

**Annual General Meeting of MAN SE
June 27, 2011, ICM (Munich International
Congress Center)**

Report by the CEO

Dr. Georg Pachta-Reyhofen

Check against delivery

Dear Shareholders, Dear Guests, Ladies and Gentlemen,

It is my pleasure to welcome you to the 2011 Annual General Meeting of MAN SE. I would like to thank you from the very outset for such a large turnout and the interest that you have thereby shown in your Company, MAN.

Today, I would like to tell you more about your Company, its current position, and its very bright prospects.

- 2010 was a good, successful year for MAN, in which it saw a strong improvement. All divisions contributed to the positive figures and created sustainable value.
- In line with this, we reenlarged our workforce significantly. I would like to take this opportunity to specifically thank all MAN employees for the flexibility that they have shown. **Together**, we have had to face many cuts during the years of crisis. MAN can now rise to its challenges with

confidence and vigor once again, which is largely thanks to its staff.

- We have left the crisis behind us quicker than expected in the process. MAN has regained its former strength. This positive trend has continued undiminished into 2011.
- Our **growth strategy** that focuses on the BRIC countries is already a key driver of revenue and income. More than every fourth euro is generated in the BRIC countries. We will specifically consolidate our strong position in the emerging economies. I will go into this in more detail later.
- We also took important steps **technologically-speaking**: the successful market launch of the unrivalled 'Efficient Line' long-haul truck series, the MAN 'Lions City Hybrid' range of hybrid city buses, as well as the further development and expansion of our product range for large-bore diesel engines are just some of the examples that I would like to mention. Aerodynamic innovations like the 'Concept S' truck study also caused a sensation and a corresponding media frenzy at the world's most important trade fair, the IAA Commercial Vehicles.
- In order to ensure access to the market and technological advancement in the long term, **cooperation** has always been part of our long history and of our success. Volkswagen and Scania are partners with which we can now leverage synergies at an even higher level. We agree with both partners that there is an industrial logic behind this. It will now be a question of making the most of these advantages together for the benefit of all parties—and in doing so, predominantly for you, as our shareholders.

If you want to aim high, you need a good springboard. MAN has this stable foundation which enables further growth. We have worked successfully on it in the past fiscal year. This was helped by the general economic growth. Markets for commercial vehicles in particular improved significantly in Europe, and even the turbo field saw a substantial improvement in its market environment. MAN seized the opportunities that presented themselves, which the relevant key performance indicators reflect very well.

In order to continue and support this momentum, we showcased MAN as a technologically-leading and forward-looking company in a **brand campaign**. Questions like “Illuminating Tower Bridge with waste?” were accompanied by surprising information, but the answer was always the same: **We are your MAN**. The outcome of the campaign shows that we succeeded in anchoring the image of MAN as an **expert solution provider** on the markets for **transportation and energy** in the public eye.

We also felt this response in our direct contact with our customers and the public at the key trade fairs of 2010, the IAA Commercial Vehicles and the SMM marine trade fair, where we received a large number of new orders.

In 2010, the MAN Group’s **order intake** of 15.1 billion euro was up 53 percent on the previous year. This surge meant that MAN once again hit the average level of previous years. In the Commercial Vehicles business area, growing demand in the European commercial vehicles business and the ongoing boom in the BRIC countries boosted orders by 68 percent to 11.2 billion euro. At 4.0 billion euro, our second business area, Power Engineering, also enjoyed a 24 percent increase in its

order intake. This was primarily driven by the positive performance in the Engines & Marine Systems strategic business unit and at Renk.

The MAN Group's **revenue** climbed 22 percent in 2010 to 14.7 billion euro, due in particular to the recovery in the Commercial Vehicles business. With revenue of 10.6 billion euro for the year, the **Commercial Vehicles** business area saw its revenue rise 36 percent. We boosted sales of new trucks and buses to over 126,000 vehicles worldwide. MAN Latin America closed the strongest fiscal year in its history, posting revenue of 3.1 billion euro.

The newly established **external engine** business also performed very well. At the end of 2010, we received major orders for 3,200 engines for rail applications alone. We now generate almost a third of our revenue in the engine business with external customers, which is a sign of how highly one of our core products is valued. We will continue to develop this strategic growth market further.

