SE—especially Brazil—currency derivatives are entered into by MAN SE on behalf of and for the account of the Group company concerned.

In the MAN Group, all firm customer orders (firm commitments) and the Group's own purchases denominated in foreign currencies are hedged as a matter of principle. We also enter into hedges for forecasted foreign currency revenue from the series production business within defined hedging limits, and for highly probable customer projects.

There were currency hedges in all major European currencies at the end of the reporting period, as well as in U.S. dollars, Canadian dollars, Japanese yen, and in further currencies in the Latin America, Asia, and Africa regions. Currencies that are highly correlated with the euro, such as the Danish krone, are only hedged in specific instances. There is no requirement to hedge equity investments or equity-equivalent loans in foreign currencies.

Although we endeavor to fully hedge all foreign currency positions, open foreign currency positions do arise at the end of the reporting period, for example in sterling. The following opportunities (positive values) and risks (negative values) would arise if all foreign currencies were to decline by 10% against the euro.

€ million	2009	2008
Firm commitments	-2	2
Forecast transactions	-1	-2

Both cash flow hedges and fair value hedges are used for hedge accounting. Based on a currency sensitivity analysis, almost half of the resulting gains and losses would be recognized in other comprehensive income, and the other half would be recognized in net income for the period. If the currency sensitivity analysis (devaluation of all foreign currencies by 10% versus the euro) were to be restricted to financial instruments, the effect would be €6 million (previous year: €-7 million). These effects are due primarily to sterling, Danish krone, and Swiss francs.

In the course of the year, gains of €21 million (previous year: losses of €21 million) from cash flow hedges were reclassified from equity to revenue. In addition, a loss of €13 million was transferred to net income because the underlying did not reach the volume originally planned. In fiscal 2009, net unrealized gains (before taxes) from the measurement of derivatives amounting to €49 million (previous year: €1 million) were recognized in other comprehensive income.

If the results of the retrospective effectiveness test applied to cash flow hedge accounting indicate that effectiveness is not 100% but still within the effectiveness range of 80–125%, the resulting hedge ineffectiveness is recognized in net income for the period and the cost of the assets in question. For fiscal 2009, this related to total hedge ineffectiveness of +€355 thousand (previous year: €-62 thousand). This was attributable mainly to ineffectiveness from export-related hedges that was recognized in net income. Only an ineffectiveness of +€116 thousand (previous year: €-21 thousand) was recognized as an increase (previous year: decrease) in cost.

The maximum remaining term of cash flow hedges of forecast transactions was 48 months at the end of the fiscal year. Just under half of the hedged forecast transactions are expected to occur and thus affect net income in the first quarter of 2010. A further 44% of the forecast transactions are expected to be implemented by the end of 2010.

Early termination of cash flow hedges resulted in gains of €8 million (previous year: €11 million) in fiscal 2009, as the hedged transactions are no longer expected to occur (e.g., because of order cancellations by customers).

Losses/gains on hedging instruments used in fair value hedges amounted to €-56 million (previous year: €146 million). Gains/losses on the related underlyings amounted to €57 million (previous year: losses of €145 million).

c) Interest rate risk

The MAN Group holds assets and liabilities that are sensitive to interest rate movements because of its cash generation and investment activities. Interest rate-sensitive assets result primarily from customer financing, especially leases, which are mainly entered into at fixed rates of interest. Interest rate-sensitive financial liabilities at the end of the reporting period related in particular to fixed-rate euro bond issues and other fixed and variable-rate financial liabilities.

Interest rate-sensitive financial instruments are exposed to interest rate risk in the form of a fair value risk or a cash flow risk. Fair value risk is a measure of the sensitivity of the carrying amount of a financial instrument to changes in market rates of interest. By contrast, cash flow risk describes the exposure to variability in future interest payments in response to interest rate movements. Interest rate risk is analyzed and managed centrally in the MAN Group using sensitivity analyses. These sensitivity analyses are based on the following assumptions:

In the case of nonderivative financial instruments bearing variable rates of interest and interest rate derivatives that do not form part of a hedging relationship in accordance with IAS 39, changes in market rates of interest affect future interest payments and are therefore included in the calculation of cash flow and fair value risk.

Fixed-rate nonderivative financial instruments measured at amortized cost and fixed-rate financial instruments and hedging instruments included in a fair value hedge are not exposed to any interest rate risk, because interest rate-related changes in the value of the hedged item and the hedging instrument offset each other almost entirely in profit or loss in the same period.

A 100 basis point parallel increase in the yield curve is assumed to calculate interest rate sensitivity. This would produce the following opportunities (positive values) and risks (negative values):

€ million	12/31/2009	12/31/2008
Variable-rate nonderivative financial instruments (cash flow risk)	-15	-6
Derivatives (fair value risk)	14	19

The earnings effects of the interest rate sensitivity analysis would be recognized in full in net income for the period.

We use derivatives such as interest rate swaps, forward swaps, and, if appropriate, caps and floors to limit the interest rate risk resulting from nonderivative financial instruments; the volumes and maturities are based on the redemption structure of the defined customer portfolios or of the financial liability, and on the target hedging level.

