

CORPORATE GOVERNANCE¹ AT MAN

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

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

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

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

Unconditional statement of compliance

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

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

Enhancements to the corporate governance system

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

- Effective Jan. 1, 2007, implementation of a cap for an Executive Board member’s remuneration in the event of early departure from an appointed position, thus anticipating a new, corresponding provision in the Code in its version dated June 14, 2007.
- As of December 2007, assigning of responsibility to a committee of the Supervisory Board for nominating Supervisory Board members.
- Confirmation of the Audit Committee’s additional responsibility for corporate governance matters; this is also in response to the amendments to the Code effective June 14, 2007, which stress the especial responsibility of the Executive and Supervisory Boards and especially of the Audit Committee regarding compliance.

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

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

Promoting transparency and stockholders' rights

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

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

Annual General Meeting

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

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

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

the Annual General Meeting, the event is broadcast live in its entirety via the Internet.

Executive Board and Supervisory Board

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

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

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

The re-election of stockholder representatives by the last Annual General Meeting was conducted in keeping with the existing stockholder structure. No Supervisory Board member holds any administrative position or carries out consulting task with any major competitor. This also applies to board members of the VW Group who were elected to the Supervisory Board, since the VW Group is not considered an important competitor to MAN. MAN also adheres to the Code's recommendation that no more than two former Executive Board members should sit on the Supervisory Board: only one former Executive Board member currently sits on the Supervisory Board. For the

reporting year, no conflicts of interest were reported by the members of the Executive and Supervisory boards. One Supervisory Board member did state that as an executive board member of a bank, he had ceded his responsibility for possible business relationships with MAN AG.

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

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

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

Focus on compliance

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

In this, the Executive Board has been receiving support from the newly created Compliance Board, which comprises the heads of major functional areas at MAN AG as well as the compliance officers of its subsidiaries. Particular measures included adopting anti-corruption guide-

lines that now incorporate group-wide standards, appointing external ombudsmen (attorneys) for the anonymous reporting of potential compliance violations, carrying out training measures, and setting up an e-learning program on MAN AG's Code of Conduct and core themes of compliance. The Supervisory Board was briefed on the compliance system and, according to a new suggestion in the Code, has determined that the Audit Committee should take on the topic of "compliance" as a special task.

Mandatory reports on securities transactions

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

Reporting

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

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

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

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

Audit of financial statement

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

Remuneration Report for Fiscal 2007¹

Remuneration of Executive Board members

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

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

The remuneration structure and its components

Remuneration of Executive Board members is made up

of base salaries and payments in kind, as well as pension contributions and profit-based components. The profit-based variable remuneration components consist of annually recurring components tied to company profits, as well as components providing long-term incentives and involving an amount of uncertainty.

- Fixed compensation is paid as a monthly salary. Added to the salary are payments in kind, which include the provision of a company car and a driver as well as the payment of insurance premiums. A review, and if necessary an adjustment, of the fixed compensation is periodically performed to reflect individual Executive Board members' salary histories and scopes of responsibility.
- The profit-sharing bonus, which is paid once annually based on the Company's profits, depends upon MAN's added value. This calculation is in turn based on the operating result minus costs for the capital employed. (For additional information see the section "Tax System and Value Management" in the Group Management Report.)

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

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

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

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

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

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

Remuneration of Executive Board members in 2007

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

Special contract provisions

Based on a provision enacted in 2007, in the event of an early termination of a Board member's contract without good cause and upon the Company's request, the affected Executive Board member will receive his fixed com-

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

Remuneration for Supervisory Board members

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

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

- A fixed fee (fixed compensation) of €35,000.
- A variable compensation (profit-sharing bonus): This is based on the actual return per share as published in the Group's financial statements. The variable compensation is €175 for each €0.01 in earnings per share in excess of €0.50. It is capped at twice the fixed fee.

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

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

Remuneration of Supervisory Board members in 2007

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

Miscellaneous

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

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