Revenue in the **Power Engineering business area** remained on a level with the previous year, at 4.2 billion euro, while the Power Plants strategic business unit improved by 39 percent and Engines & Marine Systems contracted 13 percent. This reflected the trend in shipbuilding worldwide, which is still weak.

Nevertheless, we generated a remarkably high level of profit and returns on sale: **MAN Diesel & Turbo** is still the Group's gem, with **return on sales** of 11.7 percent – although key industries like the marine sector were still at an economic low in 2010. The Power Engineering business area generated an operating profit of 491 million euro overall, while Commercial Vehicles yielded 528 million euro.

High return on sales

The MAN Group's focus on commercial vehicles and power engineering proved to be a successful strategy in 2010 too. The MAN Group even doubled its **operating profit** in 2010 to over **one billion euro**. Its **return on sales** rose from 4.2 percent to **7.1 percent**. As a result, we are already back within our long-term target return range of 8.5 plus-minus 2 percent in the **first** year following the financial and economic crisis.

In addition to this **success at operating level**, the **reversal of the impairment loss on the Scania investment** also had an impact on earnings. This remeasurement fully accounts for the losses from nonrecurring items of 357 million euro.

Earnings per share from continuing operations including nonrecurring items amounted to **5.30** euro. Based on the operating profit **excluding** the effects of purchase price allocations and **excluding** nonrecurring items, they amount to **3.38** euro. In line with this you, dear shareholders, also benefited from the outstanding performance of MAN's shares. The price in 2010 of **MAN common shares** rose from 34.55 euro to 88.99 euro on December 31, 2010, recording a **gain of around 64 percent**. During the same period, the German Dax benchmark index only increased by around 16 percent.

MAN also started the **new year** in a strong position. In the **first quarter of 2011**, order intake climbed by 26 percent year-on-year to 4.4 billion while the Commercial Vehicles business area enjoyed an increase of just under 40 percent. Revenue totaled 3.7 billion euro, up by 19 percent on the previous year. The recovery in the European commercial vehicles market was primarily reflected in the operating profit of 325 million euro.

Overall, MAN generated **return on sales of 8.7 percent**. We expect **similarly** good performance for the **second quarter of 2011**.

Proposed dividend

In order to enable you, as investors of the Company, to reasonably participate in the positive business and earnings performance, the Executive and Supervisory Boards propose a **dividend of 2.00 euro per share to the Annual General Meeting** for fiscal year 2010. Last year, 25 cents per share were distributed. This also reflects our conviction of a sustained financial recovery for MAN.

Volkswagen's takeover bid

MAN SE's largest shareholder, **Volkswagen AG**, made a **takeover bid** to all other shareholders on May 31, 2011. The Executive and Supervisory Boards of MAN SE commented on this in detailed reasoned opinions each dated June 7. The Executive Board believes that the offer does **not** reflect the long-term value-creating potential of MAN or the potential for synergies and higher profitability from closer cooperation between MAN, Scania, and Volkswagen.

In the interests of transparency, it must be pointed out in this context that MAN shares bear potential valuation-related risks, such as in connection with **Ferrostaal**. MAN exercised the contractually agreed put option for the remaining 30 percent interest in Ferrostaal AG at the beginning of January 2010 in order to transfer these shares to the International Petroleum Investment Company, known as IPIC for short. The purchaser refused to complete the transaction. IPIC has now filed an

arbitration action to unwind the Ferrostaal transaction and additionally for compensation for damages.

MAN is defending itself against the arbitration action and has filed counteraction against IPIC to accept the remaining 30 percent and pay the agreed purchase price. We are convinced of our legal position and will plead it systematically.

At the same time, we remain committed to quickly coming to an agreement at Ferrostaal with majority owner IPIC. This is in the interests of all parties involved, especially Ferrostaal and its employees.

Ladies and Gentlemen,

Regardless of the financial details of the Volkswagen offer, I would like to make one thing very clear: the Executive and Supervisory Boards remain convinced that closer cooperation between MAN, Scania, and Volkswagen will still enable substantial **synergies** in purchasing, development, and production to be leveraged. In talks between MAN, Scania, and Volkswagen, all the companies involved came to this same opinion. The important thing in such a case is that jointly agreed **basic principles** like brand independence and unobstructed global market access with all products are systematically observed.