If the derivatives employed are designed not to hedge the risk of individual financial instruments, but of a portfolio, this hedging strategy does not meet the criteria for hedge accounting in accordance with IAS 39. However, the interest rate risk is still economically hedged.

d) Credit risk

From the MAN Group's perspective, credit risk defines the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the MAN Group. Credit risk comprises both the direct default risk and the risk that the creditworthiness of a counterparty will deteriorate, as well as any clustering of individual risks.

The MAN Group is exposed to credit risk because of its business operations and its financing and leasing activities. The maximum credit risk is reflected by the carrying amount of the financial assets recognized in the balance sheet (see Note 29). The following measures in particular are used to minimize credit risk and measure risk provisions:

Liquidity management and investment is handled by the central Cash Management function. This carefully selects the financial institutions and investment forms when investing cash funds, focusing on a conservative investment strategy.

To reduce the default risk of derivatives, we only enter into derivatives transactions with prominent, prime-rated banks (investment grade institutions).

In the operating business, country and counterparty risks are continuously assessed locally; risks are classified and profiled on this basis. Outstanding balances are continuously monitored locally. Valuation allowances are recognized to reflect default risks. Credit risk is mitigated by various forms of protection, which may also be country-specific if appropriate. Examples include documentary credits, credit insurance, sureties, guarantees, and retention of title, as well as customer prepayments. In the project business, the default risk is minimized by requiring prepayments and obtaining collateral.

The MAN Group recognizes adequate risk provisions for the credit risk resulting from the operating business. This is achieved by continuously monitoring all receivables and by recognizing bad debt allowances if there is objective evidence of default or other breach of contract. Material individual receivables, as well as receivables whose collectibility is in doubt, are measured on an item-by-item basis. The contract terms of receivables amounting to €50 million were renegotiated (e.g. by prolonging payment periods). The remaining receivables are combined into groups of similar contracts and then tested for impairment, reflecting country-specific risks and any collateral received.

Credit risk from financing and lease activities is monitored on the basis of the portfolio at risk. Customer creditworthiness is continuously monitored by assigning customers to risk classes, based on information from the local Financial Services companies as well as from standard external sources. Nonrecourse factoring of parts of the receivables portfolio additionally limits the maximum credit risk. As a rule, additional collateral is provided by assignment of the financed vehicle as security, as well as by customer prepayments if appropriate.

The MAN Group recognizes adequate risk provisions for the credit risk from financing and leasing activities. If individual contracts are breached, measures are taken to renegotiate the existing contract terms in line with the customer's economic situation or to recover the financed asset. In 2009, the terms of a total of 7,587 contracts with a volume of €478 million were renegotiated. Contract terms are renegotiated only if the customer's liquidity problems are deemed to be no more than temporary and MFI's risk long-term assessment indicates an improvement. Additionally, customer-specific risk provisions are recognized to reflect certain criteria. These provisions cover expected losses due to the uncollectibility of installments, potential realization losses from marketing the financed assets, as well as other expenses expected to be incurred if the contract is terminated prematurely. Measurement of the risk provision reflects the estimated fair value of the financed assets serving as collateral, as well as repayments received and other collateral. As a rule, the value of the assets serving as collateral for loans depends on the amount of the financed asset. In addition, collective risk provisions are recognized depending on certain indicators. The amount of these provisions is measured in particular on the basis of actual credit losses in the recent past.

In light of the financial market crisis and its effects on the real economy, the MAN Group took steps at an early stage to keep the risks from possible credit losses as low as possible. As part of this, receivables management was stepped up and credit risk management measures are continuously adapted to changes in market conditions.

The following table presents information on receivables that are past due but not individually impaired:

	12/31/2009		12/31/2008	
	Receivables from customers and investments	Finance lease receivables	Receivables from customers and investments	Finance lease receivables
30 days or less	250	6	425	19
31—90 days	160	8	221	10
91—180 days	101	9	80	4
181 days—1 year	47	3	34	2
More than 1 year	30	1	19	—

Collective impairment losses are recognized for groups of financial assets on the basis of past experience to cover the credit risk from these receivables and from receivables not past due.

In the case of receivables that are neither individually impaired nor past due, there are no indications at the end of the reporting period that their credit quality is impaired.

e) Liquidity risk

Liquidity risk describes the risk that we will encounter difficulty in meeting obligations associated with financial liabilities.

To counter this risk, the MAN Group has an effective financial management system that continuously monitors and manages cash inflows and outflows and due dates. Cash funds are primarily generated by our operating business and by external financing arrangements. Financial management for the operating units is implemented centrally using a cash pooling process. Daily pooling of cash funds manages liquidity surpluses and requirements both at individual Group companies and in the MAN Group to ensure that all of their needs are met. For external financing purposes, the opportunities available on the financial market are tracked continuously to ensure the MAN Group's financial flexibility and limit inappropriate refinancing risks. Further information on existing short-term and long-term external financing arrangements is contained in Note (22). Cash outflows result mainly from financing working capital, investments, and cover for financing requirements in the leasing and sales financing business. Management is informed regularly about cash inflows and outflows, as well as sources of finance.

In accordance with the requirements of IFRS 7, the information presented in the following table is restricted to cash outflows attributable to contractual interest and principal payments for nonderivative financial liabilities and to derivatives with a negative fair value. If no contractual maturity has been agreed, the liability refers to the earliest maturity date. Variable-rate interest payments reflect the conditions at the end of the reporting period. It is generally assumed that the cash outflows will not occur earlier than shown below.