Challenges to come

You might ask why intensive cooperation with a commercial vehicle rival is necessary if MAN is stronger than ever. I would like to explain this to you in more detail.

MAN technologies and products are not only intended to be a success today and tomorrow. As a commercial vehicle

manufacturer, we are expanding in a large number of promising markets. At the same time, all manufacturers, including us, are facing serious **challenges**:

- The **technical requirements** placed on commercial vehicles are becoming increasingly **complicated**: tougher emission regulations, new drive systems like hybrid, the use of alternative and in some cases synthetic or gaseous fuels, and additional safety assistance systems, all use up research and development capacity in many cases.
- The conditions are changing much faster than they used to: details of the new Euro 6 emission standard have not yet been decided, let alone the binding regulations, but the next level is already being debated. Even the characteristics of entire markets are swiftly changing. As a result, **development cycles are getting shorter and shorter**, technical solutions have to be found and put into place quicker than usual.
- **Competition** is becoming **fiercer**. Enormous growth on the commercial vehicle markets in the BRIC countries arouses interest among established, western manufacturers. The race for the best position is well underway. The growth markets themselves are also seeing large, confident players emerge who are already producing on a large scale today and looking beyond borders. China is the best example of this. Of the largest ten manufacturers of heavy commercial vehicles, five now come from China. This competition has to be taken very seriously in the

medium term, especially since these new competitors are growing even more through consolidation.

Yes, MAN is in an excellent position today. We have leading technologies, good market positions, international cooperation and established, valuable brands. Yet that is exactly why we have to use this opportunity constructively and set the course for tomorrow and the time to come. In order to leverage the potential of globalization and technological change, we should not opt to go it alone. Instead, we should **combine our know-how and resources** with our partners in order to be in a more powerful position together. MAN, Volkswagen, and Scania are all convinced of this industrial logic and we are the right partners for this.

Opportunities that cooperation would offer

Partnering with powerful players like Scania and Volkswagen opens up a whole world of **new opportunities** for our products, as well as for our shareholders and employees:

- **Bundling purchase volumes** could yield substantial purchasing benefits. This not only includes raw material, but also vehicle-specific systems and core commercial vehicle components like transmissions. It is important here to ensure that jointly purchased or produced parts do not have any negative impact on the brand identity of the partners involved. Our customers will still receive vehicles where the key features are still MAN – but with one small difference: we will be able to manufacture these trucks more cost-effectively.
- Each of the three companies is more than busy with the challenges mentioned in **research and development**.

This also applies to basic developments. Together, we could pool resources in this area, find solutions quicker in a more focused manner, and avoid parallel investments.

- The same applies to international **management capacities**. We are all convinced that leveraging potential in the BRIC countries and beyond is worthwhile. However, we should not fool ourselves into thinking that this is possible without more staffing. MAN has gathered much experience on the international stage, and it has not all been positive. But we have learned from this and we can better judge these markets today. Sustainable success requires adequate staff with experience, especially on site. MAN, Scania, and Volkswagen, can all benefit from one another here too.
- MAN and Scania could complement their respective **product portfolios**. Cooperating with Volkswagen also makes **expansion of the product range toward the lower end** conceivable. MAN and Volkswagen worked expertly together in the tonnage segment **of less than 7.5 tons** back in the 1980s. Something similar in a new, closer relationship would be much easier.

All of the aforesaid results in several, conceivable **areas of cooperation**: in addition to purchasing, these are research and development as well as production. Details of the cooperation still have to be worked out in joint project groups. It has not been possible to work on the exact details to date because of antitrust restrictions. We are simply not permitted, as competitors, to exchange certain data and carry out analyses together. That is why we, MAN, welcome Volkswagen's increase in May in its MAN shareholding over the 30-percent mark, which triggered the antitrust clearance. It is only as **affiliated companies** that we can examine joint activities in

depth and steadily put identified synergies into practice **without** legal pitfalls.

Ladies and gentlemen, since our cooperation is now to enter a new, vigorous phase, I want to have made it clear that together, we want to leverage potential, take on challenges, and actively seize opportunities. The aim is to achieve **sustainable profitable growth** on all markets and create value for **your** MAN as we develop it further.

Preserving brand identity

The offer presented by Volkswagen AG four weeks ago makes it perfectly clear that the **identity of the individual brands** have to be preserved in this cooperation. Anything else would not make sense. Scania and MAN are strong brands, not forgetting premium bus brand Neoplan. Other manufacturers envy the good image that our brands have and the trust and loyalty that bind customers to these brands. The cooperation will not encroach upon these identities.

Consequently, MAN's existing **business areas** will also remain unchanged. This is also stated in the offer documents. In other words, **the MAN Group** will retain its existing form, including MAN Diesel & Turbo and the investment in Renk, and will still be based in Munich. The dynamic engineering, which we at MAN are quite rightly very proud of, will stay in the Company's places of origin—Oberhausen, Augsburg, and Nuremberg—and contribute to the Company's success.

We also welcome the fact that Volkswagen does **not** intend to abandon any of the current **sites** or cut the number of **jobs**, even in another shareholder setup. With this assurance, all employees can continue to work hard and well, as has been the

case to date. Last of all, it is important that you, ladies and gentlemen, are aware that there are **no** plans for MAN to **withdraw** from the **stock exchange**.

As stated in the offer documents, the offer period ends on June 29, 2011. We hope that the antitrust authorities will be able to come to a positive result quickly. We will then swiftly analyze and translate the synergy potential mentioned. Purchasing, in particular, could very soon see the relevant cost savings.

Together, **MAN and Scania** would be one of the largest **commercial vehicle manufacturers** worldwide. By joining forces in this close cooperation, we could perpetually underpin and strengthen our **exceptional technological standing** on a long-term basis especially.

MAN's history shows that cooperation can be developed to benefit both parties. By working together with Scania and Volkswagen, we could leverage these synergies at an even higher level.

Ladies and gentlemen, cooperating allows faster and more successful progress than going it alone. Expert and reliable partners are indispensable and the only way that a company can successfully concentrate on its core business. This is precisely the reason why we incorporated MAN Truck & Bus's **military truck business** into a **joint venture** with **Rheinmetall AG** in May 2010. The first step was to combine the development and sales activities of both companies in the field of military wheeled vehicles under the umbrella of the new company. The next phase will also see the production capacities of both companies integrated by the end of the year. MAN will contribute its plant in Vienna while Rheinmetall will contribute its plant in Kassel.

The joint venture is thus progressing well. Rheinmetall MAN Military Vehicles GmbH is a major full-service provider in the market for military wheeled vehicles. Together, we cover the entire range of armored and unarmored transport, command and role-specific vehicles for international armed forces. This means that we benefit from the opportunities of the market while also being able to concentrate fully on our strengths in off-road vehicles.

Successful BRIC strategy

The **development of international markets** is certainly one of our core competencies. We took further important steps in the **BRIC countries** of Brazil, Russia, India, and China in 2010.

In 2010, we led the truck market for the eighth year in a row in **Brazil**, where our slice of the market was over 30 percent. In 2011, we will boost our production capacity in the region from 72,000 to some 82,000 vehicles since we expect additional impetus: economic growth in Brazil remains high and infrastructure will be developed further due alone to the two upcoming major sports events: the 2014 Soccer World Cup and the 2016 Olympic Games. The construction industry in particular benefits from this and, as a result, the sales of trucks as well as city passenger and long-haul transportation, i.e. sales of various types of buses. At 17 years, the average age of the truck fleet is also quite high and means that increased replacement investments can be expected. The ongoing government support program and the introduction of the Euro 5 emission standard planned for 2012 also had a positive impact in 2011. Public passenger transportation in megacities and overland can also only be managed with more buses. The market for commercial

vehicles still has major potential which we would like to leverage from our pole position as industry leader.

The **exchange with MAN's European commercial vehicles business** is also beginning to take effect. In 2012, we begin production and sale of heavy **MAN-branded** trucks upward of 400 horsepower in Brazil. We have not been represented in this lucrative market segment to date. Using the combined expertise of our MAN Latin America and MAN Truck & Bus divisions, we want to strike in one fell swoop. We are also starting local production of our proven D08 engines on our own assembly line at one of our suppliers' in Sao Paulo. This is another example of successful cross-border and cross-company cooperation and of internal synergies. However, it also shows that our products and technologies developed and advanced in Europe are also in a position to enjoy another life cycle in emerging and growth countries. We now want to take advantage of this more by exporting from Brazil to South and Central America.