€ million						
	2010	2011	2012	2013	2014	> 2014
Financial liabilities	1,266	399	470	1,090	43	574
Trade payables	1,365	2	1	0	0	0
Other financial liabilities	126	1	1	1	1	5
Derivatives and measurement of hedged items	139	30	11	2	0	43
	2,896	432	483	1,093	44	622

f) Classification of hedging instruments by type of hedge

The following table shows the fair values of hedging instruments.

€ million		
	12/31/2009	12/31/2008
Fair value hedges	6	163
Cash flow hedges	42	1
	48	164

31 Share-based payment

Share-based payment for members of MAN SE's Executive Board and the directors and other beneficiaries of MAN companies is based on the MAN Stock Program (MSP) established in 2005. Under the MSP, the beneficiaries receive taxable cash payments on condition that they use 50% of the payment amount to purchase MAN SE common shares. Purchase and safekeeping of the shares is undertaken centrally by MAN SE on behalf and for the account of the beneficiaries. The MSP participants may freely dispose of the purchased shares after a three-year vesting period. During the vesting period, the shares may not be sold, pledged, or hedged. If the beneficiary retires or leaves the MAN Group for other reasons, the vesting period is reduced to one year from the date the beneficiary leaves the MAN Group.

In addition, under the terms of the MSP, the beneficiaries are required to use 16.67% of their annual variable remuneration (bonus) to purchase MAN SE common shares (share bonus); the vesting period for shares purchased in this way is two years.

In fiscal 2009, the beneficiaries received a total of 39,947 (previous year: 23,932) MAN common shares under the MSP 2009 at an average price of €43.26 (previous year: €78.54). Payments for these shares amounted to €1,728 thousand (previous year: €1,880 thousand). The part of the variable remuneration required to be used to purchase MAN common

shares amounted to €437 thousand (previous year: €2,775 thousand). Based on the closing price of €54.44 at December 31, 2009 (previous year: €38.72), this corresponds to 8,031 (previous year: 71,655) MAN common shares. The total expense from the MSP 2009 and the variable remuneration to be used for share purchases under the MSP was €4,343 thousand (previous year: €9,326 thousand). Corresponding provisions were recognized for the share purchases to be made in 2010.

In fiscal 2009, the members of the Executive Board received a total of 15,883 (previous year: 9,347) MAN common shares under the MSP 2009 at an average price of €42.96 (previous year: €78.55). Payments for these shares amounted to €682 thousand (previous year: €734 thousand). The members of the Executive Board will not receive any variable share bonus for fiscal 2009 (see Note (33) for further information). For fiscal 2008, the part of the variable remuneration earmarked for the purchase of MAN common shares amounted to €1,475 thousand. Based on the closing price of €38.72 at December 31, 2008, this corresponded to 38,094 MAN common shares. The total expense from the MSP 2009 and the variable remuneration to be used for share purchases under the MSP was €1,365 thousand (previous year: €4,425 thousand).

32 Related party disclosures

In accordance with the notification pursuant to section 21(1) sentence 1 of the WpHG received in February 2007, Volkswagen AG holds a 29.9% interest in MAN SE. Goods and services amounting to €21 million (previous year: €8 million) were purchased from Volkswagen AG in fiscal 2009. These resulted in liabilities to Volkswagen AG of €4 million (previous year: €0.4 million) as of December 31, 2009.

In addition, the Company purchased a call option on Scania shares from Volkswagen AG in 2008; see Notes (6) and (16). See Note (6) for information on the purchase of VW Truck & Bus from Volkswagen AG.

Related party entities that are significant for the MAN Group are the associates and joint ventures with which it exchanges goods and services as part of normal business transactions. The following table shows the volume of such relationships.

€ million	12/31/2009	12/31/2008
Revenue	512	802
Other income	33	7
Purchased services	106	167
Receivables	109	199
Liabilities	41	8

For information on the transactions with related parties required to be disclosed under IAS 24, please refer to Notes (33) and (34) below.

33 Remuneration of the Executive Board

The remuneration of the members of the Executive Board was as follows:

€ thousand	2009	2008
Executive Board members in office as of December 31, 2009¹		
Fixed remuneration	863	548
Variable cash bonus	0	1,030
Variable stock bonus and MSP ³	405	773
Pension expense	339	191
Former Executive Board members²		
Fixed remuneration	2,042	2,650
Variable cash bonus	0	4,870
Variable stock bonus and MSP ³	960	3,652
Pension expense	1,098	1,130
Total	5,707	14,844

¹ Dr.-Ing. Georg Pachta-Reyhofen (CEO), Frank H. Lutz since December 11, 2009, Jörg Schwitalla since May 19, 2009

² Dipl.-Ing. Håkan Samuelsson (former Executive Board Chairman) until November 23, 2009, Prof. Dr. h.c. Karlheinz Hornung until December 11, 2009, Dr. jur. Matthias Mitscherlich until March 25, 2009, Dipl.-Ökonom Anton Weinmann until November 30, 2009

³ 2009: MSP only (see note (31) for further information).