Brazil is also experiencing an enormous boom in the **energy sector**. We are benefiting from this hunger for energy with MAN Diesel & Turbo in many respects: we are currently in the process of fulfilling an order from last year worth over 300 million euro. We are supplying engines and equipment for **diesel power plants** in northeastern Brazil. MAN supplied turbo compressors for industry heavyweight Petrobras back in 2002. Since then, we have had a service agreement with them and work on site. We expect more follow-up orders in the power plant and turbomachinery businesses. Brazil is already the country in which the MAN Group generates the highest revenue.

We are also building a **new truck plant in Russia** this year. As the market leader among western manufacturers, we also want to participate in the strong industry growth through local

production. MAN trucks for the Russian and other CIS markets are to roll off the line for the first time at the St. Petersburg site as early as spring 2012. A production capacity of around 6,000 vehicles a year is planned in the medium term. We also intend to raise the share of local components and win suppliers in the region over for this.

Growth potential in China

We are represented in **India** through our **MAN Force Trucks joint venture**. In the fiscal year just ended, we produced over 4,000 CLA-branded heavy trucks in the country. Our clear head start when it comes to technology in particular enables us to benefit from the planned tightening of emissions standards.

In **China**, we develop heavy trucks with our Chinese **partner Sinotruk**. The vehicles are sold under the new, joint **SITRAK** brand and are specially tailored to emerging economies in Asia and Africa as well as some CIS countries. Delivery of the first vehicles to customers will already be underway in around one year's time. Unit sales of 200,000 are planned in the long term, 80 percent of which in China. The first MAN engines built by Sinotruk under license into its existing series have been coming into use since early this year.

Our activities in China are also growing in the **Power Engineering** business. Just last month, we expanded our **plant in Changzhou** in the Shanghai region. In doing so, we intend to make use of the potential in the market for turbomachinery in China. We are also bundling MDT's current production activities in China at one site. In addition to the existing production of turbomachinery, large-bore diesel turbochargers are now also to be produced there.

By moving production of turbochargers from Shanghai to Changzhou, MAN is leveraging additional synergies from the successfully completed merger last year of the two former co-subsidiaries MAN Diesel and MAN Turbo. MAN subsidiary **Renk** is also starting assembly of slide bearings at the Changzhou site and is now in a position to supply Chinese customers from the country directly. China is already the best-selling market worldwide for MAN Diesel & Turbo today: in 2010, it generated more than ten percent of its revenue here. The market share for two-stroke and four-stroke large-bore diesel engines is around 77 percent.

Things in Asia do not always develop at the pace we would hope for; sometimes, a great deal of patience is required. But our growing success proves us right. Overall, we already generate almost 29 percent of our revenue in the BRIC countries. MAN sells around half its trucks and an even bigger share of buses in these growth markets. We still see further leeway for **additional activities**. Using our knowledge of these markets and the products that suit them, we will continue to selectively build on our activities.

However, I would like to emphasize that we have not set our sights solely on these four countries. It is simply where our focus lies at present, but **other dynamic emerging economies** are quickly catching up. MAN is already very active in this next generation of **growth markets**: the MAN Group recorded an order intake of over 832 million in 2010 in the up-and-coming countries of Mexico, Chile, Argentina, South Africa, Indonesia, and Turkey. We have also had our **own production sites in Mexico, South Africa, and Turkey** for quite a while. So we know these markets very well. The right brand image and positioning of the brand in the respective country are especially important in these cases.

Europe as a basis

Our international strategy can be considered **closely linked to Europe**: it is only through this that we will be able to offset different economic phases and extend the life cycles of products and technologies. When it comes to new, international markets, we have to adapt our products and technologies to the needs of the market but we do not have to invent new ones. In addition to this, we are increasingly succeeding in configuring more and more vehicle types with fewer and fewer exclusive parts in Europe too. This module system has already enabled us to boost our **productivity** considerably and is sure to allow us to go a few steps further.

In most fields, **Europe** will continue to set the pace technologically-speaking with developments alongside it in Brazil. That is why **playing a leading role on the market here** is so important to us too. In **Germany**, which is our biggest European market, fleet owners voted MAN **Germany's most popular truck brand in 2011** at the start of the year. Our heavy MAN TGX truck was named **Green Truck 2011**. The TGX received the highest efficiency score, with the lowest fuel consumption by far and the lowest CO2 emissions, leaving all competitors far behind. That is what we mean when we talk about **transportation efficiency**: sustainable cost advantages for the customer while also reducing the burden on the environment.

This can also be seen in our **TGX EfficientLine** long-haul series. With no technically complex measures, the semitrailer tractor combination saves up to three liters of diesel per 100 kilometers. This saves the customer up to 18,000 liters of diesel and around 20,000 euro in four years. We demonstrated this

with a tour through the whole of Europe under real conditions: three special semitrailer tractors with 38.5 tons and 440 horsepower proved the saving on a four-week tour over more than 10,000 kilometers.

Significantly reduced CO2 emissions also make our **hybrid city buses** possible. The MAN Lion's City Hybrid has proven a fuel saving of up to 30 percent in daily scheduled service use. The MAN Lion's City Hybrid also boasts an electric, almost quiet start at traffic lights and bus stops. The vehicle is already in regular service in Munich, Paris, Barcelona, Milan, Vienna and other cities. The response from transportation authorities is very good and demand is still high. We currently have orders for another 66 vehicles to be supplied in 2011 on our books.

Advanced technology

The hybrid bus thus makes an important contribution to **reducing emissions in downtowns**. We have also been working on this for trucks. City distribution transportation in particular features realistic scenarios for the use of hybrid trucks. However, it must also be mentioned here that efficient use is not conceivable in the short term under the current circumstances.

By contrast, our timetable for fulfilling the **Euro 6** emission standard to come for commercial vehicles, which is legally required for new vehicle types from 2013 onward, is largely clear. MAN is well prepared for this. We have the technology and the experience for custom-designed implementation and market launch.

What we cannot control to the same extent are the political decisions. In the move toward Euro 6, we have taken great

technological efforts to almost reduce emissions of particles and nitrogen oxide to zero. Unfortunately, many players are not yet at this stage. The cleaning system for engines now costs almost as much as the basic engine itself. At the same time, it is becoming more and more difficult to prevent fuel consumption from rising under these conditions. This regulation completely ignores the aim to cut CO₂.

At the same time, lawmakers are discussing CO₂ targets for trucks which are so complicated that they could lead to absurd incentives. Unlike cars, trucks are complicated structures with variable bodies or trailers. One vehicle is rarely the same as the next. Freight forwarders are facing costs that are completely incalculable, not to mention the excessive bureaucracy. A simple, pragmatic solution would be better for all parties involved, for the environment, for freight forwarders, and for manufacturers of vehicles and bodies. All measures that provide an incentive to modernize fleets and automatically lead to reduced CO₂ emissions should be encouraged.

Another starting point could be the use of long trucks of up to 25.25 meters in length. This allows a much larger volume to be transported while the load capacity stays the same. Two of these vehicles would be in a position to take on the load of three conventional vehicles. Emissions would decrease by up to 18 percent as a result. This would also be indispensable in managing the forecast increase in goods traffic in Europe.

The arguments for this are frequently swapped and just as often misunderstood. I do not want to go into this further right now. However, we should at least have the courage to finally start the Germany-wide field test discussed, to impartially test this option, and to provide clear facts. As a manufacturer, MAN is in a position to make a contribution in any case. We are in a position

to supply the right semitrailer tractor, including advanced safety features, right now. We simply need policymakers to take the next step now.

Reducing emissions through aerodynamics

Optimizing aerodynamics is a particularly effective measure to reduce the fuel consumption of long-haul trucks. The MAN TGX EfficientLine already shows what is possible with the help of chassis side panels, tire pressure monitoring, and the omission of obstructing add-ons. This progress can be translated quickly and practically. Yet we want a lot more and we can do a lot more. The **Concept S** is a streamlined design with which we can generate the drag coefficient of a modern car. As a result and through further optimization of auxiliary consumers, fuel consumption and CO₂ emissions can be cut by 25 percent while loading capacity stays the same. You can see a real model today in the collection here.