In addition, severance payments amounting to a total of €21,064 thousand (including €2,541 thousand for pensions) are attributable to the four Executive Board members who left in fiscal 2009. These termination benefits relate to Dipl.-Ing. Håkan Samuelsson (total of €7,323 thousand), Prof. Dr. h.c. Karlheinz Hornung (total of €4,494 thousand), Dipl.-Ökonom Anton Weinmann (total of €4,839 thousand) and Dr. jur. Matthias Mitscherlich (€4,408 thousand). €4,408 thousand was already paid in fiscal 2009 for Dr. jur. Matthias Mitscherlich and €604

thousand for the other three former Executive Board members. Appropriate provisions were recognized as of December 31, 2009 for the committed termination benefits in excess of these amounts. Excluding these termination benefits, the total remuneration of the Executive Board members declined significantly year-on-year in 2009. This significant decline is attributable mainly to the development of MAN value added (MVA) in the MAN Group in fiscal 2009. The performance-related remuneration of the Executive Board members is determined primarily by MVA. The target MVA defined in advance for 2009 was not reached. In accordance with the bonus rules, the members of the Executive Board will not receive any bonus for fiscal 2009. This relates to both the cash and the share bonus.

The present value of pension obligations as of December 31, 2009, to members of the Executive Board in office as of the end of the year amounted to €2,008 thousand (previous year: €9,320 thousand). The total expense from the addition to the provision amounted to €1,997 thousand (previous year: €1,679 thousand), of which €1,437 thousand (previous year: €1,321 thousand) related to current service and €560 thousand (previous year: €358 thousand) to interest. The expense from the addition to the provision for fiscal 2009 includes both the current service and the interest cost for the Executive Board members who left in 2009 on a pro rata basis until the date they left the Executive Board. The pension expense includes the service cost resulting from pension provisions.

Pension payments to former Executive Board members, including amounts paid in the first year after termination of contract and retirement, and to their surviving dependents amounted to €3,367 thousand as of December 31, 2009 (previous year: €3,690 thousand). A total of €47,792 thousand (previous year: €36,409 thousand) was recognized as of December 31, 2009 for provisions for pension obligations to former Executive Board members and their surviving dependents. The amount as of December 31, 2009 also includes the pension obligations of the Executive Board members who left in 2009.

The members of the Executive Board, including their memberships in other statutory supervisory boards and comparable supervisory bodies, are listed on pages 202 et seq., and more detailed information on the remuneration structure and its components is disclosed on pages 15 ff. of this Annual Report.

The individual remuneration of the members of the Executive Board is shown in the following table:

Executive Board remuneration 2009 (2008)						
€ thousand						
	Fixed remuneration	Variable cash bonus	Variable stock bonus and MSP¹	Pension expense	Total	No. of shares vested in fiscal year
Executive Board members in office as of December 31, 2009						
Dr.-Ing. Georg Pachta-Reyhofen (CEO)	548 (548)	0 (1,030)	257 (773)	241 (191)	1,046 (2,542)	2,995 (8,282)
Frank H. Lutz (since December 11, 2009)	– (–)	0 (–)	– (–)	67 (–)	67 (–)	– (–)
Jörg Schwitalla (since May 19, 2009)	315 (–)	0 (–)	148 (–)	31 (–)	494 (–)	1,721 ² (–)
Former Executive Board members						
Dipl.-Ing. Håkan Samuelsson (former CEO) (until November 23, 2009)	795 (891)	0 (1,700)	425 (1,275)	402 (378)	1,622 (4,244)	4,944 (13,670)
Prof. Dr. h.c. Karlheinz Hornung (until December 11, 2009)	533 (571)	0 (1,030)	257 (773)	239 (253)	1,029 (2,627)	2,995 (8,282)
Dr. jur. Matthias Mitscherlich (until March 25, 2009)	137 (555)	0 (1,030)	0 (773)	229 (250)	366 (2,608)	0 (8,282)
Dipl.-Ökonom Anton Weinmann (until November 30, 2009)	577 (633)	0 (1,110)	278 (831)	228 (249)	1,083 (2,823)	3,228 (8,925)
Total	2,905 (3,198)	0 (5,900)	1,365 (4,425)	1,437 (1,321)	5,707 (14,844)	15,883 (47,441)

¹ 2009: MSP only (see Note (31) for further information).

² Pro rata corresponding to membership of the Executive Board.

The cost of the shares purchased in the fiscal year is contained in the amounts shown for the variable stock bonus and MSP.

34 Remuneration of the Supervisory Board

The components of the remuneration of the Supervisory Board are as follows:

€ thousand	2009	2008
Fixed remuneration	675	771
Variable remuneration	0	1,540
Remuneration for committee membership	266	317
Total	941	2,628

The members of the Supervisory Board are listed on pages 160 et seq. The list includes their memberships of other statutory supervisory boards and comparable supervisory bodies; additional information on the remuneration structure and its components is disclosed on pages 18 et seq. in this Annual Report.