It makes one thing clear: truck design still has enormous aerodynamic potential. A drastic **reduction in fuel consumption and CO₂** for conventional diesel trucks is possible and can also be translated.

However, the Concept S currently fails because of the extra length required— around two meters— by which it exceeds the standard dimension currently in force to achieve the same loading capacity for Euro pallets. Policymakers must also deviate from the long-established norms here. We cannot afford, neither environmentally nor in terms of economic policy, to do without solutions that would cut carbon dioxide and fuel consumption in long-haul transportation by 25 percent because of just two extra meters when it comes to the total length of the combinations.

The link between **economic and environmental aspects** is also a dominant theme in the **Power Engineering business area**. MAN Diesel & Turbo celebrated an important premier at the start of the year: the Company presented its first two-stroke ship engine in Japan which fulfills the strict emissions standards in the coastal field under **Tier III** of the International Maritime Organization. The freighter with this engine is to go into service before the year is out. It will then already fulfill an emission standard that does not go into effect until 2016.

MAN Diesel & Turbo is also focusing its research efforts on **dual fuel engines** for the use of diesel and natural gas, as well as pure gas engines. When combined with exhaust gas recirculation and waste heat recycling, **gas engines in particular** enable significantly reduced emissions of CO₂ as well as of nitrogen and sulfur oxides. As a market leader of ship propulsion and a leading engine developer, MAN believes that these gas engines have great potential.

Core components for energy provision

The use of natural gas has now also moved into the limelight in the discussion surrounding energy provision in Germany following the nuclear power turnaround. In order to use **gas**, an eco-friendly **resource**, it is not enough to simply turn the import tap. Power plants and infrastructure also need to be adapted to the need. MAN has extensive know-how in this area. And we are present on the market: just around two weeks ago, we announced an order for Europe's largest gas storage project. MAN Diesel & Turbo will be delivering the **compressor units** for it.

The order for the world's first **subsea compressors for gas production** on the sea bed is also a technological milestone. Four MAN Diesel & Turbo hermetically encapsulated special compressors are mining for natural gas from the European North Sea at a depth of up to 300 meters. **Energy efficiency** and safety is significantly improved in the exploitation of gas fields. The new concept can also be applied to most of the gas reserves in the world's seas.

MAN also supplies key components for **wind farms** for eco-friendly energy generation and it is not just the gear units that come from our majority subsidiary Renk. Dual-fuel engines with diesel and gas are also used in combination with wind turbines to cushion peak loads or calm winds. The engines can also be operated with eco-friendly biodiesel. We are not just using this as a front. These markets have **great potential**.

We are delighted that we are going to have a new CEO at MAN Diesel & Turbo in the fall in the form of **Dr. Umlauf**, who has excellent expertise in renewable energies and in turbomachinery. Dr. Umlauf will also represent the Diesel & Turbo division on MAN SE's Executive Board.

In addition to the promising future potential, these examples also show that MAN's Power Engineering business area is very dynamic and highly profitable. Following the merger of Diesel and Turbo, we are increasingly managing to leverage synergies and, through this, projecting a more powerful image on the market.

Corporate responsibility

The **concept of sustainability** is becoming more and more visible in our products. The same applies to the entire MAN

Group, for which we presented our Corporate Responsibility Report in May. The report was audited by PricewaterhouseCoopers and fulfils the requirements of the Global Reporting Initiative's second-highest reporting level. With it, MAN commits itself to a **CR strategy** with ambitious targets: all production sites are to be certified according to the ISO 14001 international environmental standard by 2015. We will implement a climate strategy throughout the Group which includes concrete targets to reduce emissions. We were already able to make further progress in 2010. This includes being listed in the German Carbon Disclosure Leadership Index and being awarded the 'Prime' investment status by oekom research.

Acting responsibly ultimately means the same as **compliance**. Following MAN's bitter experience in the past, we have gone to a lot of building effort. Today, we have a compliance organization that is exemplary. Our principles are well anchored in the Company. Every employee knows that MAN does not tolerate any breaches of compliance – and increasingly sees the Compliance function as a service provider.