The individual remuneration of the active members of the Supervisory Board is shown in the following table:

Supervisory Board remuneration				Remu- neration for com- mittee			
€ thousand							
	Period of membership	Fixed remuneration	Variable remuneration	membership	Total 2009	Total 2008	
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch, Chairman	Full-year	70	0	48	118	280	
Thomas Otto, Deputy Chairman, since Feb. 18, 2009	Full-year	50	0	40	90	140	
Dr.-Ing. Ekkehard D. Schulz, Deputy Chairman	Full-year	53	0	24	77	193	
Michael Behrendt Marek Berdychowski	Full-year since May 19, 2009	35 22	0 0	42 0	77 22	158 –	
Detlef Dirks	Full-year	35	0	0	35	105	
Jürgen Dorn	Full-year	35	0	37	72	123	
Jürgen Hahn	until March 25, 2009	8	0	0	8	105	
Dr.-Ing. Uwe Hansult	until May 19, 2009	13	0	0	13	105	
Dr. jur. Heiner Hasford	Full-year	35	0	0	35	105	
Dr. phil. Klaus Heimann	until May 19, 2009	13	0	0	13	105	
Jürgen Kerner	Full-year	35	0	0	35	105	
Prof. Dr. rer. pol. Renate Köcher	Full-year	35	0	0	35	105	
Dr. jur. Thomas Kremer	until May 19, 2009	13	0	0	13	105	
Gerhard Kreutzer	Full-year	35	0	22	57	–	
Wilfrid Loos	until May 19, 2009	13	0	0	13	105	
Nicola Lopopolo	Full-year	35	0	0	35	105	
Dipl.-Kfm. Stefan W. Ropers	Full-year	35	0	18	53	123	
Dr.-Ing. E.h. Rudolf Rupprecht	Full-year	35	0	0	35	105	
Stephan Schaller	until May 19, 2009	13	0	0	13	105	
Erich Schwarz	since May 19, 2009	22	0	0	22	–	
Rupert Stadler	Full-year	35	0	35	70	140	
Members who left the Supervisory Board in 2008							211
Total 2009		675	0	266	941	–	
Total 2008		771	1,540	317	–	2,628	

For their membership of supervisory boards of other companies in the MAN Group, Mr. Dorn received €10 thousand (previous year: €10 thousand), Mr. Hahn received €0 thousand (previous year: €20 thousand), Mr. Kerner received €5 thousand (previous year: €5 thousand), Mr. Loos received €3 thousand (previous year: €3 thousand), and Mr. Otto received €21 thousand (previous year: €20 thousand).

Expenses reimbursed for attending Supervisory Board and committee meetings amounted to €111 thousand in fiscal 2009 (previous year: €77 thousand).

35 Corporate Governance Code

The Executive Board and Supervisory Board of MAN SE issued their annual declaration of conformity in accordance with section 161 of the AktG in December 2009. The joint declaration of conformity by the Executive Board and the Supervisory Board has been published on the MAN Group's website at www.man.eu.

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

36 Events after the reporting period

Klaus Stahlmann was appointed to the Executive Board of MAN SE effective January 1, 2010.

The contractually agreed put option on the remaining 30% interest in Ferrostaal was exercised at the beginning of 2010. Please see Note (6) for more information relating to the sale of Ferrostaal.

37 Segment reporting

The adoption of IFRS 8 has no impact on the structure of segment reporting in the MAN Group. VW Truck & Bus, which was consolidated as of March 31, 2009, is managed as a new division and represents a separate operating segment (for more detailed information, see Note (6)).

Effective from the first quarter of 2009, the activities of the MAN Group are therefore classified into the following reportable segments: MAN Nutzfahrzeuge, MAN Latin America, MAN Diesel, and MAN Turbo. These segments are identical to those divisions. Management of each of these segments reports directly to MAN SE's Executive Board in the latter's role as chief operating decision-maker. The Renk industrial subsidiary and MAN's Corporate Center are allocated to "Others/Consolidation and Reconciliation." Companies with no operating activities and the equity-method investments manroland and Scania are allocated to the Corporate Center.

The segment information represents continuing operations. The segment disclosures for the current and the previous period therefore do not include the corresponding information for discontinued operations, although it is contained in the consolidated financial statements. For further information on discontinued operations, see Note (6).

The key measure for assessing and managing the performance of a segment is operating profit. As a rule, operating profit corresponds to earnings before interest and taxes (EBIT). To enhance the long-term assessment of operating activities, the effects of tangible and intangible assets resulting from business combinations are eliminated from operating profit. In individual cases, an adjustment is made for non-recurring items, which represent income and expenses that are significant in terms of their origin and amount and that do not relate to operating business. Segment assets and liabilities correspond to the total assets and liabilities of the individual divisions. "Net liquidity/net financial debt" is a financial control measure and is calculated as cash and cash equivalents and marketable securities, less financial liabilities.

The following table contains segment-related information and a reconciliation from operating profit to net income, and from net liquidity/net financial debt to free cash flow.

Segment financial information is presented in accordance with the disclosure and measurement policies applied to preparation of the consolidated financial statements. Order intake data is derived from the Group's reporting system and has not been audited. Revenues between the segments are transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to the intangible assets, property, plant, and equipment, investment property, and investments (excluding assets leased out) allocated to the individual divisions. Please see "Control system and value management" in the Group management report for information on the key performance indicators ROS and ROCE.

Segment information

€ million

	Commercial Vehicles									
	MAN Nutzfahrzeuge						MAN Latin America			
	MAN Nutzfahrzeuge		MAN Finance		Consolidation		MAN Nutzfahrzeuge incl. MAN Finance			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Segment order intake¹	5,224	9,130	–	–	–	–	5,224	9,130	1,412	–
of which: Germany	2,043	2,700	–	–	–	–	2,043	2,700	–	–
of which: other countries	3,181	6,430	–	–	–	–	3,181	6,430	1,412	–
Intersegment order intake	–5	–18	–	–	–	–	–5	–18	–	–
Group order intake	5,219	9,112	–	–	–	–	5,219	9,112	1,412	–
Segment revenue	6,395	10,610	–	–	–	–	6,395	10,610	1,412	–
of which: Germany	2,175	2,993	–	–	–	–	2,175	2,993	–	–
of which: other countries	4,220	7,617	–	–	–	–	4,220	7,617	1,412	–
Intersegment revenue	–11	–18	–	–	–	–	–11	–18	–	–
Group revenue	6,384	10,592	–	–	–	–	6,384	10,592	1,412	–
Order backlog at December 31, 2009 and December 31, 2008	2,603	4,007	–	–	–	–	2,603	4,007	–	–
Total assets at December 31, 2009 and December 31, 2008	7,206	8,220	2,135	2,466	–1,374	–619	7,967	10,067	2,556	–
of which: inventories	1,552	1,901	48	86	–	–	1,600	1,987	133	–
of which: trade receivables	914	1,782	1,402	1,670	–43	–121	2,273	3,331	199	–
of which: cash and cash equivalents, marketable securities	878	383	47	27	–838	–1	87	409	399	–
Segment liabilities at December 31, 2009 and December 31, 2008	5,061	6,236	1,990	2,339	–1,375	–619	5,676	7,956	1,104	–
of which: trade payables	582	883	49	128	–43	–121	588	890	203	–
Operating profit/(loss)	–49	1,056	–42	7	0	–1	–91	1,062	142	–
Earnings effects from purchase price allocations	–	–	–	–	–	–	–	–	–62	–
Gains/losses from nonrecurring items	–111	–171	–	–	–	–	–111	–171	–	–
Earnings before interest and taxes (EBIT)	–160	885	–42	7	0	–1	–202	891	80	–
Net interest income/(expense)	–56	–35	0	0	0	1	–56	–34	8	–
Earnings before tax (EBT) of continuing operations	–216	850	–42	7	0	0	–258	857	88	–
Earnings before interest, taxes, depreciation, and amortization (EBITDA) of continuing operations	63	1,110	–40	9	0	–1	23	1,118	168	–
of which: depreciation and amortization	–223	–224	–2	–2	–	–	–225	–226	–88	–
of which: impairment losses	0	–1	–	–	–	–	0	–1	–	–
Net liquidity/net financial debt	–190	–1,063	–1,812	–2,099	1	–1	–2,001	–3,163	181	–
Reconciliation to free cash flow	–655	–948	–2,053	–1,476	33	18	–2,675	–2,406	63	–
Free cash flow	465	–115	241	–623	–32	–19	674	–757	118	–
of which: net cash flows from operating activities	639	344	242	–588	–32	–19	849	–263	140	–
of which: net cash flows from investing activities	–174	–459	–1	–35	–	–	–175	–494	–22	–
Capital expenditures	204	492	1	36	–	–	205	528	24	–
Additional information:										
Headcount including subcontracted employees at December 31, 2009 and December 31, 2008 (no.)	31,285	36,010	234	241	–	–	31,519	36,251	1,510	–
of which: Germany	18,205	19,751	104	111	–	–	18,309	19,862	0	–
of which: other countries	13,080	16,259	130	130	–	–	13,210	16,389	1,510	–
Headcount at December 31, 2009 and December 31, 2008 (no.)	30,552	34,934	230	235	–	–	30,782	35,169	1,510	–
Key performance indicators										
ROS (%)	–0.8	10.0	–	–	–	–	–1.4	10.0	10.1	–
MVA	–362	762	–62	–12	–	–	–424	750	112	–

¹ This supplementary information on order intake is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