If there are tip-offs, as was recently seen at MAN Diesel & Turbo in Augsburg in the case of fuel consumption measurement for 4-stroke engines, or the EU antitrust authorities investigate the unauthorized exchange of information, we will clarify this fully. Neither corruption nor violations of competition are tolerated, encouraged, or accepted.

Our Compliance program and implementation of it also won Transparency International over: the anticorruption organization made MAN a corporate member in 2010. Last year, we also signed the United Nations' Global Compact. By acceding it, we explicitly undertake to observe its ten principles in the areas of

human rights, labor standards, anticorruption, and the environment.

Responsible corporate conduct is also reflected in HR development at MAN. Diversity, equal opportunities and the related appropriate consideration of women constitute a central pillar. Women currently account for around 12 percent of the MAN Group's entire workforce. We have also set this figure as a target for management function appointments which we seek to achieve by 2014. To this end, MAN has a special mentoring and coaching program for women and medium-term to long-term succession planning, among other things. Our success in corporate responsibility shows that we are on the right track, even if we still have quite a lot to do.

There are also changes to Executive Board remuneration. The system that now applies provides for fixed monthly remuneration, including non-cash benefits. An annual bonus that is made up of two components, each with a 50 percent weighting, is also paid. One half of the bonus is calculated by comparing the MAN Group's return on capital employed less the weighted average cost of capital. The average of the relevant and the following fiscal year is compared with the target set in advance by the Supervisory Board. The other half is calculated by comparing return on equity with the target return on equity set in advance by the Supervisory Board. 50 percent of this second bonus half is paid out in shares with a four-year vesting period in accordance with the MAN Stock Program. Both components are each limited to one and a half times the fixed annual remuneration. Moreover, the bonus is only paid out if the Company achieves a return on sales of more than two percent.

The Executive Board remuneration system resolved by the Supervisory Board, including the bonus and benefit

arrangements, are explained in the remuneration report, which is printed in the Annual Report, starting on page 21. Additional explanatory notes can also be found on the MAN SE website.

Outlook for 2011

Dear Shareholders,

Fiscal year 2010 went remarkably well for the MAN Group, even after the dramatic global economic crisis of the previous 1½ years and the internal turmoil at the end of 2009.

Our performance **in the year to date** indicates that we will continue **this upward trend soundly and steadily**. The recovery in the commercial vehicles industry has proven long-lasting. It is driven by demand both at home and abroad. Despite the slightly weaker pace of growth in Brazil, MAN Latin America is still a steady earnings driver. And so, the positive trend in the Commercial Vehicles business continues. We still expect revenue growth of between 10 and 15 for the year as a whole.

A slower recovery of the relevant markets can be seen in the Power Engineering business area. We expect revenue over the course of the year to be on par with the previous year. Return on sales is expected to remain in the solid double-digit range.

We can reconfirm the positive outlook given in May for the **MAN Group**: we expect **revenue growth** of between 7 and 10 percent for 2011 as a whole. We expect **return on sales** to increase by at least one percentage point year-on-year. The good business performance will again lead to a slight **expansion of the workforce** this year.

Conclusion

Ladies and Gentlemen,

An eventful past is nothing new for MAN and its employees. The Company has been through many highs and some lows, it has transformed its structure more than once, and systematically shifted its focus toward **transportation and energy**. But one thing has remained constant in its 253-year history: MAN still stands for **the ultimate in engineering**, for **engine, vehicle, and engineering expertise**, and realistic assessment of the markets.

The **next big change** might be in store for us and MAN may be becoming part of a bigger picture. But whatever the future holds, I am certain that the **unique core** that makes MAN, that gives us our identity, and that makes all employees—from the trainees to the Executive Board—proud to work for this Company, will remain. All of the partners who are now talking to each other and whose engineering style we have the greatest respect for, value this special MAN asset and will cultivate it. After all, it is also their asset at heart.

If we, MAN, are going to enter a new chapter, we want to be in a partnership, in which a strong, progressive MAN seizes **new opportunities** and creates value for the benefit of employees, customers, and shareholders. **I would be delighted if you would continue to support us on the road ahead.**

Thank you for your attention!