² Corporate Center: MAN SE, Shared Services, and holding companies

Power Engineering															
MAN Diesel				MAN Turbo				Others/Consolidation and Reconciliation				Group			
2009		2008		2009		2008		2009		2008		2009		2008	
1,899		3,089		1,038		1,426		294		443		122		223	
130	191	118	276	97	162	122	223	-122	-246	97	139	2,388	3,306		
1,769	2,898	920	1,150	197	281	-	0	-7	-32	190	249	7,472	10,727		
-3	-8	-2	-4	-11	-24	-108	-214	129	268	10	30	0	0		
1,896	3,081	1,036	1,422	283	419	14	9	0	-10	297	418	9,860	14,033		
2,411	2,542	1,386	1,328	474	527	122	178	-174	-240	422	465	12,026	14,945		
191	263	242	262	173	211	122	178	-152	-203	143	186	2,751	3,704		
2,220	2,279	1,144	1,066	301	316	-	0	-22	-37	279	279	9,275	11,241		
-5	-7	-16	-5	-32	-35	-108	-167	172	232	32	30	0	0		
2,406	2,535	1,370	1,323	442	492	14	11	-2	-8	454	495	12,026	14,945		
2,985	4,102	1,438	1,822	415	612	0	305	-19	-432	396	485	7,422	10,416		
1,818	1,935	1,191	1,143	393	399	4,696	5,691	-2,726	-2,705	2,363	3,385	15,895	16,530		
865	864	322	297	121	154	0	2	-4	-29	117	127	3,037	3,275		
447	514	297	316	93	111	6	10	-17	-27	82	94	3,298	4,255		
74	178	276	233	53	23	2,238	3,088	-2,491	-3,826	-200	-715	636	105		
1,187	1,308	815	872	201	240	4,429	3,879	-2,646	-3,121	1,984	998	10,766	11,134		
300	361	235	240	38	51	14	34	-10	-28	42	57	1,368	1,548		
342	390	158	148	66	80	-112	49	-1	0	-47	129	504	1,729		
-	-	-	-	-	-	-	-	-	-	-	-	-62	-		
-23	-	-77	-	-	-	-445	65	-	-	-445	65	-656	-106		
319	390	81	148	66	80	-557	114	-1	0	-492	194	-214	1,623		
0	16	0	10	-1	0	-68	28	-	0	-69	28	-117	20		
319	406	81	158	65	80	-625	142	-1	0	-561	222	-331	1,643		
369	427	105	168	77	91	-151	143	-1	0	-75	234	590	1,947		
-44	-36	-23	-19	-11	-11	-23	-29	-	0	-34	-40	-414	-321		
-6	-1	-1	-1	-	0	-383	0	-	0	-383	0	-390	-3		
74	176	260	223	53	23	-1,201	660	0	450	-1,148	1,133	-2,634	-1,631		
-29	16	267	129	11	-17	1,155	295	-304	922	862	1,200	-1,512	-1,061		
103	160	-7	94	42	40	-2,356	365	304	-472	-2,010	-67	-1,122	-570		
197	250	32	148	62	68	-272	401	454	-467	244	2	1,462	137		
-94	-90	-39	-54	-20	-28	-2,084	-36	-150	-5	-2,254	-69	-2,584	-707		
101	93	40	54	20	29	1,916	173	-3	-4	1,933	198	2,303	873		
7,715	7,986	4,796	4,493	1,903	2,041	300	550	-	-	2,203	2,591	47,743	51,321		
3,380	3,505	3,035	2,964	1,747	1,876	297	546	-	-	2,044	2,422	26,768	28,753		
4,335	4,481	1,761	1,529	156	165	3	4	-	-	159	169	20,975	22,568		
7,353	7,387	4,288	4,118	1,868	1,906	299	544	-	-	2,167	2,450	46,100	49,124		
14.2	15.4	11.4	11.1	13.9	15.1	-	-	-	-	-	-	4.2	11.6		
261	335	123	123	47	62	-	-	-	-	-	-	-206	1,377		

Segment information by region

€ million	Germany	Rest of Europe	Rest of World	Total
2009				
Non-current assets (excl. financial instruments and deferred taxes) at December 31	2,348	1,306	1,669	5,323
Capital expenditures	280	87	1,936	2,303
Revenue	2,750	4,666	4,610	12,026
Headcount at December 31 (no.)	25,962	16,433	3,705	46,100
Headcount including subcontracted employees at December 31	26,768	16,891	4,084	47,743
2008				
Non-current assets (excl. financial instruments and deferred taxes) at December 31	2,490	1,360	56	3,906
Capital expenditures	647	198	28	873
Revenue	3,704	7,341	3,900	14,945
Headcount at December 31 (no.)	27,588	19,640	1,896	49,124
Headcount including subcontracted employees at December 31	28,753	20,363	2,205	51,321

Overview by Quarter (1/2)

€ million										
	2009					2008				
	Total 2009	Q 4	Q3	Q2	Q1	Total 2008	Q4	Q3	Q2	Q1
Order intake by division										
MAN Nutzfahrzeuge	5,224	1,360	1,203	1,296	1,365	9,130	930	1,914	2,766	3,520
MAN Latin America	1,412	571	453	388	–	–	–	–	–	–
MAN Diesel	1,899	375	660	301	563	3,089	660	626	899	904
MAN Turbo	1,038	257	259	222	300	1,426	271	418	369	368
Others/Consolidation	287	72	82	71	62	388	94	117	77	100
Order intake	9,860	2,635	2,657	2,278	2,290	14,033	1,955	3,076	4,111	4,892
Commercial Vehicles order intake (units)	73,826	22,479	20,468	20,179	10,700	75,497	1,810	15,962	22,917	34,808
of which: MAN Nutzfahrzeuge	37,984	9,601	8,443	9,240	10,700	75,497	1,810	15,962	22,917	34,808
of which: MAN Latin America	35,842	12,878	12,025	10,939	–	–	–	–	–	–
Revenue by division										
MAN Nutzfahrzeuge	6,395	1,574	1,565	1,641	1,615	10,610	2,695	2,535	2,830	2,550
MAN Latin America	1,412	571	453	388	–	–	–	–	–	–
MAN Diesel	2,411	639	611	605	556	2,542	709	634	629	570
MAN Turbo	1,386	350	374	357	305	1,328	429	328	317	254
Others/Consolidation	422	122	101	119	80	465	128	115	116	106
Revenue	12,026	3,256	3,104	3,110	2,556	14,945	3,961	3,612	3,892	3,480
Commercial Vehicles unit sales (units)	82,609	24,165	23,159	23,078	12,207	103,705	24,786	25,612	28,201	25,106
of which: MAN Commercial Vehicles	46,767	11,287	11,134	12,139	12,207	103,705	24,786	25,612	28,201	25,106
of which: MAN Latin America	35,842	12,878	12,025	10,939	–	–	–	–	–	–
Order backlog¹	7,422	7,422	8,160	8,661	9,662	10,416	10,416	12,924	13,554	13,513

¹ As of December 31, 2009

This supplementary information on the overview by quarter is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Overview by Quarter (2/2)

€ million	2009					2008				
	Total 2009	Q 4	Q3	Q2	Q1	Total 2008	Q4	Q3	Q2	Q1
Operating profit/(loss) by division										
MAN Nutzfahrzeuge	-91	-32	-42	-22	5	1,062	191	268	323	280
MAN Latin America	142	65	42	35	-	-	-	-	-	-
MAN Diesel	342	83	86	90	83	390	117	94	95	84
MAN Turbo	158	43	43	38	34	148	49	36	35	28
Others/Consolidation	-47	-33	5	3	-22	129	1	24	73	31
Operating profit/(loss)	504	126	134	144	100	1,729	358	422	526	423
Earnings effects of purchase price allocations	-62	-22	-40	-	-	-	-	-	-	-
Gains/(losses) from nonrecurring items	-656	-563	-22	-61	-10	-106	-171	-	65	-
Earnings before interest and taxes (EBIT)	-214	-459	72	83	90	1,623	187	422	591	423
Depreciation, amortization, and impairment losses	804	509	129	88	78	324	85	83	82	74
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	590	50	201	171	168	1,947	272	505	673	497
Earnings before tax (EBT)	-331	-486	37	38	80	1,643	206	426	591	420
Income taxes	-53	13	-31	-11	-24	-488	-73	-129	-163	-123
Income from discontinued operations, net of tax	126	1	-	-	125	92	44	5	18	25
Net income/(loss)	-258	-472	6	27	181	1,247	177	302	446	322
ROS (%)	4.2	3.9	4.3	4.6	3.9	11.6	9.0	11.7	13.5	12.1
MAN Nutzfahrzeuge	-1.4	-2.0	-2.7	-1.3	0.3	10.0	7.1	10.6	11.4	11.0
MAN Latin America	10.1	11.5	9.1	9.1	-	-	-	-	-	-
MAN Diesel	14.2	13.0	14.0	15.0	14.9	15.4	16.5	14.8	15.0	14.8
MAN Turbo	11.4	12.3	11.6	10.8	11.0	11.1	11.3	11.0	11.0	11.0
Cash earnings	396	-28	91	175	158	1,619	361	379	533	346
Net cash provided by/(used in) operating activities	1,462	504	559	258	141	137	-366	-10	294	219
Net cash used in investing activities	-2,584	-709	-25	-76	-1,774	-707	-327	-96	-138	-146
Free cash flow	-1,122	-205	534	182	-1,633	-570	-693	-106	156	73
Net financial debt ¹	-2,634	-2,634	-2,385	-2,955	-2,831	-1,631	-1,631	-973	-672	-366
Headcount (no.)^{1, 2}	47,743	47,743	48,621	49,472	50,722	51,321	51,321	52,660	52,397	51,470
of which: subcontracted employees	1,643	1,643	1,734	1,738	1,925	2,197	2,197	3,389	3,484	3,521
Capital markets information										
Earnings per share from continuing operations (€)	-2.69	-3.23	0.02	0.15	0.37	7.76	0.88	1.99	2.89	2.00
Earnings per share from continuing operations excl. effects of purchase price allocations and nonrecurring items (in €)	1.47	0.30	0.32	0.44	0.41	8.12	1.68	1.99	2.46	2.00
MAN share price³										
High	61.23	60.96	61.23	50.29	41.78	110.91	45.72	71.48	104.48	110.91
Low	30.31	52.10	40.47	35.10	30.31	27.78	27.78	46.22	70.51	77.22
Quarter-end	54.44	54.44	56.40	43.70	32.80	38.72	38.72	47.30	70.51	84.14
MAN share performance (percentage points)										
Performance of MAN shares ⁴	40.6	40.6	45.7	12.9	-15.3	-66.0	-66.0	-58.4	-38.0	-26.1
DAX [®] performance ⁴	23.9	23.9	18.0	0.0	-15.1	-40.4	-40.4	-27.7	-20.4	-19.0

¹ As of December 31, 2009

² including subcontracted employees

³ XETRA closing prices, Frankfurt

⁴ Cumulative compared with prior-year closing price

This supplementary information on the overview by quarter is reported on a voluntary basis and does not form part of the audited consolidated financial statements.

Consolidated Financial Statements

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, January 27, 2010

MAN SE

The Executive Board

Dr. Georg Pachta-Reyhofen
CEO

Frank H. Lutz
Chief Financial Officer

Jörg Schwitalla
Member of the Executive Board

Klaus Stahlmann
Member of the Executive Board

Consolidated Financial Statements

Auditors' Report

We have audited the consolidated financial statements—comprising the income statement, reconciliation of comprehensive income for the period, balance sheet, statement of cash flows, statement of changes in equity, and the notes—and the group management report prepared by MAN SE, Munich, for the fiscal year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the *Handelsgesetzbuch* (HGB—German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Munich, January 29, 2010

KPMG AG Wirtschaftsprüfungsgesellschaft

Kozikowski
Wirtschaftsprüfer

Wolper
Wirtschaftsprüfer